



**CITY OF CLAYTON
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

CITY OF CLAYTON
MONTGOMERY COUNTY

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Auditor of State Betty Montgomery

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, 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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2006. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated June 28, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, management and the City Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 28, 2006

CITY OF CLAYTON, OHIO

MONTGOMERY COUNTY

Comprehensive Annual Financial Report

For the Year Ended December 31, 2005

Prepared by:
Department of Finance

Ferris Brown
Finance Director

Teri Birchfield
Assistant to the Finance Director

City of Clayton, Ohio
Comprehensive Annual Financial Report
For The Year Ended December 31, 2005
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June 28, 2006

Citizens of Clayton
Members of Council
City of Clayton, Ohio

I am pleased to present the second Comprehensive Annual Financial Report (CAFR) for the City of Clayton. This report, for the year ended December 31, 2005, 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, 2005.

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, 2005. The Auditor of State's report is located at the front of the financial section of this report.

This CAFR is divided into three sections as follows:

1. The Introductory Section contains the table of contents, this letter of transmittal, a GFOA Certificate of Achievement, a list of principal officials, and an organizational chart of the City.
2. The Financial Section begins with the Independent Accountants' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents social and economic data and financial trend information, and demonstrates the fiscal capacity of the City. The City has chosen to implement the recently issued *Governmental Accounting Standards Board Statement No. 44, "Economic Condition Reporting: The Statistical Section"*.

Management's discussion and analysis (MD&A) immediately follows the Auditor of State report and provides a narrative introduction, overview, and analysis of the basic financial statements. 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 not 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

Clayton 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 second full year of collection, generated \$1,882,105 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.

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.

The City's application for an Economic Development/Governmental Equity (ED/GE) grant on behalf of Anchor Fabricating, was approved during 2002. The grant, which was received in 2003, was for \$103,000 to support the location of the corporation's current facility. By meeting Anchor's need for water, the grant made it possible for them to stay in Clayton and preserved the company's existing jobs.

During the next six 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 balance 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 Budget, Accounting Policies, Debt, Fund Reserves, and Capital Improvements are also being prepared.

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 approximately \$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.

During 2003, the City of Clayton 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.

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 Accountant's Report.

Awards

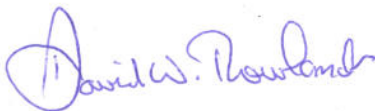
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Clayton, for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2004. This was the first year that the City of Clayton has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. 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 comprehensive annual financial report 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 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. Betty Montgomery, 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



Ferris W. Brown
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, 2004

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



Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

City of Clayton, Ohio

Principal Officials

December 31, 2005

Elected Officials

Name	Title	Term Expires
Ted Gudorf (1)	Mayor	12/31/2005
Tim Gorman	Vice-Mayor	12/31/2007
Robert Peters	Council	12/31/2005
Don Shaffer (2)	Council	12/31/2005
Ron Pretekin	Council	12/31/2007
G. Malcom Treon	Council	12/31/2007
Dawn Tindall	Council	12/31/2005

Appointed Officials

Name	Title	Term Expires
David W. Rowlands	City Manager	Pleasure of Council
Jesse Lightle	Assistant City Manager	Pleasure of City Manager
Ferris W. Brown	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 2006, Mayor was replaced by Joyce Deitering by vote of the citizens of the City.

(2) In 2006, Council was replaced by Janice Paulus by vote of the citizens of the City.

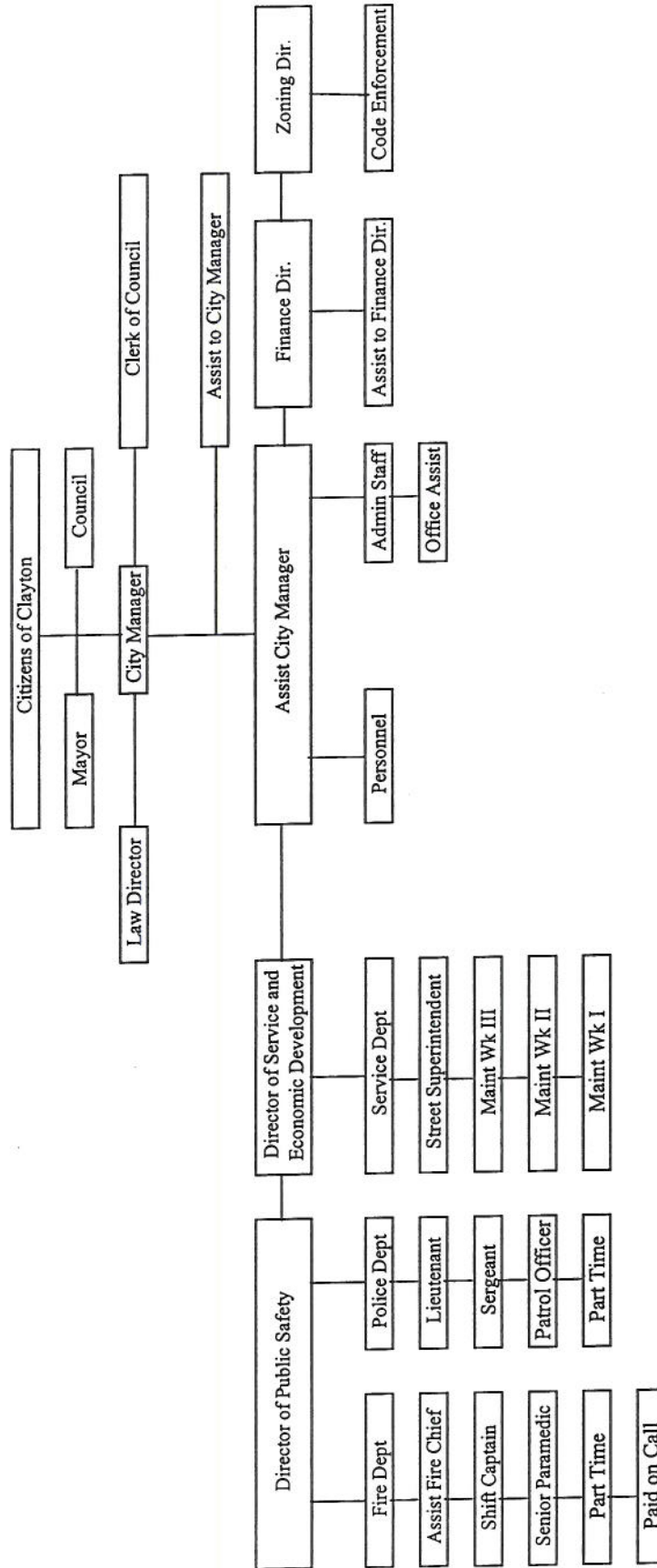
CITY OF CLAYTON ORGANIZATIONAL CHART

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.



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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Clayton
Montgomery County
P.O. Box 280
Clayton, Oh 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, (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Police and Fire Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2006, 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.

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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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 28, 2006

City of Clayton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the 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 \$1,352,015, which represents a 35.8 percent increase from 2004. Business-type activities net assets decreased \$142,582, which represents a 228.4 percent decrease from 2004.

For governmental activities, general revenues accounted for \$5,274,794 or 78.1% of total revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,482,024 or 21.9% of total revenues of \$6,756,818.

The City had \$5,404,803 in expenses related to governmental activities; only \$1,482,024 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 \$5,274,794 were adequate to provide for the remaining cost of these programs.

The General Fund had \$2,606,935 in revenues and \$1,388,366 in expenditures. The General Fund balance increased by \$658,569 over 2004 leaving an ending fund balance of \$2,059,038.

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, 2005

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, State Route 48 Improvement, Water Department, and Sewer Operating funds.

City of Clayton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

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.

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 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and Other Assets	\$7,770,820	\$9,088,194	\$178,751	\$177,447	\$7,949,571	\$9,265,641
Capital Assets	5,345,595	1,720,247	5,292,806	3,985,285	10,638,401	5,705,532
<i>Total Assets</i>	<u>13,116,415</u>	<u>10,808,441</u>	<u>5,471,557</u>	<u>4,162,732</u>	<u>18,587,972</u>	<u>14,971,173</u>
Liabilities:						
Current and Other Liabilities	2,528,432	2,284,980	324,452	12,824	2,852,884	2,297,804
Long-Term Liabilities	5,459,324	4,746,817	5,227,251	4,087,472	10,686,575	8,834,289
<i>Total Liabilities</i>	<u>7,987,756</u>	<u>7,031,797</u>	<u>5,551,703</u>	<u>4,100,296</u>	<u>13,539,459</u>	<u>11,132,093</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	309,575	3,952	65,555	(102,187)	375,130	(98,235)
Restricted for:						
Capital Outlay	481,391	258,602	0	0	481,391	258,602
Other Purposes	1,802,181	1,678,405	0	0	1,802,181	1,678,405
Unrestricted (Deficit)	<u>2,535,512</u>	<u>1,835,685</u>	<u>(145,701)</u>	<u>164,623</u>	<u>2,389,811</u>	<u>2,000,308</u>
<i>Total Net Assets</i>	<u>\$5,128,659</u>	<u>\$3,776,644</u>	<u>(\$80,146)</u>	<u>\$62,436</u>	<u>\$5,048,513</u>	<u>\$3,839,080</u>

City of Clayton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Net assets of the City's governmental activities increased \$1,352,015. Assets increased \$2,307,974 with capital assets increasing \$3,625,348 due mainly to the City purchasing land through the Land Acquisition Note proceeds of 2004. Current liabilities increased \$243,452 due primarily to the deferred revenue from property and other local tax receivable. Long-term liabilities increased \$712,507 due chiefly to two new capital leases entered into during the year as well as a communication equipment loan. Net Assets restricted for Capital Outlay increased 222,789 due mainly to the proceeds of a capital lease held in escrow to purchase radio equipment. Net Assets restricted for Other Purposes increased \$123,776 due mainly to an increase in shared revenues and law enforcement fines. Net Assets of business-type activities decreased by \$142,582 mainly due to depreciation on the capital assets.

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

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$388,263	\$342,469	\$27,111	\$31,303	\$415,374	\$373,772
Operating Grants, Contributions and Interest	817,692	552,811	0	0	817,692	552,811
Capital Grants, Contributions and Interest	276,069	0	107,149	0	383,218	0
<i>Total Program Revenues</i>	<u>1,482,024</u>	<u>895,280</u>	<u>134,260</u>	<u>31,303</u>	<u>1,616,284</u>	<u>926,583</u>
General Revenues:						
Property and Other Local Taxes	2,330,891	2,283,639	0	0	2,330,891	2,283,639
Municipal Income Taxes	2,157,638	1,282,158	0	0	2,157,638	1,282,158
Grants and Entitlements not Restricted to Specific Programs	579,344	820,270	0	0	579,344	820,270
Contributions	0	12,331	0	0	0	12,331
Investment Income	98,999	2,622	0	0	98,999	2,622
Other	107,922	90,905	1,150	0	109,072	90,905
<i>Total General Revenues</i>	<u>5,274,794</u>	<u>4,491,925</u>	<u>1,150</u>	<u>0</u>	<u>5,275,944</u>	<u>4,491,925</u>
<i>Total Revenues</i>	<u>6,756,818</u>	<u>5,387,205</u>	<u>135,410</u>	<u>31,303</u>	<u>6,892,228</u>	<u>5,418,508</u>
Program Expenses:						
General Government	2,844,629	1,368,528	0	0	2,844,629	1,368,528
Security of Persons and Property	2,092,413	2,407,965	0	0	2,092,413	2,407,965
Leisure Time Activities	0	667	0	0	0	667
Public Health	4,549	5,376	0	0	4,549	5,376
Transportation	282,961	537,134	0	0	282,961	537,134
Interest and Fiscal Charges	180,251	34,215	0	0	180,251	34,215
Water Department	0	0	221,444	118,331	221,444	118,331
Sewer Operating	0	0	56,548	0	56,548	0
<i>Total Expenses</i>	<u>5,404,803</u>	<u>4,353,885</u>	<u>277,992</u>	<u>118,331</u>	<u>5,682,795</u>	<u>4,472,216</u>
<i>Increase (Decrease) in Net Assets</i>	1,352,015	1,033,320	(142,582)	(87,028)	1,209,433	946,292
Net Assets Beginning of Year	<u>3,776,644</u>	<u>2,743,324</u>	<u>62,436</u>	<u>149,464</u>	<u>3,839,080</u>	<u>2,892,788</u>
Net Assets End of Year	<u>\$5,128,659</u>	<u>\$3,776,644</u>	<u>(\$80,146)</u>	<u>\$62,436</u>	<u>\$5,048,513</u>	<u>\$3,839,080</u>

City of Clayton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

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 either 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. 2005 was the second year of collections for income tax. The increase in net assets of \$1,352,015 was partly contributed to the \$875,480 of additional revenue from income tax for the City. The original estimates for income tax collection forecasts large growth in the first four years of the tax until it is fully implemented. Full collection is predicted to be 2.1 million by 2007.

