

Hamilton County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

City Council
City of Montgomery
10101 Montgomery Road
Montgomery, Ohio 45242

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 28, 2006

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005

Issued by:
Department of Finance
Wayne S. Davis
Director



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INTRODUCTORY SECTION





[HTTP://WWW.CI..MONTGOMERY.OH.US](http://www.ci.montgomery.oh.us)

CITY OF MONTGOMERY, OHIO

10101 Montgomery Road
Montgomery, Ohio 45242

Phone (513) 891-2424 Fax (513) 891-2498

June 23, 2006

To the Citizens of the City of Montgomery, Ohio:

We are pleased to present the Comprehensive Annual Financial Report for the City of Montgomery for the fiscal year ended December 31, 2005. The report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

This report represents a commitment by the City of Montgomery to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been presented.

This letter should be read in conjunction with the Management Discussion and Analysis (MD&A) that can be found immediately following the Independent Auditors' Report.

The report is comprised of three major sections:

1. *The Introductory Section* includes this Letter of Transmittal which addresses the organization, accomplishments and operational structure of the City, a list of the principal City officials, an organizational chart, and the GFOA Certificate of Achievement.
2. *The Financial Section* contains the Independent Auditors' Report, Management's Discussion and Analysis, 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, economic and historical data for general information and identifies financial trends.

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

The Reporting Entity

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

The City provides the following services to its residents and businesses: police and fire protection, emergency medical response, parks and recreational activities, planning, zoning, street maintenance, solid waste collection, income tax collection and other governmental services. The City also has one blended component unit (Montgomery Community Improvement Corporation) which was established under Ohio law to provide a means of attracting businesses to Montgomery that would enhance the community. This entity's board of directors consists entirely of Montgomery's council members.

The City of Montgomery

The City of Montgomery is a vibrant Ohio community located 12 miles north of Cincinnati. Its 5.3 square mile area serves an estimated residential population of 10,000. Montgomery was incorporated as a village in 1910 and became a City in 1971. It is a home rule City with a Council-Manager form of government. The City's responsibilities and structure are outlined in the City Charter, which was adopted by its citizens in 1981 and was last amended in 2002.

City Council

The legislative body of Montgomery consists of a seven-member Council. Each council member is elected by the City at large for overlapping four-year terms, which are staggered to expire on a four-seat cycle, followed by the expiration of three seats, every two years. The term of a council member begins on the last Sunday of November of the year the member is elected to office. The Council elects a Mayor and Vice Mayor from within its ranks. These officers each serve a two-year term. The Mayor's primary duties include presiding over City Council meetings and performing ceremonial civic duties. The Vice Mayor assumes the duties of the Mayor in his or her absence. In 1996, the City obtained the services of a magistrate to oversee the proceedings of Montgomery's Mayor's Court.

The City Council has established various boards and commissions to help in its historic preservation efforts, community development and enhancement, and evaluation of the numerous projects carried out each year. All of these boards and commissions are run by volunteers who live in Montgomery. The following is a brief description of their purposes and goals.

Arts Commission

This commission was established to foster the visual and performing arts within the City. It was established when a Montgomery resident bequeathed artwork to the City with the request that the City promote artistic endeavors. The Commission advises Council on the prudent and productive use of its financial resources, including the assets held in trust. It sponsors activities throughout the year such as a photography contest and concerts, which are open to the general public.

CITY OF MONTGOMERY, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

Beautification and Tree Commission

The Beautification and Tree Commission develops a yearly plan for the care of trees, shrubs, and flowers in public areas. It also proposes programs and makes recommendations for the use of funds allocated to it. Throughout the year, the Commission sponsors events. Those events include the Arbor Day celebration and Beautification Week, when flowers are planted by volunteers in beds throughout the City. The Commission also gives out the Beautification Awards to homes and businesses with outstanding landscaping. Through the Commission's efforts, the City has received the designation of Tree City USA from the National Arbor Day Foundation.

Board of Tax Review

This Board is defined by ordinance to hear appeals of persons dissatisfied with rulings or decisions made by the Tax Commissioner or other City officials regarding taxes and penalties imposed. The Board has the authority to affirm, reverse or modify such rulings or decisions. Hearings requested by a taxpayer before the Board are not meetings of a public body subject to Sections 121.22 of the Ohio Revised Code.

Board of Zoning Appeals

This Board was established to interpret the provisions of the zoning code in order to carry out the intent of the code. Public hearings and meetings are held to review various requests and any other appeals related to the provisions and administration of the City's zoning code.

Civil Service Commission

Defined by the City Charter, the Civil Service Commission ensures that all appropriate civil service examinations and procedures are applied when appointments and promotions are made in the classified services of the City. This Commission makes recommendations to City Council concerning the determination of merit and fitness as the basis for promotions, demotions, suspensions and removals of employees in the classified positions. It is charged with recommending standards to ensure that open classified positions are filled based on competitive examinations and merit, efficiency, character, conduct and seniority. Full-time police and firefighters, excluding the Chief of Police and the Fire Chief, are the only classified positions in the City of Montgomery.

Community Improvement Corporation (CIC)

The CIC is established under Ohio Revised Code to provide economic development benefits to businesses which are either located in Montgomery or are considering establishing an office in Montgomery. It has assisted businesses in obtaining favorable loan rates, offered incentives to businesses to establish offices in Montgomery and purchased property for the purposes of developing it for resale to desirable businesses. The Board of Directors of the CIC is comprised of the members of City Council.