Governmental program expenses for 2005 were as follows:

General Government	52.63%
Security of Persons and Property	38.71%
Public Health	0.08%
Transportation	5.24%
Interest and Fiscal Charges	3.34%
	100.00%

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 decreased \$142,582 in 2005, a 228.4% decrease over 2004. This decrease was mainly due to the contracts payable for the OWDA sewer project in progress in the City. 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 \$6,591,121 and expenditures of \$13,710,539. Other Financing Sources and Uses of \$5,288,412, namely proceeds from general obligation bonds, loans and capital leases, and the Commerce Park land purchase make up the difference. At year-end, the City's governmental funds reported combined ending fund balances of \$3,982,735, a decrease of \$1,831,006 in comparison with the prior year. Approximately 93 percent of this total amount (\$3,705,036) 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, (\$277,699), 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 increased by \$658,569, primarily due to the second year of collections of municipal income tax. Also, the City departments have sustained a trend of under-spending their appropriations through fiscal restraints.

City of Clayton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

The Police Fund increased by \$24,482. This was mainly due to transfers in of revenues from the General Fund.

The Fire Fund balance increased by \$55,145. This was mainly due to new leadership and the previously mentioned focus on fiscal restraint.

The Capital Improvement Fund decreased by \$2,693,956. This was primarily due to the acquisition of land through the 2004 Land Acquisition Note.

The State Route 48 Improvement Fund balance increased by \$2,443.

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 2005, there were several revisions to the General Fund budget. The net effect of the revisions was an increase in the appropriations of \$55,000.

For the General Fund, the final budget basis estimated revenues differed from the original budgeted estimated revenue of \$1,946,270 by \$444,141 to \$2,390,411, a 22.8% increase primarily due to the increase in income tax revenues from the second year of collections. Actual revenues of \$2,655,941 differed from the original estimated budget basis revenues by \$709,671 and from the final estimated budget basis revenues by \$265,530 mainly due to increase in local government monies and income tax revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the City's book value of capital assets for governmental and business-type activities (net of accumulated depreciation) amounted to \$10,638,401, an increase of \$4,932,869 over 2004.

City of Clayton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Table 3
 Capital Assets (Net of Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$3,089,321	\$227,357	\$0	\$0	\$3,089,321	\$227,357
Buildings	140,751	157,856	0	0	140,751	157,856
Improvements Other Than Buildings	18,674	20,871	0	0	18,674	20,871
Furniture and Fixtures	29,064	31,786	0	0	29,064	31,786
Vehicles	1,240,826	868,531	0	0	1,240,826	868,531
Equipment	540,715	232,210	0	0	540,715	232,210
Construction in Progress	0	0	1,511,895	0	1,511,895	0
Infrastructure	286,244	181,636	3,780,911	3,985,285	4,067,155	4,166,921
Totals	<u>\$5,345,595</u>	<u>\$1,720,247</u>	<u>\$5,292,806</u>	<u>\$3,985,285</u>	<u>\$10,638,401</u>	<u>\$5,705,532</u>

The increase of \$3,625,348 in governmental activities capital assets occurred due to the purchase of land using the 2004 Land Acquisition Notes in 2005. The increase in business-type activities was due to the OWDA sewer project. See Note 10 of the Notes to the Basic Financial Statements for more detailed information.

Debt

At December 31, 2005, the City of Clayton had \$4,800,294 in general obligation bonds and loans outstanding and \$542,695 in capital leases.

Table 4
 Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
State Route 48 Improvement Note	\$0	\$1,600,000	\$0	\$0
Land Acquisition Note	0	2,900,000	0	0
General Obligation Bonds	4,601,904	0	0	0
Communication Equipment Loan	198,390	0	0	0
Capital Leases	542,695	120,668	0	0
Water Line Loan	0	0	3,984,356	4,087,472
OWDA Loan	0	0	1,242,895	0
Totals	<u>\$5,342,989</u>	<u>\$4,620,668</u>	<u>\$5,227,251</u>	<u>\$4,087,472</u>

The City's overall legal debt margin was \$23,049,541 as of December 31, 2005. The more restrictive unvoted legal debt margin was \$10,600,255 as of the same date. The terms and agreement for the repayment of the Water Line Loan have not been finalized with the City of Dayton. See Notes 14 and 15 of the Basic Financial Statements for more detailed information.

City of Clayton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

CURRENT FINANCIAL ISSUES AND CONCERNS

The City of Clayton has maintained the momentum of fiscal growth from 2004. The passage of the 1.5 percent income tax in 2003 began a new era of fiscal stability. The 2005 collections represented 49 percent of the General Fund revenue and 28.6 percent of all fund revenue. The department heads have continued the fiscal restraint which ultimately led to over \$500,000 of under spent appropriations. Also, the cash management and budgetary policies of the Finance Department encourage the growth in fund carryovers. The General Fund carryover balance grew from \$1,400,469 at December 31, 2004 to \$2,059,038 at December 31, 2005. That represents 93.2 percent of the General Fund's projected actual expenditures for 2006 (\$2,207,000).

The newly authorized Commerce Park is another means to maintain the momentum. Council passed legislation to exercise an option to purchase a 143 acre parcel of land on Hoke Road to become an industrial destination. The City has been granted \$500,000 to develop shovel ready sites. Construction on road infrastructure will begin in the summer of 2007.

Currently, the \$1,882,105 income tax revenue is generated by approximately 3,000 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 Ferris Brown, Director of Finance, City of Clayton, P.O. 280, Clayton, Ohio 45315.

City of Clayton, Ohio
Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,920,646	\$174,908	\$4,095,554
Cash and Cash Equivalents with Escrow Agents	109,330	0	109,330
Accounts Receivable	105,088	7,600	112,688
Intenal Balances	60,000	(60,000)	0
Due from Other Governments	673,928	0	673,928
Prepaid Items	73,169	0	73,169
Increment Tax Receivable	124,677	0	124,677
Municipal Income Tax Receivable	392,746	0	392,746
Property and Other Local Taxes Receivable	2,189,968	0	2,189,968
Special Assessments Receivable - Current	22,624	56,243	78,867
Special Assessments Receivable - Delinquent	2,909	0	2,909
Deferred Charges	95,735	0	95,735
Nondepreciable Capital Assets	3,089,321	1,511,895	4,601,216
Depreciable Capital Assets, net	2,256,274	3,780,911	6,037,185
<i>Total Assets</i>	<u>13,116,415</u>	<u>5,471,557</u>	<u>18,587,972</u>
Liabilities:			
Accounts Payable	57,540	27,683	85,223
Accrued Wages Payable	89,774	0	89,774
Contracts Payable	0	170,826	170,826
Retainage Payable	0	98,174	98,174
Due to Other Governments	218,993	27,769	246,762
Deferred Revenue	2,145,947	0	2,145,947
Accrued Interest Payable	16,178	0	16,178
Long-Term Liabilities:			
Due Within One Year	353,361	10,898	364,259
Due in More Than One Year	5,105,963	5,216,353	10,322,316
<i>Total Liabilities</i>	<u>7,987,756</u>	<u>5,551,703</u>	<u>13,539,459</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	309,575	65,555	375,130
Restricted for Capital Outlay	481,391	0	481,391
Restricted for Security of Persons and Property	861,676	0	861,676
Restricted for Transportation	566,657	0	566,657
Restricted for Other Purposes	373,848	0	373,848
Unrestricted (Deficit)	2,535,512	(145,701)	2,389,811
<i>Total Net Assets</i>	<u>\$5,128,659</u>	<u>(\$80,146)</u>	<u>\$5,048,513</u>

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Statement of Activities
For the Year Ended December 31, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
Governmental Activities:				
General Government	\$2,844,629	\$38,031	\$43,823	\$276,069
Security of Persons and Property	2,092,413	345,607	278,271	0
Public Health	4,549	4,625	0	0
Transportation	282,961	0	495,598	0
Interest and Fiscal Charges	180,251	0	0	0
<i>Total Governmental Activities</i>	<u>5,404,803</u>	<u>388,263</u>	<u>817,692</u>	<u>276,069</u>
Business-Type Activities:				
Water Department	221,444	27,111	0	103,116
Sewer Operating	56,548	0	0	4,033
<i>Total Business-Type Activities</i>	<u>277,992</u>	<u>27,111</u>	<u>0</u>	<u>107,149</u>
<i>Totals</i>	<u>\$5,682,795</u>	<u>\$415,374</u>	<u>\$817,692</u>	<u>\$383,218</u>

General Revenues:

Property Taxes Levied For:

General Purposes

Police

Fire

EMS

Other Local Taxes

Municipal Income Tax Levied For:

General Purposes

Capital Outlay

Grants and Entitlements not

Restricted to Specific Programs

Investment Income

Other

Total General Revenues

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$2,486,706)	\$0	(\$2,486,706)
(1,468,535)	0	(1,468,535)
76	0	76
212,637	0	212,637
(180,251)	0	(180,251)
<u>(3,922,779)</u>	<u>0</u>	<u>(3,922,779)</u>
0	(91,217)	(91,217)
<u>0</u>	<u>(52,515)</u>	<u>(52,515)</u>
0	(143,732)	(143,732)
<u>(3,922,779)</u>	<u>(143,732)</u>	<u>(4,066,511)</u>
465,256	0	465,256
1,098,323	0	1,098,323
421,057	0	421,057
184,599	0	184,599
161,656		161,656
1,459,448	0	1,459,448
698,190	0	698,190
579,344	0	579,344
98,999	0	98,999
107,922	1,150	109,072
<u>5,274,794</u>	<u>1,150</u>	<u>5,275,944</u>
1,352,015	(142,582)	1,209,433
<u>3,776,644</u>	<u>62,436</u>	<u>3,839,080</u>
<u>\$5,128,659</u>	<u>(\$80,146)</u>	<u>\$5,048,513</u>

City of Clayton, Ohio
Balance Sheet
Governmental Funds
December 31, 2005

	General	Police	Fire
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,982,019	\$283,684	\$188,007
Cash and Cash Equivalents with Escrow Agents	0	0	0
Receivables:			
Property and Other Local Taxes	490,249	1,084,632	423,000
Municipal Income Tax	259,213	0	0
Increment Tax	0	0	0
Interfund	60,000	0	0
Accounts	75,805	264	0
Special Assessments - Current	0	0	0
Special Assessments - Delinquent	0	0	0
Due from Other Governments	264,068	70,793	27,198
Prepaid Items	20,933	15,977	7,004
<i>Total Assets</i>	<u>\$3,152,287</u>	<u>\$1,455,350</u>	<u>\$645,209</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$40,541	\$1,226	\$4,415
Accrued Wages Payable	14,108	37,606	11,120
Due to Other Governments	35,083	87,479	14,696
Deferred Revenue	1,003,517	1,153,821	450,198
<i>Total Liabilities</i>	<u>1,093,249</u>	<u>1,280,132</u>	<u>480,429</u>
Fund Balances:			
Reserved for Encumbrances	141,169	45,282	34,709
Unreserved, Undesignated, Reported in:			
General Fund	1,917,869	0	0
Special Revenue Funds	0	129,936	130,071
Debt Service Fund	0	0	0
Capital Projects Funds	0	0	0
<i>Total Fund Balances</i>	<u>2,059,038</u>	<u>175,218</u>	<u>164,780</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,152,287</u>	<u>\$1,455,350</u>	<u>\$645,209</u>

See accompanying notes to the basic financial statements

Capital Improvement	State Route 48 Improvement	Nonmajor Funds	Total Governmental Funds
\$325,125	\$6,816	\$1,134,995	\$3,920,646
109,330	0	0	109,330
0	0	192,087	2,189,968
133,533	0	0	392,746
0	0	124,677	124,677
0	0	0	60,000
0	0	29,019	105,088
0	0	22,624	22,624
0	0	2,909	2,909
0	0	311,869	673,928
0	0	29,255	73,169
<u>\$567,988</u>	<u>\$6,816</u>	<u>\$1,847,435</u>	<u>\$7,675,085</u>
\$2,435	\$0	\$8,923	\$57,540
0	0	26,940	89,774
0	0	81,735	218,993
126,934	0	591,573	3,326,043
<u>129,369</u>	<u>0</u>	<u>709,171</u>	<u>3,692,350</u>
9,464	0	47,075	277,699
0	0	0	1,917,869
0	0	1,068,406	1,328,413
0	0	4,431	4,431
429,155	6,816	18,352	454,323
<u>438,619</u>	<u>6,816</u>	<u>1,138,264</u>	<u>3,982,735</u>
<u>\$567,988</u>	<u>\$6,816</u>	<u>\$1,847,435</u>	<u>\$7,675,085</u>

City of Clayton, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2005*

Total Governmental Fund Balances	\$3,982,735
 <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	3,089,321
Buildings	726,380
Improvements Other Than Buildings	32,388
Furniture and Fixtures	72,560
Vehicles	2,689,124
Equipment	907,473
Infrastructure	321,436
Accumulated Depreciation	<u>(2,493,087)</u>
Total	5,345,595
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	95,735
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	160,748
Municipal Income Taxes	373,336
Intergovernmental	544,717
Special Assessments	25,533
Charges for Services	<u>75,762</u>
Total	1,180,096
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	(16,178)
Premium on Debt Issued	(95,735)
General Obligation Bonds	(4,506,169)
Communication Equipment Loan	(198,390)
Capital Lease Payable	(542,695)
Compensated Absences Payable	<u>(116,335)</u>
Total	<u>(5,475,502)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$5,128,659</u></u>

See accompanying notes to the basic financial statements

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

	General	Police	Fire
Revenues:			
Property and Other Local Taxes	\$481,042	\$1,111,615	\$426,098
Municipal Income Taxes	1,278,248	0	0
Intergovernmental	688,917	176,186	60,660
Charges for Services	27,648	0	0
Licenses and Permits	8,315	0	0
Fines and Forfeitures	0	11,308	0
Investment Income	98,999	0	0
Special Assessments	0	0	0
Other	23,766	34,299	9,855
<i>Total Revenues</i>	<u>2,606,935</u>	<u>1,333,408</u>	<u>496,613</u>
Expenditures:			
Current:			
General Government	1,388,366	0	0
Security of Persons and Property	0	1,436,426	441,468
Public Health	0	0	0
Transportation	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Issuance Costs	0	0	0
<i>Total Expenditures</i>	<u>1,388,366</u>	<u>1,436,426</u>	<u>441,468</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,218,569</u>	<u>(103,018)</u>	<u>55,145</u>
Other Financing Sources (Uses):			
General Obligation Bond Issued	0	0	0
Refunding Notes Issued	0	0	0
Premium on Debt Issued	0	0	0
Proceeds of Loan	0	0	0
Proceeds from Capital Lease	0	0	0
Transfers-In	0	127,500	0
Current Refunding	0	0	0
Transfers-Out	(560,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(560,000)</u>	<u>127,500</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	658,569	24,482	55,145
<i>Fund Balances at Beginning of Year</i>	<u>1,400,469</u>	<u>150,736</u>	<u>109,635</u>
<i>Fund Balances at End of Year</i>	<u><u>\$2,059,038</u></u>	<u><u>\$175,218</u></u>	<u><u>\$164,780</u></u>

See accompanying notes to the basic financial statements

Capital Improvement	State Route 48 Improvement	Nonmajor Funds	Total Governmental Funds
\$0	\$0	\$415,372	\$2,434,127
603,857	0	0	1,882,105
130,240	0	583,985	1,639,988
0	0	313,391	341,039
0	0	0	8,315
0	0	2,316	13,624
4,961	2,443	35,842	142,245
0	0	22,124	22,124
10,100	0	29,534	107,554
<u>749,158</u>	<u>2,443</u>	<u>1,402,564</u>	<u>6,591,121</u>
4,223,539	0	35,486	5,647,391
0	0	576,337	2,454,231
0	0	4,549	4,549
0	0	753,543	753,543
69,973	0	0	69,973
48,842	39,007	94,981	182,830
60,628	37,394	0	98,022
<u>4,402,982</u>	<u>76,401</u>	<u>1,464,896</u>	<u>9,210,539</u>
<u>(3,653,824)</u>	<u>(73,958)</u>	<u>(62,332)</u>	<u>(2,619,418)</u>
2,900,000	1,600,000	0	4,500,000
0	1,600,000	0	1,600,000
60,628	37,394	0	98,022
198,390	0	0	198,390
492,000	0	0	492,000
314,225	39,007	312,873	793,605
(2,900,000)	(3,200,000)	0	(6,100,000)
(105,375)	0	(128,230)	(793,605)
<u>959,868</u>	<u>76,401</u>	<u>184,643</u>	<u>788,412</u>
(2,693,956)	2,443	122,311	(1,831,006)
<u>3,132,575</u>	<u>4,373</u>	<u>1,015,953</u>	<u>5,813,741</u>
<u>\$438,619</u>	<u>\$6,816</u>	<u>\$1,138,264</u>	<u>\$3,982,735</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, 2005*

Net Change in Fund Balances - Total Governmental Funds (\$1,831,006)

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	3,891,323	
Depreciation	<u>(236,633)</u>	
Excess of Capital Outlay over Depreciation Expense		3,654,690

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		(29,342)
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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.

		(492,000)
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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:

Notes Payable	6,100,000	
Capital Lease Payable	<u>69,973</u>	
		6,169,973

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	(103,236)	
Municipal Income Taxes	275,533	
Intergovernmental	(10,129)	
Charges for Services	2,068	
Special Assessments	1,093	
Other	<u>368</u>	
		165,697

The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net assets, the debt is reported as a liability.

Notes	(1,600,000)	
General Obligation Bonds	(4,500,000)	
Communication Equipment Loan	<u>(198,390)</u>	
		(6,298,390)

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	(6,169)	
Amortization of Premium on General Obligation Bond	2,287	
Net Amortization of Bond Issuance Costs (Deferred Charges)	(2,287)	
Net Decrease in Accrued Interest	<u>8,748</u>	
		2,579

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:

Decrease in Compensated Absences		<u>9,814</u>
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Change in Net Assets of Governmental Activities \$1,352,015

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)
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$440,195	\$476,161	\$481,042	\$4,881
Municipal Income Taxes	866,666	1,199,509	1,293,207	93,698
Intergovernmental	592,256	622,470	722,866	100,396
Charges for Services	12,153	12,153	28,053	15,900
Licenses and Permits	5,500	5,500	8,315	2,815
Investment Income	10,000	55,118	98,999	43,881
Other	19,500	19,500	23,459	3,959
<i>Total Revenues</i>	1,946,270	2,390,411	2,655,941	265,530
Expenditures:				
Current:				
General Government	1,583,103	1,638,103	1,514,942	123,161
<i>Excess of Revenues Over Expenditures</i>	363,167	752,308	1,140,999	388,691
Other Financing Sources (Uses):				
Advances-In	0	0	103,116	103,116
Advances-Out	0	(560,000)	(163,116)	396,884
Transfers-Out	(670,000)	(560,000)	(560,000)	0
<i>Total Other Financing Sources (Uses)</i>	(670,000)	(1,120,000)	(620,000)	500,000
<i>Net Change in Fund Balance</i>	(306,833)	(367,692)	520,999	888,691
<i>Fund Balance at Beginning of Year</i>	1,199,202	1,199,202	1,199,202	0
<i>Prior Year Encumbrances Appropriated</i>	96,025	96,025	96,025	0
<i>Fund Balance at End of Year</i>	\$988,394	\$927,535	\$1,816,226	\$888,691

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Local Taxes	\$1,043,410	\$1,043,410	\$1,111,615	\$68,205
Intergovernmental	177,960	149,078	176,053	26,975
Fines and Forfeitures	22,200	38,422	11,588	(26,834)
Other	<u>0</u>	<u>0</u>	<u>34,299</u>	<u>34,299</u>
<i>Total Revenues</i>	1,243,570	1,230,910	1,333,555	102,645
Expenditures:				
Current:				
Security of Persons and Property	<u>1,723,017</u>	<u>1,723,017</u>	<u>1,474,919</u>	<u>248,098</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(479,447)	(492,107)	(141,364)	350,743
Other Financing Sources :				
Transfers-In	<u>255,000</u>	<u>255,000</u>	<u>127,500</u>	<u>(127,500)</u>
<i>Net Change in Fund Balance</i>	(224,447)	(237,107)	(13,864)	223,243
<i>Fund Balance at Beginning of Year</i>	173,439	173,439	173,439	0
<i>Prior Year Encumbrances Appropriated</i>	<u>77,379</u>	<u>77,379</u>	<u>77,379</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$26,371</u>	<u>\$13,711</u>	<u>\$236,954</u>	<u>\$223,243</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$404,365	\$404,365	\$426,098	\$21,733
Intergovernmental	73,596	71,296	60,660	(10,636)
Other	0	2,300	9,855	7,555
<i>Total Revenues</i>	477,961	477,961	496,613	18,652
Expenditures:				
Current:				
Security of Persons and Property	566,929	566,929	516,021	50,908
<i>Net Change in Fund Balance</i>	(88,968)	(88,968)	(19,408)	69,560
<i>Fund Balance at Beginning of Year</i>	120,971	120,971	120,971	0
<i>Prior Year Encumbrances Appropriated</i>	47,292	47,292	47,292	0
<i>Fund Balance at End of Year</i>	<u>\$79,295</u>	<u>\$79,295</u>	<u>\$148,855</u>	<u>\$69,560</u>

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2005

	Water Department	Sewer Operating	Total
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$116,437	\$58,471	\$174,908
Receivables:			
Accounts	7,600	0	7,600
Special Assessments - Current	56,243	0	56,243
<i>Total Current Assets</i>	<u>180,280</u>	<u>58,471</u>	<u>238,751</u>
Non-current Assets:			
Nondepreciable Capital Assets	0	1,511,895	1,511,895
Depreciable Capital Assets, Net	3,780,911	0	3,780,911
<i>Total Non-current Assets</i>	<u>3,780,911</u>	<u>1,511,895</u>	<u>5,292,806</u>
<i>Total Assets</i>	<u>3,961,191</u>	<u>1,570,366</u>	<u>5,531,557</u>
Liabilities:			
Current:			
Accounts Payable	0	27,683	27,683
Contracts Payable	0	170,826	170,826
Retainage Payable	0	98,174	98,174
Due to Other Governments	5,616	22,153	27,769
Interfund Payable	0	60,000	60,000
OWDA Loans Payable	0	10,898	10,898
<i>Total Current Liabilities</i>	<u>5,616</u>	<u>389,734</u>	<u>395,350</u>
Long-Term Liabilities:			
Loan Payable	3,984,356	0	3,984,356
OWDA Loans Payable	0	1,231,997	1,231,997
<i>Total Long-Term Liabilities</i>	<u>3,984,356</u>	<u>1,231,997</u>	<u>5,216,353</u>
<i>Total Liabilities</i>	<u>3,989,972</u>	<u>1,621,731</u>	<u>5,611,703</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(203,445)	269,000	65,555
Unrestricted (Deficit)	174,664	(320,365)	(145,701)
<i>Total Net Assets</i>	<u>(\$28,781)</u>	<u>(\$51,365)</u>	<u>(\$80,146)</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, 2005*

	Water Department	Sewer Operating	Total
Operating Revenues:			
Charges for Services	\$20,689	\$0	\$20,689
Tap-In fees	6,422	0	6,422
Other	0	1,150	1,150
<i>Total Operating Revenues</i>	<u>27,111</u>	<u>1,150</u>	<u>28,261</u>
Operating Expenses:			
Contractual Services	17,070	56,548	73,618
Depreciation	204,374	0	204,374
<i>Total Operating Expenses</i>	<u>221,444</u>	<u>56,548</u>	<u>277,992</u>
<i>Operating Loss</i>	(194,333)	(55,398)	(249,731)
Non-Operating Revenues:			
Grants	103,116	4,033	107,149
<i>Change in Net Assets</i>	(91,217)	(51,365)	(142,582)
<i>Net Assets at Beginning of Year - Restated (Note 3)</i>	<u>62,436</u>	<u>0</u>	<u>62,436</u>
<i>Net Assets at End of Year</i>	<u><u>(\$28,781)</u></u>	<u><u>(\$51,365)</u></u>	<u><u>(\$80,146)</u></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, 2005

	<u>Water Department</u>	<u>Sewer Operating</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received From Customers	\$46,965	\$0	\$46,965
Cash Received From Other Non-Operating Revenues	0	1,150	1,150
Cash Payments to Suppliers	(24,278)	(6,712)	(30,990)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>22,687</u>	<u>(5,562)</u>	<u>17,125</u>
Cash Flows from Noncapital Financing Activities:			
Advances - In	<u>0</u>	<u>60,000</u>	<u>60,000</u>
Cash Flows from Capital and Related Financing Activities:			
Grants	103,116	4,033	107,149
Loan Principal Payments	(103,116)	0	(103,116)
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>0</u>	<u>4,033</u>	<u>4,033</u>
<i>Net Increase in Cash and Cash Equivalents</i>	22,687	58,471	81,158
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>93,750</u>	<u>0</u>	<u>93,750</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$116,437</u></u>	<u><u>\$58,471</u></u>	<u><u>\$174,908</u></u>
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:			
Operating Loss	(\$194,333)	(\$55,398)	(\$249,731)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	204,374	0	204,374
Decrease in Accounts Receivable	836	0	836
Decrease in Special Assessments Receivable	19,018	0	19,018
Increase in Accounts Payable	0	27,683	27,683
Increase (Decrease) in Due to Other Governments	(7,208)	22,153	14,945
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$22,687</u></u>	<u><u>(\$5,562)</u></u>	<u><u>\$17,125</u></u>

Noncash Capital Financing Activities

During 2005, the Sewer Operating Fund received an OWDA loan in the amount of \$1,242,895 for the construction of capital assets.

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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, 2005

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. 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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 two categories of funds utilized by the City: governmental and proprietary.

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.

State Route 48 Improvement Fund – The State Route 48 Improvement Fund is used to account for debt proceeds used to finance major improvements to State Route 48, and the expenditures for the Main Street Increment Financing.

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

Proprietary Fund

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:

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2005, but were levied to finance 2006 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.

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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2005, 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, 2005. 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 2005 amounted to \$98,999, which includes \$60,610 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, 2005, 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.

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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Furniture and Fixtures	2-20 years
Vehicles	5-25 years
Equipment	7-20 years
Infrastructure	10-60 years

The City's infrastructure system consists of streets, curbs, gutters, sidewalks, street lights, and water lines. The City only reports the amounts acquired after 2003. 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. The City plans to phase in the prior years' amounts in future years.

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.

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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$2,283,572 of restricted net assets, of which \$998,785 is restricted by enabling legislation.

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.

Interfund Transactions

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in 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 nonoperating.

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

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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

Change in Accounting Principles

For 2005, the City has implemented *GASB Statement No. 40 – an amendment, “Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3”*, *GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”* and *GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation – an amendment of GAASB Statement No. 34”*.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the City’s financial statements for 2005.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the City’s financial statements for 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining whether net assets should be reported as restricted. The implementation of this new statement had no effect on the City’s financial statements for 2005.

Restatement of Prior Year Net Assets

During 2005, an accounting change was discovered that resulted in the following restatement of net assets at December 31, 2004:

	Water Department Fund	Total Business Type Activities
Nets Assets, December 31, 2004	\$92,318	\$92,318
Special Assessments Receivable - Delinquent	(29,882)	(29,882)
Adjusted Total Net Assets, December 31, 2004	\$62,436	\$62,436

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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.

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. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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	\$658,569	\$24,482	\$55,145
Revenue Accruals	49,006	147	0
Expenditure Accruals	39,217	8,237	(35,401)
Encumbrances	(165,793)	(46,730)	(39,152)
Advances	(60,000)	0	0
Budget Basis	\$520,999	(\$13,864)	(\$19,408)

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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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.

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 payment of 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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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.

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, \$990,567 of the City's bank balance of \$1,091,112 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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 June December 31, 2005, the City's investments were a repurchase agreement and STAROhio, which are in an internal investment pool.

Interest Rate Risk

The repurchase agreement matures on January 2, 2006. 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 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 with 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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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.

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, 78 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 located in the City. Property tax revenue received during 2005 for real and public utilities property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 6 - PROPERTY TAXES (Continued)

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.

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, 2005, 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 2005 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, 2005, was \$12.58 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property	\$240,637,790	96.65%
Public Utility Property	5,979,780	2.40%
Tangible Personal Property	2,368,147	0.95%
Totals	\$248,985,717	100.00%

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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 8 – RECEIVABLES

Receivables at December 31, 2005, 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 activity, 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 \$37,495. The City has \$2,909 of delinquent special assessments at December 31, 2005.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Local Government Assistance	\$27,859
Local Government	145,245
Estate Tax	66,334
Homestead and Rollback Exemption	132,753
Gas Tax	224,257
Motor Vehicle Tax	59,152
Court Fines	475
Roadway Safety Grant	16,450
Safety Office Grant	1,403
Total Intergovernmental Receivable	<u>\$673,928</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, 2005. 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, 2005

NOTE 10 – CAPITAL ASSETS

Changes in general capital assets during the year ended December 31, 2005, were as follows:

	Balance at 12/31/04	Additions	Deletions	Balance at 12/31/05
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$227,357	\$2,875,388	(\$13,424)	\$3,089,321
Depreciable Capital Assets:				
Buildings	726,380	0	0	726,380
Improvements Other Than Buildings	32,388	0	0	32,388
Furniture and Fixtures	72,560	0	0	72,560
Vehicles	2,354,468	504,313	(169,657)	2,689,124
Equipment	526,091	381,382	0	907,473
Infrastructure	191,196	130,240	0	321,436
Total Depreciable Capital Assets	3,903,083	1,015,935	(169,657)	4,749,361
Less Accumulated Depreciation:				
Buildings	(568,524)	(17,105)	0	(585,629)
Improvements Other Than Buildings	(11,517)	(2,197)	0	(13,714)
Furniture and Fixtures	(40,774)	(2,722)	0	(43,496)
Vehicles	(1,485,937)	(116,100)	153,739	(1,448,298)
Equipment	(293,881)	(72,877)	0	(366,758)
Infrastructure	(9,560)	(25,632)	0	(35,192)
Total Accumulated Depreciation	(2,410,193)	(236,633)	153,739	(2,493,087)
Depreciable Capital Assets, Net	1,492,890	779,302	(15,918)	2,256,274
Governmental Activities Capital Assets, Net	\$1,720,247	\$3,654,690	(\$29,342)	\$5,345,595
	Balance at 12/31/04	Additions	Deletions	Balance at 12/31/05
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$0	\$1,511,895	\$0	\$1,511,895
Depreciable Capital Assets:				
Infrastructure	4,087,472	0	0	4,087,472
Less Accumulated Depreciation:				
Infrastructure	(102,187)	(204,374)	0	(306,561)
Depreciable Capital Assets, Net	3,985,285	(204,374)	0	3,780,911
Business-Type Activities Capital Assets, Net	\$3,985,285	\$1,307,521	\$0	\$5,292,806

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 10 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

General Government	\$52,969
Security of Persons and Property	107,423
Transportation	<u>76,241</u>
Total Depreciation Expense	<u><u>\$236,633</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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 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 9.0 percent. The City's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 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, 2005, 2004, and 2003 were \$ 158,471, \$151,901, and \$118,828 respectively; 71.22 percent has been contributed for 2005 and 100 percent for 2004 and 2003. There were no contributions to the member-directed plan for 2005 made by the City nor by the plan members.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 pension 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, 2005, 2004, and 2003 were \$59,018, \$59,923, and \$60,530, respectively, equal to the required contributions for each year. The full amount has been contributed for 2004 and 2003. 73.85 percent has been contributed for 2005 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 recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight 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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual City contributions for 2005 which were used to fund postemployment benefits were \$59,328. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, 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 health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the 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 2005 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment health care benefits were \$16,991 for police and \$15,861 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 The Guardian.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2005 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, 2005, the City had only purchased \$150,670 of radios from this agreement and \$109,330 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, 2005

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 \$517,683. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2005 totaled \$69,973.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value December 31, 2005
Asset:			
Truck and accessories	\$135,013	(\$6,751)	\$128,262
Radio Equipment	150,670	(10,762)	139,908
Vac-Rodder Sweeper	232,000	(5,800)	226,200
Total	\$517,683	(\$23,313)	\$494,370

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, 2005.

December 31, 2005	Total Payments
2006	\$113,109
2007	113,109
2008	113,109
2009	98,315
2010	32,245
2011-2015	161,226
Total	631,113
Less: Amount Representing Interest	(88,418)
Present Value of Minimum Lease Payments	\$542,695

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2005 were as follows:

	Amount Outstanding 12/31/04	Additions	Deductions	Amount Outstanding 12/31/05	Amounts Due in One Year
Governmental Activities:					
General Obligation Notes Payable:					
2004 State Route 48 Improvement Notes - 1.74%	\$1,600,000	\$0	\$1,600,000	\$0	\$0
2004 Land Acquisition Notes - 3.05%	2,900,000	0	2,900,000	0	0
2005 State Route 48 Improvement Notes - 3.75%	0	1,600,000	1,600,000	0	0
General Obligation Bonds:					
2005 Various Purpose					
Serial Bonds - 3.25 to 3.75%	0	1,040,000	0	1,040,000	115,000
Term Bonds - 4.25 to 5.00%	0	3,270,000	0	3,270,000	0
Capital Appreciation Bonds 4.977% Accretion on Capital Appreciation Bonds	0	190,000	0	190,000	0
Premium on Debt Issue	0	6,169	0	6,169	0
2005 Communication Equipment Loan	0	98,022	2,287	95,735	0
Capital Lease Payable	0	198,390	0	198,390	66,130
Compensated Absences	120,668	492,000	69,973	542,695	91,481
	126,149	14,823	24,637	116,335	80,750
Total Governmental Activities Long-Term Obligations	<u>\$4,746,817</u>	<u>\$6,909,404</u>	<u>\$6,196,897</u>	<u>\$5,459,324</u>	<u>\$353,361</u>
Business-Type Activities:					
2004 Water Line Loan	\$4,087,472	\$0	\$103,116	\$3,984,356	\$0
2005 OWDA Loan	0	1,242,895	0	1,242,895	10,898
Total Business-Type Activities Long-Term Obligations	<u>\$4,087,472</u>	<u>\$1,242,895</u>	<u>\$103,116</u>	<u>\$5,227,251</u>	<u>\$10,898</u>

The 2004 State Route 48 Improvement Notes were issued on August 8, 2004, in the amount of \$1,600,000 for the purpose of improving State Route 48. The notes were issued at a 1.74 percent interest rate and matured on April 8, 2005 and were reissued in the amount of \$1,600,000 at an interest rate of 3.75 percent and matured on June 1, 2005. The reissued note was retired from the 2005 Various Purpose Bond proceeds in the State Route 48 Improvement Fund.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

The 2004 Land Acquisition Notes were issued on December 15, 2004, in the amount of \$2,900,000 for the purpose of acquiring land. The notes were issued at a 3.05 percent interest rate and reached maturity on June 1, 2005. The note was retired from the 2005 Various Purpose Bond proceeds in the Capital Improvement Fund.

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.

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	195,000
2022	205,000
2023	215,000
2024	225,000
2025	235,000
2026	250,000
2027	255,000
2028	270,000
2029	280,000
2030	295,000
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 in 2014 and 2015, with a maturity amount of \$95,000 each year. For fiscal year 2005, the capital appreciation bonds were accreted \$6,169.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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 0 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 of 2004. Although the terms and agreement for the repayment of this project has not been finalized with the City of Dayton, the City of Clayton is required to make payments against the loan with any user charges which are received in the Water Fund.

The City has an OWDA Loan outstanding at December 31, 2005, which was issued during 2005. The total amount of the loan is \$3,064,913, of which \$1,242,895 was received in 2005 with the remaining \$1,822,018 to be received during 2006. The loan was issued for the construction of sewer system expansion phase I and sewer lines.

The City's overall legal debt margin was \$23,049,541 at December 31, 2005, and the unvoted debt margin was \$10,600,255.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2005, are as follows:

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Governmental Activities							
Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Communication Equipment Loan
2006	\$115,000	\$189,963	\$0	\$0	\$0	\$0	\$66,130
2007	120,000	185,938	0	0	0	0	66,130
2008	125,000	181,737	0	0	0	0	66,130
2009	125,000	177,362	0	0	0	0	0
2010	130,000	172,988	0	0	0	0	0
2011-2015	425,000	491,438	0	0	190,000	426,752	0
2016-2020	0	0	845,000	686,625	0	0	0
2021-2025	0	0	1,075,000	453,125	0	0	0
2026-2030	0	0	1,350,000	177,013	0	0	0
Total	<u>\$1,040,000</u>	<u>\$1,399,426</u>	<u>\$3,270,000</u>	<u>\$1,316,763</u>	<u>\$190,000</u>	<u>\$426,752</u>	<u>\$198,390</u>

Business-Type Activities		
Fiscal Year Ending June 30,	OWDA Loan Principal	OWDA Loan Interest
2006	\$10,898	\$24,858
2007	22,454	49,058
2008	23,361	45,151
2009	24,305	47,207
2010	25,286	46,225
2011-2015	142,606	214,949
2016-2020	173,836	183,717
2021-2025	211,906	145,650
2026-2030	258,311	99,285
2031-2035	314,880	42,677
2036	35,052	701
Total	<u>\$1,242,895</u>	<u>\$899,478</u>

NOTE 16 – INTERFUND ASSETS/LIABILITIES

Interfund balances at December 31, 2005, 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>

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 16 – INTERFUND ASSETS/LIABILITIES (Continued)

Transfers made during the year ended December 31, 2005, were as follows:

Transfers To	Transfers From			Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	
Police Fund	\$127,500	\$0	\$0	\$127,500
Capital Improvement Fund	270,000	0	44,225	314,225
State Route 48 Improvement Fund	0	0	39,007	39,007
Nonmajor Governmental Funds	162,500	105,375	44,998	312,873
Total	\$560,000	\$105,375	\$128,230	\$793,605

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 to the State Route 48 Improvement Fund and the Capital Improvement Fund were 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 2005, 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:

Type of Coverage	Coverage	Deductible
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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 17 - RISK MANAGEMENT (Continued)

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 2005. Financial information may be obtained by writing to Mike Robinette, Executive Director, One South Main Street, Suite 260, Dayton, Ohio 45402.

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.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 \$2,568 to ED/GE during 2005. Financial information may be obtained by writing to Linda Gum, Administrative Assistant, 451 West Third Street, Dayton, Ohio, 45422.

NOTE 19 – RISK SHARING POOL

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:

	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 - SUBSEQUENT EVENT

On February 2006 the City entered into an agreement with Chuck Samples General Contracting Company for the Clayton Industrial Park Phase I Improvement Project for a total amount of \$648,879. On May 4, 2006 the City entered into an agreement with John R. Jurgensen Co. to resurface various streets and three parking areas located within the City for a total amount of \$509,764.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 21 - CONTINGENT LIABILITIES

Federal and State Grants

For the period January 1, 2005, to December 31, 2005, 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.

Litigation

The City of Clayton is a party in legal proceedings. The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 22 – CONTRACTUAL COMMITMENTS

As of December 31, 2005, the City had a contractual purchase commitment to Jergens Bales for Crestway and Wenger Road sanitary sewer and water line improvements in the amount of \$1,529,224.

NOTE 23 – COMPLIANCE AND ACCOUNTABILITY

Compliance

The following funds had an excess of expenditures over appropriations for the year-ended December 31, 2005:

Fund	Final Appropriations	Expenditures	Excess
Capital Improvement Fund	\$7,023,651	\$7,222,926	(\$199,275)
State Route 48 Improvement Fund	3,200,000	3,237,394	(37,394)

The City will monitor budgetary control more closely to ensure that expenditures do not exceed appropriations.

Accountability

The following funds had net assets deficits at December 31, 2005:

	Deficit
Water Department Fund	\$28,781
Sewer Operating Fund	51,365

The City anticipates increased revenues and a corresponding decrease in the net assets deficit in future years.

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 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 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)

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 Fund

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 Fund

Irvington Storm Water Fund

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

City of Clayton, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,112,212	\$4,431	\$18,352	\$1,134,995
Receivables:				
Property and Other Local Taxes	192,087	0	0	192,087
Increment Tax	124,677	0	0	124,677
Accounts	29,019	0	0	29,019
Special Assessments - Current	22,624	0	0	22,624
Special Assessments - Delinquent	2,909	0	0	2,909
Due from Other Governments	311,869	0	0	311,869
Prepaid Items	29,255	0	0	29,255
<i>Total Assets</i>	<u>\$1,824,652</u>	<u>\$4,431</u>	<u>\$18,352</u>	<u>\$1,847,435</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$8,923	\$0	\$0	\$8,923
Accrued Wages Payable	26,940	0	0	26,940
Due to Other Governments	81,735	0	0	81,735
Deferred Revenue	591,573	0	0	591,573
<i>Total Liabilities</i>	<u>709,171</u>	<u>0</u>	<u>0</u>	<u>709,171</u>
Fund Balances:				
Reserved for Encumbrances	47,075	0	0	47,075
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	1,068,406	0	0	1,068,406
Debt Service Fund	0	4,431	0	4,431
Capital Projects Fund	0	0	18,352	18,352
<i>Total Fund Balances</i>	<u>1,115,481</u>	<u>4,431</u>	<u>18,352</u>	<u>1,138,264</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,824,652</u>	<u>\$4,431</u>	<u>\$18,352</u>	<u>\$1,847,435</u>

City of Clayton, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Property and Other Local Taxes	\$415,372	\$0	\$0	\$415,372
Intergovernmental	583,985	0	0	583,985
Charges for Services	313,391	0	0	313,391
Fines and Forfeitures	2,316	0	0	2,316
Investment Income	35,842	0	0	35,842
Special Assesments	22,124	0	0	22,124
Other	25,103	4,431	0	29,534
<i>Total Revenues</i>	<u>1,398,133</u>	<u>4,431</u>	<u>0</u>	<u>1,402,564</u>
Expenditures:				
Current:				
General Government	35,486	0	0	35,486
Security of Persons and Property	576,337	0	0	576,337
Public Health	4,549	0	0	4,549
Transportation	753,543	0	0	753,543
Debt Service:				
Interest and Fiscal Charges	0	94,981	0	94,981
<i>Total Expenditures</i>	<u>1,369,915</u>	<u>94,981</u>	<u>0</u>	<u>1,464,896</u>
<i>Excess of Revenues (Under) Over Expenditures</i>	<u>28,218</u>	<u>(90,550)</u>	<u>0</u>	<u>(62,332)</u>
Other Financing Sources (Uses):				
Transfers - In	162,500	150,373	0	312,873
Transfers - Out	(72,838)	(55,392)	0	(128,230)
<i>Total Other Financing Sources (Uses)</i>	<u>89,662</u>	<u>94,981</u>	<u>0</u>	<u>184,643</u>
<i>Net Change in Fund Balances</i>	117,880	4,431	0	122,311
<i>Fund Balances at Beginning of Year</i>	<u>997,601</u>	<u>0</u>	<u>18,352</u>	<u>1,015,953</u>
<i>Fund Balances at End of Year</i>	<u>\$1,115,481</u>	<u>\$4,431</u>	<u>\$18,352</u>	<u>\$1,138,264</u>

City of Clayton, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	Cops	Drug Law Enforcement	Law Enforcement Trust	EMS
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$31,390	\$9,976	\$67,492	\$310,384
Receivables:				
Property and Other Local Taxes	0	0	0	184,137
Increment Tax	0	0	0	0
Accounts	0	0	0	29,019
Special Assessments - Current	0	0	0	0
Special Assessments - Delinquent	0	0	0	0
Due from Other Governments	0	10	0	12,000
Prepaid Items	0	0	0	8,329
<i>Total Assets</i>	<u>\$31,390</u>	<u>\$9,986</u>	<u>\$67,492</u>	<u>\$543,869</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$0	\$0	\$0	\$5,483
Accrued Wages Payable	0	0	0	13,432
Due to Other Governments	0	0	0	49,295
Deferred Revenue	0	0	0	196,137
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>264,347</u>
Fund Balances:				
Reserved for Encumbrances	0	0	0	16,462
Unreserved, Undesignated	31,390	9,986	67,492	263,060
<i>Total Fund Balances</i>	<u>31,390</u>	<u>9,986</u>	<u>67,492</u>	<u>279,522</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$31,390</u>	<u>\$9,986</u>	<u>\$67,492</u>	<u>\$543,869</u>

Street Department	State Highway	Permissive Motor Vehicle License Tax	Street Lights	Cemetery	Tax Increment	Total Nonmajor Special Revenue Funds
\$113,869	\$95,745	\$105,038	\$5,802	\$12,037	\$360,479	\$1,112,212
0	0	7,950	0	0	0	192,087
0	0	0	0	0	124,677	124,677
0	0	0	0	0	0	29,019
0	0	0	22,624	0	0	22,624
0	0	0	2,909	0	0	2,909
274,996	24,863	0	0	0	0	311,869
19,594	0	0	0	1,332	0	29,255
<u>\$408,459</u>	<u>\$120,608</u>	<u>\$112,988</u>	<u>\$31,335</u>	<u>\$13,369</u>	<u>\$485,156</u>	<u>\$1,824,652</u>
\$3,376	\$64	\$0	\$0	\$0	\$0	\$8,923
13,508	0	0	0	0	0	26,940
32,440	0	0	0	0	0	81,735
223,227	21,999	0	25,533	0	124,677	591,573
<u>272,551</u>	<u>22,063</u>	<u>0</u>	<u>25,533</u>	<u>0</u>	<u>124,677</u>	<u>709,171</u>
23,830	3,283	3,500	0	0	0	47,075
112,078	95,262	109,488	5,802	13,369	360,479	1,068,406
135,908	98,545	112,988	5,802	13,369	360,479	1,115,481
<u>\$408,459</u>	<u>\$120,608</u>	<u>\$112,988</u>	<u>\$31,335</u>	<u>\$13,369</u>	<u>\$485,156</u>	<u>\$1,824,652</u>

City of Clayton, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	Cops	Drug Law Enforcement	Law Enforcement Trust	EMS
Revenues:				
Property and Other Local Taxes	\$0	\$0	\$0	\$186,791
Intergovernmental	0	0	55,766	32,037
Charges for Services	0	0	0	308,766
Fines and Forfeitures	0	516	1,800	0
Investment Income	0	0	0	0
Special Assessments	0	0	0	0
Other	0	0	0	4,703
<i>Total Revenues</i>	<u>0</u>	<u>516</u>	<u>57,566</u>	<u>532,297</u>
Expenditures:				
Current:				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	555,436
Public Health	0	0	0	0
Transportation	0	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>555,436</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>0</u>	<u>516</u>	<u>57,566</u>	<u>(23,139)</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	516	57,566	(23,139)
<i>Fund Balances at Beginning of Year</i>	<u>31,390</u>	<u>9,470</u>	<u>9,926</u>	<u>302,661</u>
<i>Fund Balances at End of Year</i>	<u><u>\$31,390</u></u>	<u><u>\$9,986</u></u>	<u><u>\$67,492</u></u>	<u><u>\$279,522</u></u>

Street Department	State Highway	Permissive Motor Vehicle License Tax	Street Lights	Cemetery	Tax Increment	Total Nonmajor Special Revenue Funds
\$0	\$0	\$94,731	\$0	\$0	\$133,850	\$415,372
443,943	34,663	0	0	0	17,576	583,985
0	0	0	0	4,625	0	313,391
0	0	0	0	0	0	2,316
6,729	2,615	2,694	0	0	23,804	35,842
0	0	0	22,124	0	0	22,124
14,460	1,768	4,172	0	0	0	25,103
<u>465,132</u>	<u>39,046</u>	<u>101,597</u>	<u>22,124</u>	<u>4,625</u>	<u>175,230</u>	<u>1,398,133</u>
0	0	0	0	0	35,486	35,486
0	0	0	20,901	0	0	576,337
0	0	0	0	4,549	0	4,549
692,434	9,705	51,404	0	0	0	753,543
<u>692,434</u>	<u>9,705</u>	<u>51,404</u>	<u>20,901</u>	<u>4,549</u>	<u>35,486</u>	<u>1,369,915</u>
(227,302)	29,341	50,193	1,223	76	139,744	28,218
162,500	0	0	0	0	0	162,500
0	0	0	0	0	(72,838)	(72,838)
<u>162,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(72,838)</u>	<u>89,662</u>
(64,802)	29,341	50,193	1,223	76	66,906	117,880
200,710	69,204	62,795	4,579	13,293	293,573	997,601
<u>\$135,908</u>	<u>\$98,545</u>	<u>\$112,988</u>	<u>\$5,802</u>	<u>\$13,369</u>	<u>\$360,479</u>	<u>\$1,115,481</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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$476,161	\$481,042	\$4,881
Municipal Income Taxes	1,199,509	1,293,207	93,698
Intergovernmental	622,470	722,866	100,396
Charges for Services	12,153	28,053	15,900
Licenses and Permits	5,500	8,315	2,815
Investment Income	55,118	98,999	43,881
Other	19,500	23,459	3,959
<i>Total Revenues</i>	<u>2,390,411</u>	<u>2,655,941</u>	<u>265,530</u>
Expenditures:			
Current:			
General Government			
Personal Services	598,996	546,405	52,591
Contractual Services	927,356	870,641	56,715
Materials and Supplies	23,714	20,905	2,809
Capital Outlay	18,978	16,345	2,633
Other	69,059	60,646	8,413
<i>Total Expenditures</i>	<u>1,638,103</u>	<u>1,514,942</u>	<u>123,161</u>
<i>Excess of Revenues Over Expenditures</i>	<u>752,308</u>	<u>1,140,999</u>	<u>388,691</u>
Other Financing Sources (Uses):			
Advances-In	0	103,116	103,116
Advances-Out	(560,000)	(163,116)	396,884
Transfers-Out	(560,000)	(560,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,120,000)</u>	<u>(620,000)</u>	<u>500,000</u>
<i>Net Change in Fund Balance</i>	(367,692)	520,999	888,691
<i>Fund Balance at Beginning of Year</i>	1,199,202	1,199,202	0
<i>Prior Year Encumbrances Appropriated</i>	<u>96,025</u>	<u>96,025</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$927,535</u>	<u>\$1,816,226</u>	<u>\$888,691</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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$1,043,410	\$1,111,615	\$68,205
Intergovernmental	149,078	176,053	26,975
Fines and Forfeitures	38,422	11,588	(26,834)
Other	0	34,299	34,299
<i>Total Revenues</i>	<u>1,230,910</u>	<u>1,333,555</u>	<u>102,645</u>
Expenditures:			
Current:			
Security of Persons and Property			
Personal Services	1,434,857	1,256,439	178,418
Contractual Services	177,021	138,610	38,411
Materials and Supplies	48,743	41,894	6,849
Capital Outlay	19,610	11,722	7,888
Other	42,786	26,254	16,532
<i>Total Expenditures</i>	<u>1,723,017</u>	<u>1,474,919</u>	<u>248,098</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(492,107)	(141,364)	350,743
Other Financing Sources:			
Transfers-In	255,000	127,500	(127,500)
<i>Net Change in Fund Balance</i>	(237,107)	(13,864)	223,243
<i>Fund Balance at Beginning of Year</i>	173,439	173,439	0
<i>Prior Year Encumbrances Appropriated</i>	<u>77,379</u>	<u>77,379</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$13,711</u></u>	<u><u>\$236,954</u></u>	<u><u>\$223,243</u></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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$404,365	\$426,098	\$21,733
Intergovernmental	71,296	60,660	(10,636)
Other	2,300	9,855	7,555
<i>Total Revenues</i>	<u>477,961</u>	<u>496,613</u>	<u>18,652</u>
Expenditures:			
Current:			
Security of Persons and Property			
Personal Services	391,998	379,980	12,018
Contractual Services	84,915	65,153	19,762
Materials and Supplies	25,967	20,956	5,011
Capital Outlay	4,000	3,980	20
Other	60,049	45,952	14,097
<i>Total Expenditures</i>	<u>566,929</u>	<u>516,021</u>	<u>50,908</u>
<i>Net Change in Fund Balance</i>	(88,968)	(19,408)	69,560
<i>Fund Balance at Beginning of Year</i>	120,971	120,971	0
<i>Prior Year Encumbrances Appropriated</i>	<u>47,292</u>	<u>47,292</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$79,295</u></u>	<u><u>\$148,855</u></u>	<u><u>\$69,560</u></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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Municipal Income Taxes	\$443,334	\$611,143	\$167,809
Intergovernmental	0	130,240	130,240
Investment Income	0	4,961	4,961
Other	0	10,100	10,100
<i>Total Revenues</i>	<u>443,334</u>	<u>756,444</u>	<u>313,110</u>
Expenditures:			
Current:			
General Government			
Contractual Services	1,118,276	1,082,795	35,481
Capital Outlay	2,900,000	3,074,128	(174,128)
Debt Service:			
Principal Retirement	2,900,000	2,900,000	0
Issuance Costs	0	60,628	(60,628)
<i>Total Expenditures</i>	<u>6,918,276</u>	<u>7,117,551</u>	<u>(199,275)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(6,474,942)</u>	<u>(6,361,107)</u>	<u>113,835</u>
Other Financing Sources (Uses):			
General Obligation Bonds Issued	3,750,891	2,900,000	(850,891)
Premium on Debt Issued	0	60,628	60,628
Proceeds of Loan	0	198,390	198,390
Inception of Capital Lease	0	232,000	232,000
Transfers-In	150,000	270,000	120,000
Transfers-Out	(105,375)	(105,375)	0
<i>Total Other Financing Sources (Uses)</i>	<u>3,795,516</u>	<u>3,555,643</u>	<u>(239,873)</u>
<i>Net Change in Fund Balance</i>	(2,679,426)	(2,805,464)	(126,038)
<i>Fund Balance at Beginning of Year</i>	3,056,414	3,056,414	0
Prior Year Encumbrances Appropriated	<u>62,275</u>	<u>62,275</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$439,263</u>	<u>\$313,225</u>	<u>(\$126,038)</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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Income	\$0	\$2,443	\$2,443
Expenditures:			
Debt Service:			
Principal Retirement	3,200,000	3,200,000	0
Issuance Costs	0	37,394	(37,394)
<i>Total Expenditures</i>	<u>3,200,000</u>	<u>3,237,394</u>	<u>(37,394)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,200,000)</u>	<u>(3,234,951)</u>	<u>(34,951)</u>
Other Financing Sources (Uses):			
General Obligation Bonds Issued	1,600,000	1,600,000	0
Refunding Notes Issued	1,600,000	1,600,000	
Premium on Debt Issued	0	37,394	37,394
Notes Issued	1,600,000	1,600,000	0
Current Refunding	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>3,200,000</u>	<u>3,237,394</u>	<u>37,394</u>
<i>Net Change in Fund Balance</i>	0	2,443	2,443
<i>Fund Balance at Beginning of Year</i>	<u>4,373</u>	<u>4,373</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$4,373</u></u>	<u><u>\$6,816</u></u>	<u><u>\$2,443</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, 2005

	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$55,000	\$20,689	(\$34,311)
Tap-In Fees	0	26,276	26,276
Grants	0	103,116	103,116
Proceeds of Loans	400,000	0	(400,000)
<i>Total Revenues</i>	<u>455,000</u>	<u>150,081</u>	<u>(304,919)</u>
Expenses:			
Contractual Services	96,680	31,874	64,806
Debt Service:			
Principal Retirement	296,884	103,116	193,768
<i>Total Expenses</i>	<u>393,564</u>	<u>134,990</u>	<u>258,574</u>
<i>Excess of Revenues Over (Under) Expenses</i>	61,436	15,091	(46,345)
Advances-In	0	103,116	103,116
Advances-Out	(103,116)	(103,116)	0
<i>Net Change in Fund Equity</i>	(41,680)	15,091	56,771
<i>Fund Equity at Beginning of Year</i>	67,071	67,071	0
<i>Prior Year Encumbrances Appropriated</i>	26,679	26,679	0
<i>Fund Equity at End of Year</i>	<u>\$52,070</u>	<u>\$108,841</u>	<u>\$56,771</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, 2005

	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$0	\$4,033	\$4,033
Other	0	1,150	1,150
Proceeds from OWDA Loan	3,050,000	1,242,895	(1,807,105)
<i>Total Revenues</i>	<u>3,050,000</u>	<u>1,248,078</u>	<u>(1,801,922)</u>
Expenses:			
Contractual Services	6,753	6,753	0
Capital Outlay	3,103,247	1,242,895	1,860,352
<i>Total Expenses</i>	<u>3,110,000</u>	<u>1,249,648</u>	<u>1,860,352</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(60,000)	(1,570)	58,430
Advances-In	60,000	60,000	0
<i>Net Change in Fund Equity</i>	0	58,430	58,430
<i>Fund Equity at Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Equity at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$58,430</u></u>	<u><u>\$58,430</u></u>

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, 2005

	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>	31,390	31,390	0
<i>Fund Balance at End of Year</i>	<u>\$31,390</u>	<u>\$31,390</u>	<u>\$0</u>

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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$0	\$531	\$531
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	531	531
<i>Fund Balance at Beginning of Year</i>	<u>9,445</u>	<u>9,445</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$9,445</u></u>	<u><u>\$9,976</u></u>	<u><u>\$531</u></u>

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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$0	\$55,766	\$55,766
Fines and Forfeitures	0	1,800	1,800
<i>Total Revenues</i>	0	57,566	57,566
Expenditures:	0	0	0
<i>Net Change in Fund Balance</i>	0	57,566	57,566
<i>Fund Balance at Beginning of Year</i>	9,926	9,926	0
<i>Fund Balance at End of Year</i>	<u>\$9,926</u>	<u>\$67,492</u>	<u>\$57,566</u>

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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$177,673	\$186,791	\$9,118
Intergovernmental	29,123	32,037	2,914
Charges for Services	269,792	297,380	27,588
Other	0	4,703	4,703
<i>Total Revenues</i>	<u>476,588</u>	<u>520,911</u>	<u>44,323</u>
Expenditures:			
Current:			
Security of Persons and Property			
Personal Services	390,142	358,222	31,920
Contractual Services	140,701	116,410	24,291
Materials and Supplies	28,648	22,476	6,172
Capital Outlay	13,000	7,108	5,892
Other	58,948	20,932	38,016
<i>Total Expenditures</i>	<u>631,439</u>	<u>525,148</u>	<u>106,291</u>
<i>Net Change in Fund Balance</i>	(154,851)	(4,237)	150,614
<i>Fund Balance at Beginning of Year</i>	271,864	271,864	0
<i>Prior Year Encumbrances Appropriated</i>	<u>20,772</u>	<u>20,772</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$137,785</u></u>	<u><u>\$288,399</u></u>	<u><u>\$150,614</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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$465,947	\$426,543	(\$39,404)
Investment Income	5,750	6,729	979
Other	12,400	14,460	2,060
<i>Total Revenues</i>	<u>484,097</u>	<u>447,732</u>	<u>(36,365)</u>
Expenditures:			
Current:			
Transportation			
Personal Services	567,959	515,514	52,445
Contractual Services	128,969	72,648	56,321
Materials and Supplies	101,101	92,114	8,987
Capital Outlay	7,300	5,962	1,338
Other	41,938	33,759	8,179
<i>Total Expenditures</i>	<u>847,267</u>	<u>719,997</u>	<u>127,270</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(363,170)	(272,265)	90,905
Other Financing Sources:			
Transfers-In	265,000	162,500	(102,500)
<i>Net Change in Fund Balance</i>	(98,170)	(109,765)	(11,595)
<i>Fund Balance at Beginning of Year</i>	144,491	144,491	0
<i>Prior Year Encumbrances Appropriated</i>	51,969	51,969	0
<i>Fund Balance at End of Year</i>	<u>\$98,290</u>	<u>\$86,695</u>	<u>(\$11,595)</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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$27,000	\$34,585	\$7,585
Investment Income	2,075	2,615	540
Other	1,250	1,768	518
<i>Total Revenues</i>	<u>30,325</u>	<u>38,968</u>	<u>8,643</u>
Expenditures:			
Current:			
Transportation			
Contractual Services	5,571	5,557	14
Other	10,307	7,563	2,744
<i>Total Expenditures</i>	<u>15,878</u>	<u>13,120</u>	<u>2,758</u>
<i>Net Change in Fund Balance</i>	14,447	25,848	11,401
<i>Fund Balance at Beginning of Year</i>	63,672	63,672	0
<i>Prior Year Encumbrances Appropriated</i>	<u>2,878</u>	<u>2,878</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$80,997</u></u>	<u><u>\$92,398</u></u>	<u><u>\$11,401</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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$89,500	\$93,300	\$3,800
Investment Income	100	2,694	2,594
Other	0	4,172	4,172
<i>Total Revenues</i>	<u>89,600</u>	<u>100,166</u>	<u>10,566</u>
Expenditures:			
Current:			
Transportation			
Contractual Services	2,912	0	2,912
Materials and Supplies	23,024	20,456	2,568
Other	42,543	36,432	6,111
<i>Total Expenditures</i>	<u>68,479</u>	<u>56,888</u>	<u>11,591</u>
<i>Net Change in Fund Balance</i>	21,121	43,278	22,157
<i>Fund Balance at Beginning of Year</i>	49,282	49,282	0
<i>Prior Year Encumbrances Appropriated</i>	<u>8,978</u>	<u>8,978</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$79,381</u></u>	<u><u>\$101,538</u></u>	<u><u>\$22,157</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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$21,624	\$22,124	\$500
Expenditures:			
Current:			
Security of Persons and Property			
Contractual Services	20,994	20,901	93
<i>Net Change in Fund Balance</i>	630	1,223	593
<i>Fund Balance at Beginning of Year</i>	4,579	4,579	0
<i>Fund Balance at End of Year</i>	<u>\$5,209</u>	<u>\$5,802</u>	<u>\$593</u>

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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$5,500	\$4,625	(\$875)
Expenditures:			
Current:			
Public Health			
Contractual Services	2,000	2,000	0
Materials and Supplies	5,250	3,607	1,643
Other	5,000	274	4,726
<i>Total Expenditures</i>	12,250	5,881	6,369
<i>Net Change in Fund Balance</i>	(6,750)	(1,256)	5,494
<i>Fund Balance at Beginning of Year</i>	13,293	13,293	0
<i>Fund Balance at End of Year</i>	\$6,543	\$12,037	\$5,494

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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$72,000	\$133,850	\$61,850
Intergovernmental	0	17,576	17,576
Investment Income	0	23,804	23,804
<i>Total Revenues</i>	<u>72,000</u>	<u>175,230</u>	<u>103,230</u>
Expenditures:			
Current:			
General Government			
Contractual Services	232,160	35,486	196,674
Capital Outlay	23,970	21,970	2,000
Total General Government	256,130	57,456	198,674
Debt Service:			
Interest and Fiscal Charges	27,840	27,840	0
<i>Total Expenditures</i>	<u>283,970</u>	<u>85,296</u>	<u>198,674</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(211,970)	89,934	301,904
Other Financing Uses:			
Transfers-Out	(44,998)	(44,998)	0
<i>Net Change in Fund Balance</i>	(256,968)	44,936	301,904
<i>Fund Balance at Beginning of Year</i>	291,573	291,573	0
<i>Prior Year Encumbrances Appropriated</i>	23,970	23,970	0
<i>Fund Balance at End of Year</i>	<u>\$58,575</u>	<u>\$360,479</u>	<u>\$301,904</u>

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, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Other	\$0	\$4,431	\$4,431
Expenditures:			
Debt Service:			
Principal Retirement	9,627	0	9,627
Interest and Fiscal Charges	150,373	150,373	0
<i>Total Expenditures</i>	160,000	150,373	9,627
<i>Excess of Revenues Over (Under) Expenditures</i>	(160,000)	(145,942)	14,058
Other Financing Sources:			
Transfers-In	160,000	150,373	(9,627)
<i>Net Change in Fund Balance</i>	0	4,431	4,431
<i>Fund Balance at Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$0	\$4,431	\$4,431

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, 2005

	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>

STATISTICAL TABLES

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

CONTENTS PAGES

Financial Trends 86-92

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 94-101

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

Debt Capacity 102-105

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 106-107

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 108-110

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related 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 financial reports for the relevant year. The City implemented *GASB Statement No. 34* during 2004; schedules presenting government-wide information include information for the two years only.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities:			
Invested in Capital Assets, Net of Related Debt	\$86,351	\$3,952	\$309,575
Restricted	1,465,798	1,937,007	2,283,572
Unrestricted	<u>1,191,175</u>	<u>1,835,685</u>	<u>2,535,512</u>
<i>Total Governmental Activities Net Assets</i>	<u>2,743,324</u>	<u>3,776,644</u>	<u>5,128,659</u>
Business-Type Activity:			
Invested in Capital Assets, Net of Related Debt	0	(102,187)	65,555
Unrestricted (Deficit)	<u>149,464</u>	<u>164,623</u>	<u>(145,701)</u>
<i>Total Business-Type Activity:</i>	<u>149,464</u>	<u>62,436</u>	<u>(80,146)</u>
Primary Government:			
Invested in Capital Assets, Net of Related Debt	86,351	(98,235)	375,130
Restricted	1,465,798	1,937,007	2,283,572
Unrestricted	<u>1,340,639</u>	<u>2,000,308</u>	<u>2,389,811</u>
<i>Total Primary Government Net Assets</i>	<u>\$2,892,788</u>	<u>\$3,839,080</u>	<u>\$5,048,513</u>

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

	2004	2005
Program Revenues:		
Governmental Activities:		
Charges for Services:		
General Government	\$26,772	\$38,031
Security of Persons and Property	314,897	345,607
Public Health	800	4,625
Operating Grants, Contributions, and Interest	552,811	817,692
Capital Grants, Contributions, and Interest	0	276,069
<i>Total Governmental Activities Program Revenues</i>	<u>895,280</u>	<u>1,482,024</u>
Business-Type Activities:		
Charges for Services:		
Water Department	31,303	27,111
Capital Grants, Contributions, and Interest	0	107,149
<i>Total Business-Type Activities Program Revenues</i>	<u>31,303</u>	<u>134,260</u>
<i>Total Primary Government Program Revenues</i>	<u>926,583</u>	<u>1,616,284</u>
Expenses:		
Governmental Activities:		
Current:		
General Government	1,368,528	2,844,629
Security of Persons and Property	2,407,965	2,092,413
Leisure Time Activities	667	0
Public Health	5,376	4,549
Transportation	537,134	282,961
Interest and Fiscal Charges	34,215	180,251
<i>Total Governmental Activities Expenses</i>	<u>4,353,885</u>	<u>5,404,803</u>
Business-Type Activities:		
Water Department	118,331	221,444
Sewer Operating	0	56,548
<i>Total Business-Type Activities Expenses</i>	<u>118,331</u>	<u>277,992</u>
<i>Total Primary Government Expenses</i>	<u>\$4,472,216</u>	<u>\$5,682,795</u>

(Continued)

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

	2004	2005
Net (Expense) / Revenue:		
Governmental Activities	(\$3,458,605)	(\$3,922,779)
Business-Type Activities	(87,028)	(143,732)
<i>Total Primary Government Net Assets</i>	<u>(3,545,633)</u>	<u>(4,066,511)</u>
General Revenues:		
Governmental Activities:		
Property Taxes Levied for General Purposes	342,712	465,256
Property Taxes Levied for Police	1,022,788	1,098,323
Property Taxes Levied for Fire	405,506	421,057
Property Taxes Levied for EMS	176,307	184,599
Other Local Taxes	336,326	161,656
Municipal Income Tax Levied for General Purposes	852,187	1,459,448
Municipal Income Tax Levied for Capital Outlay	429,971	698,190
Grants and Entitlements not Restricted to Specific Programs	820,270	579,344
Contributions	12,331	0
Investment Income	2,622	98,999
Other	90,905	107,922
<i>Total Governmental Activities</i>	<u>4,491,925</u>	<u>5,274,794</u>
Business-Type Activities:		
Other	0	1,150
Change in Net Assets:		
Governmental Activities	1,033,320	1,352,015
Business-Type Activities	(87,028)	(142,582)
<i>Total Primary Government</i>	<u>\$946,292</u>	<u>\$1,209,433</u>

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

Function / Program:	2004	2005
Governmental Activities		
General Government	\$54,892	\$357,923
Security of Persons and Property	353,681	623,878
Public Health	800	4,625
Transportation	485,907	495,598
<i>Total Governmental Activities Program Revenues</i>	895,280	1,482,024
Business-Type Activities:		
Water Department	61,185	130,227
Sewer Operating	0	4,033
<i>Total Business-Type Activities Program Revenues</i>	61,185	134,260
<i>Total Primary Government</i>	\$956,465	\$1,616,284

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

	2000	2001	2002	2003	2004	2005
General Fund						
Reserved	\$18,222	\$23,351	\$68,376	\$128,863	\$77,786	\$141,169
Unreserved	651,466	966,509	1,081,776	687,905	1,322,683	1,917,869
<i>Total General Fund</i>	<u>669,688</u>	<u>989,860</u>	<u>1,150,152</u>	<u>816,768</u>	<u>1,400,469</u>	<u>2,059,038</u>
All Other Governmental Funds						
Reserved	9,270	174,066	243,079	408,995	243,191	136,530
Unreserved, Undesignated Reported in:						
Special Revenue Funds	796,231	856,525	669,164	733,282	1,077,057	1,328,413
Debt Service Fund	0	0	0	0	0	4,431
Capital Projects Funds	1,352	(208,968)	(541,180)	96,248	3,093,024	454,323
<i>Total All Other Governmental Funds</i>	<u>806,853</u>	<u>821,623</u>	<u>371,063</u>	<u>1,238,525</u>	<u>4,413,272</u>	<u>1,923,697</u>
<i>Total Governmental Funds</i>	<u>\$1,476,541</u>	<u>\$1,811,483</u>	<u>\$1,521,215</u>	<u>\$2,055,293</u>	<u>\$5,813,741</u>	<u>\$3,982,735</u>

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

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

	2000	2001	2002	2003	2004	2005
Revenues:						
Property and Other Local Taxes	\$2,032,740	\$2,146,736	\$2,239,105	\$2,222,997	\$2,341,468	\$2,434,127
Municipal Income Taxes	0	0	0	0	1,184,355	1,882,105
Intergovernmental	1,225,596	2,063,731	1,696,953	1,648,301	1,294,237	1,639,988
Charges for Services	44,975	127,143	240,292	264,812	301,520	341,039
Licenses and Permits	58,613	22,229	31,918	27,589	7,960	8,315
Fines and Forfeitures	0	0	0	0	22,263	13,624
Contributions and Donations	0	66,370	77,712	400	12,331	0
Investment Income	107,223	97,840	81,178	28,500	32,442	142,245
Special Assessments	27,456	26,747	31,056	22,765	22,128	22,124
Other	57,338	65,766	38,011	43,869	95,932	107,554
<i>Total Revenues</i>	<u>3,553,941</u>	<u>4,616,562</u>	<u>4,436,225</u>	<u>4,259,233</u>	<u>5,314,636</u>	<u>6,591,121</u>
Expenditures:						
Current:						
General Government	818,027	861,745	788,044	762,008	1,572,028	5,647,391
Security of Persons and Property	1,892,324	2,033,113	2,127,539	2,296,272	2,388,868	2,454,231
Leisure Time Activities	51,599	0	0	0	667	0
Public Health	4,604	7,393	3,410	6,910	5,376	4,549
Community Environment	90,688	87,233	86,588	106,591	0	0
Transportation	648,650	538,912	785,432	663,815	586,560	753,543
Capital Outlay	157,611	661,085	805,690	1,370,997	0	0
Debt Service:						
Principal Retirement	48,579	77,606	83,493	33,255	1,616,253	69,973
Interest and Fiscal Charges	9,104	26,025	21,548	19,482	21,449	182,830
Issuance Costs	0	0	0	0	0	98,022
<i>Total Expenditures</i>	<u>3,721,186</u>	<u>4,293,112</u>	<u>4,701,744</u>	<u>5,259,330</u>	<u>6,191,201</u>	<u>9,210,539</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(167,245)</u>	<u>323,450</u>	<u>(265,519)</u>	<u>(1,000,097)</u>	<u>(876,565)</u>	<u>(2,619,418)</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets	3,689	5,981	4,074	0	0	0
General Obligation Bond Issued	0	0	0	0	0	4,500,000
Proceeds from Refunding Notes	0	0	0	0	0	1,600,000
Premium on Debt Issued	0	0	0	0	0	98,022
Notes Issued	0	0	0	1,600,000	4,500,000	0
Proceeds of Loan	0	0	0	0	0	198,390
Inception of Capital Lease	157,611	5,512	0	0	135,013	492,000
Transfers-In	188,000	200,000	337,500	524,052	278,442	793,605
Current Refunding	0	0	0	0	0	(6,100,000)
Transfers-Out	(188,000)	(200,000)	(337,500)	(524,052)	(278,442)	(793,605)
<i>Total Other Financing Sources (Uses)</i>	<u>161,300</u>	<u>11,493</u>	<u>4,074</u>	<u>1,600,000</u>	<u>4,635,013</u>	<u>788,412</u>
<i>Net Change in Fund Balances</i>	<u>(\$5,945)</u>	<u>\$334,943</u>	<u>(\$261,445)</u>	<u>\$599,903</u>	<u>\$3,758,448</u>	<u>(\$1,831,006)</u>
<i>Debt Service as a Percentage of Noncapital Expenditures</i>	1.6%	2.9%	2.8%	1.4%	36.0%	4.0%

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

City of Clayton, Ohio
Tax Revenues by Source - Governmental Funds
Last Six 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

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

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

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City of Clayton, Ohio
Assessed Value and Estimated Actual Value of Taxable Property
Last Three 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

Source: Montgomery County Auditor

(1) Information not available prior to 2003.

Assessed valuation for real property is based upon 35% of estimated true value set by county appraisal, and tangible personal property is valued at 25% of true value of capital assets and 23% of listed value for inventory. Public utility real property is assessed at 35% of true value and public utility tangible personal property is currently assessed at varying percentages of true value.

<u>Tangible Personal Property</u>					
General Business		Total		Ratio	Tax Rate
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
\$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

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

	2005	2004	2003
Unvoted Millage			
Operating	1.60000	1.60000	1.60000
Voted Millage - by levy			
1976 Police			
Residential/Agricultural Real	0.6074	0.6084	0.6100
Commercial/Industrial and Public Utility Real	1.0766	1.0767	1.0753
General Business and Public Utility Personal	2.6800	2.6800	2.6800
1998 Police			
Residential/Agricultural Real	1.2454	1.2475	1.2507
Commercial/Industrial and Public Utility Real	1.2724	1.2725	1.2708
General Business and Public Utility Personal	1.5000	1.5000	1.5000
1998 Police			
Residential/Agricultural Real	2.9059	2.9107	2.9183
Commercial/Industrial and Public Utility Real	2.9688	2.9691	2.9652
General Business and Public Utility Personal	3.5000	3.5000	3.5000
1998 Fire District - Fire and EMS			
Residential/Agricultural Real	1.9097	1.9129	1.9179
Commercial/Industrial and Public Utility Real	1.9514	1.9515	1.9490
General Business and Public Utility Personal	2.3000	2.3000	2.3000
1998 Fire District - Emergency			
Residential/Agricultural Real	0.8303	0.8317	0.8339
Commercial/Industrial and Public Utility Real	0.8484	0.8485	0.8474
General Business and Public Utility Personal	1.0000	1.0000	1.0000
<i>Total Voted Millage by Type of Property</i>			
Residential/Agricultural Real	7.49870	7.51120	7.53080
Commercial/Industrial and Public Utility Real	8.11760	8.11830	8.10770
General Business and Public Utility Personal	10.98000	10.98000	10.98000
<i>Total Millage by Type of Property</i>			
Residential/Agricultural Real	9.09870	9.11120	9.13080
Commercial/Industrial and Public Utility Real	9.71760	9.71830	9.70770
General Business and Public Utility Personal	12.58000	12.58000	12.58000

2002	2001	2000
1.60000	1.60000	1.60000
0.6731	0.6741	0.6762
1.2592	1.2690	1.2693
2.6800	2.6800	2.6800
1.3800	1.3821	1.3864
1.4881	1.4997	1.5000
1.5000	1.5000	1.5000
3.2201	3.2249	3.2349
3.4722	3.4993	3.5000
3.5000	3.5000	3.5000
2.1161	2.1193	2.1259
2.2817	2.2996	2.3000
2.3000	2.3000	2.3000
0.9200	0.9214	0.9243
0.9920	0.9998	1.0000
1.0000	1.0000	1.0000
8.30930	8.32180	8.34770
9.49320	9.56740	9.56930
10.98000	10.98000	10.98000
9.90930	9.92180	9.94770
11.09320	11.16740	11.16930
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 Six Years (1)
(Continued)

Overlapping Rates by Taxing District

	2005	2004	2003
Northmont School District			
Residential/Agricultural Real	33.5861	33.6824	28.0041
Commercial/Industrial and Public Utility Real	37.6443	37.2891	31.4708
General Business and Public Utility Personal	64.1500	64.1500	58.3500
Trotwood-Madison School District			
Residential/Agricultural Real	47.1064	47.2126	47.4226
Commercial/Industrial and Public Utility Real	51.7235	51.5069	51.6159
General Business and Public Utility Personal	60.7000	60.8500	61.0500
Brookville School District			
Residential/Agricultural Real	35.6903	35.8140	35.8699
Commercial/Industrial and Public Utility Real	40.4597	40.4013	40.7727
General Business and Public Utility Personal	65.0600	65.0600	65.0600
Sinclair Community College			
Residential/Agricultural Real	2.0144	2.0190	0.0000
Commercial/Industrial and Public Utility Real	2.1806	2.1749	0.0000
General Business and Public Utility Personal	2.5000	2.5000	0.0000
Montgomery County			
Residential/Agricultural Real	13.0835	13.1094	12.7219
Commercial/Industrial and Public Utility Real	14.1955	14.1786	14.5574
General Business and Public Utility Personal	15.7400	15.7400	17.2400
Special Taxing Districts (2)			
Residential/Agricultural Real	3.5228	2.5049	2.5161
Commercial/Industrial and Public Utility Real	3.5987	2.5676	2.5632
General Business and Public Utility Personal	3.8300	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.

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

2002	2001	2000
30.7310	30.8410	30.9798
35.6492	35.8719	35.8377
58.8000	58.8300	58.8500
39.6467	39.3770	38.4135
45.2203	43.5789	42.4120
52.9100	52.6400	52.6400
29.9119	30.0433	30.2103
36.0303	36.4068	36.2159
57.0800	57.0900	57.0900
0.0000	0.0000	0.0000
0.0000	0.0000	0.0000
0.0000	0.0000	0.0000
14.1053	14.1326	13.3359
15.8389	15.8608	15.1759
17.2400	17.2400	16.6400
2.2361	2.2365	2.2371
2.5084	2.5278	2.5322
2.8400	2.8400	2.8400

City of Clayton, Ohio
Principal Property Tax Payers
December 31, 2005 (1)

Taxpayer	2005	
	Total Assessed Valuation	Percentage of Total Assessed Valuation
Dayton Power and Light	\$3,967,440	1.59%
Tilak Nagar/Stoneridge	1,945,370	0.78%
Garden Woods Apartments	1,661,670	0.67%
LGH Properties	1,396,270	0.56%
Verizon North	1,202,710	0.48%
Pleasant Real Estate LLC	949,210	0.38%
Randolph Investments	907,450	0.37%
Greenglen Apartments of Dayton	622,350	0.25%
Louis Fanty A. Jr.	524,050	0.21%
Anchor Fabricators, Inc.	495,300	0.20%
Total Real and Personal Property	13,671,820	5.49%
All Others	235,313,897	94.51%
Total Assessed Valuation	<u>\$248,985,717</u>	<u>100.00%</u>

Source: Montgomery County Auditor

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

City of Clayton, Ohio
Property Tax Levies and Collections
Last Six 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%

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. Allocations of delinquent collections to prior periods are unavailable. 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
Governmental Activities
Last Six Years (1)

Fiscal Year	Improvement Notes	Various Purpose Bond	Communication Equipment Loan	Capital Leases	Total Outstanding Debt	Estimated Actual Value of Taxable Property	Total Personal Income (2)	Population (3)	Ratio of Debt to Total Personal Income	Debt Per Capita
2000	\$110,000	\$0	\$0	\$190,750	\$300,750	\$619,712,943	\$390,546,567	13,347	0.08%	\$22.53
2001	650,000	0	0	118,656	768,656	627,013,082	390,546,567	13,347	0.20%	57.59
2002	650,000	0	0	35,163	685,163	627,040,562	390,546,567	13,347	0.18%	51.33
2003	1,600,000	0	0	1,908	1,601,908	664,021,629	390,546,567	13,347	0.41%	120.02
2004	4,500,000	0	0	120,668	4,620,668	694,824,232	390,546,567	13,347	1.18%	346.20
2005	0	4,601,904	198,390	542,695	5,342,989	703,804,335	390,546,567	13,347	1.37%	400.31

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

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

(3) Source: 2000 Census

City of Clayton, Ohio
*Ratio of Net General Obligation Bonded Debt to
 Estimated Actual Value and Net General Obligation Bonded Debt Per Capita
 Current Year (1)*

Fiscal Year	Net General Bonded Debt	Estimated Actual Value (2)	Population (3)	Ratio of Net Debt to Estimated Actual Value	Net Debt Per Capita
2005	\$4,601,904	\$703,804,335	13,347	0.65%	\$344.79

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

City of Clayton, Ohio
Direct and Overlapping Governmental Activities Debt
 December 31, 2005

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	\$4,500,000	100.00%	\$4,500,000
Overlapping Debt:			
Montgomery County	55,616,300	2.46%	1,368,161
Trotwood-Madison School District	33,171,625	2.54%	842,559
Brookville School District	22,559,992	0.16%	36,096
Miami Valley Regional Transit Authority	8,765,000	2.46%	215,619
Total Overlapping Debt	120,112,917		2,462,435
Grand Total	\$124,612,917		\$6,962,435

Source: Montgomery County Auditor

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

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

	2005	2004	2003	2002	2001	2000
Total Assessed Valuation	\$248,985,717	\$246,284,706	\$243,898,951	\$219,295,173	\$219,644,425	\$217,261,651
Overall debt limitation - 10.5% of assessed valuation	<u>26,143,500</u>	<u>25,859,894</u>	<u>25,609,390</u>	<u>23,025,993</u>	<u>23,062,665</u>	<u>22,812,473</u>
Gross indebtedness authorized by the City	9,925,641	8,587,472	1,600,000	650,000	650,000	0
Less Exempt Debt						
State Route 48 Improvement Note	0	1,600,000	1,600,000	650,000	650,000	0
Water Line Loan	3,984,356	4,087,472	0	0	0	0
Various Purpose Bond - State Route 48 Improvement Portion	1,600,000	0	0	0	0	0
OWDA Loan	1,242,895	0	0	0	0	0
General Obligation Bond Retirement Fund Balance	4,431	0	0	0	0	0
Total Exempt Debt	<u>6,831,682</u>	<u>5,687,472</u>	<u>1,600,000</u>	<u>650,000</u>	<u>650,000</u>	<u>0</u>
Total Net Debt Subject to Limitation	<u>3,093,959</u>	<u>2,900,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin within 10.5% limitation	<u>\$23,049,541</u>	<u>\$22,959,894</u>	<u>\$25,609,390</u>	<u>\$23,025,993</u>	<u>\$23,062,665</u>	<u>\$22,812,473</u>
Legal Debt Margin as a Percentage of the Debt Limit	88.2%	88.8%	100.0%	100.0%	100.0%	100.0%
Unvoted debt limitation 5.5% of assessed valuation	\$13,694,214	\$13,545,659	\$13,414,442	\$12,061,235	\$12,080,443	\$11,949,391
Gross indebtedness authorized by the City	9,925,641	8,587,472	1,600,000	650,000	650,000	0
Less Exempt Debt						
State Route 48 Improvement Note	0	1,600,000	1,600,000	650,000	650,000	0
Water Line Loan	3,984,356	4,087,472	0	0	0	0
Various Purpose Bond - State Route 48 Improvement Portion	1,600,000	0	0	0	0	0
OWDA Loan	1,242,895	0	0	0	0	0
General Obligation Bond Retirement Fund Balance	4,431	0	0	0	0	0
Total Exempt Debt	<u>6,831,682</u>	<u>5,687,472</u>	<u>1,600,000</u>	<u>650,000</u>	<u>650,000</u>	<u>0</u>
Total Net Debt Subject to Limitation	<u>3,093,959</u>	<u>2,900,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin within 5.5% limitation	<u>\$10,600,255</u>	<u>\$10,645,659</u>	<u>\$13,414,442</u>	<u>\$12,061,235</u>	<u>\$12,080,443</u>	<u>\$11,949,391</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	77.4%	78.6%	100.0%	100.0%	100.0%	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.

City of Clayton, Ohio
Demographic and Economic Statistics
Last Six 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

(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, 2005 (1)

Employer	2005	
	Total Employees	Percentage of Total Employees
Northmont Board of Education	600	17.80%
Stillwater Center	182	5.40%
City of Clayton	84	2.49%
Studebaker Electric	53	1.58%
Dayton Meadowbrook	50	1.48%
Anchor Fabricating	42	1.25%
Crapsey & Gilles	31	0.92%
Caffe Anticoli	20	0.59%
United Dairy Farmers	19	0.56%
Dennis E. McClure MD Inc.	18	0.53%
Total Employees	1,099	32.60%
All Other Employers	2,272	67.40%
Total Employees	3,371	100.00%

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

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

<i>Governmental Activities:</i>	2000		2001		2002		2003		2004		2005	
	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
Police	13	14	14	14	15	26	15	23	15	22	13	18
Fire/EMS	5	45	5	45	6	50	6	49	5	52	4	44
Street	9	26	10	6	7	8	8	13	8	14	10	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>

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

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

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

(1) Information prior to 2002 was not available.

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

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

(1) Information prior to 2004 was not available.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**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
JULY 27, 2006**