Landmarks Commission

The Landmarks Commission provides for the preservation of Montgomery's historical, architectural and archeological heritage. It provides research into the historical aspects of various Montgomery properties, and works to designate and protect those areas, places, buildings or objects that possess significance in terms of the City's cultural, social, economic, political or architectural heritage. Its members work to educate the City's residents and businesses concerning its historical heritage, work with other preservation organizations and the Ohio Preservation Office and makes recommendations to the Planning Commission and Council on matters of legislation and development that may affect the City's landmarks or heritage.

CITY OF MONTGOMERY, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

Parks and Recreation Commission

The City of Montgomery has worked to acquire and develop desirable areas for its park system--including the municipal swimming pool--which supports all the Montgomery neighborhoods. The Commission's goal is to improve the quality of life for Montgomery residents through the development and maintenance of an integrated park system and by offering a well-rounded recreation program. Its activities include long-term planning for repair and replacement of park equipment.

Planning Commission

This Commission is defined by the City Charter to hold public hearings and make recommendations to the City Council concerning the City's subdivision, platting and zoning ordinances and regulations. It works in cooperation with other governmental or private planning agencies to secure the maximum benefits to Montgomery. It regularly conducts studies and surveys, as well as plans for the growth, development, redevelopment, rehabilitation and renewal of the City.

Sister Cities Commission

The Sister Cities Commission, like the Arts Commission, is another cultural endeavor designed to enhance City life and to provide education and understanding concerning other cultures. It participates in an active exchange program with its Sister City, Neuilly-Plaisance in France. Activities sponsored during the year include an annual Bastille Day Celebration, professional and student exchanges, and a Sister Cities International Art Contest.

We are pleased and honored to have many volunteers who dedicate hundreds of hours to each of these endeavors. Without them, many projects and activities, which enhance the quality of life in Montgomery, would not be possible.

ECONOMIC CONDITIONS AND OUTLOOK

Montgomery is a very desirable community in which to live and do business. Its prime location along Interstates 71 and 275 in northeastern Hamilton County, alluring properties, and easy access to the Greater Cincinnati region has created consistently high values for both residential and commercial properties. Montgomery is located in the Sycamore Community School District, which is a district that is nationally recognized for its academic excellence.

The City's economy is diverse with an ideal mix of residential, office and retail uses. Primary employers in the City include Bethesda North Hospital, the Sycamore Community School District, the world famous Montgomery Inn, the Ohio National Life Insurance Company and Bethesda Healthcare. All of these employers are growing and are reflective of the economic vitality of the entire Cincinnati region, with its low unemployment and high growth rates. In addition to the economic contributions of the major employers above, the City has experienced an expanding medical professional business environment with a variety of general and specialty medical practitioners and clinics. In addition to the expanding medical community, the City's historic downtown offers numerous retail and dining choices for residents and visitors, alike. Finally, in 2005 the City began to experience the initiation of a number of economic development efforts including the development of a key piece of its Heritage District --- a vacant piece of property known as the Triangle.

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

The local economy continued to maintain its strength within the region by realizing increasing earnings tax collection in 2005 above those collected in 2004. When considering the tough economic conditions, which have occurred in other municipalities in the Hamilton County region, the City of Montgomery has continued to perform well in the economic downturn of the past several years. Even during this period, the value of Montgomery residential and commercial property continues to increase, with rising property values and new construction within the City both contributing to increasing property tax collections.

The area surrounding the City of Montgomery contains much of the same diversity in businesses that exists within its city limits. The greater Cincinnati area is the home of several Fortune 1000 companies and has experienced consistently low unemployment rates in recent years.

MAJOR INITIATIVES

2005 was yet another very busy year marked by several significant successes and achievements:

A comprehensive survey of all residences in the City was conducted in 2005, the results of which indicate that an overall 97 percent of residents are either “very satisfied” with or “satisfied” with the quality of life in the community. In all categories, a majority of residents gave “very satisfied or “satisfied” ratings to every service offered by the City, with Fire and EMS receiving the highest satisfaction rating of 93.6 percent approval. Eight of ten residents “agree” that the municipal services provided to their households are a good value for the property tax dollars they pay. These results were extremely gratifying to city staff and City Council, however the City will continue to seek ways to improve on service delivery to the residents of Montgomery.

2005 marked the completion of an important public improvement project on Parrott Alley in historic downtown Montgomery. These improvements were designed to highlight the walkway between the public parking area and Montgomery Road to increase identification of the parking area, but also to make the walk a bit more pleasant for those patronizing our businesses. The improvements are a great enhancement to not only the appearance of the area, but also its functionality, and are the culmination of almost two years of planning and development.

City planning and approval work on the development of the City’s Triangle property located at the corner of Montgomery and Cooper Roads continued in 2005, and construction on this important gateway development will begin early in 2006. The plan for the Triangle includes a mixed use office and retail development that include restaurant sites and a bank facility. An underground parking garage will service the site and the City will be involved with a variety of public improvements around the site that are funded through the establishment of a tax increment financing district on the property. The City’s goal of creating an attractive and viable business development at this once underutilized, key site in the Heritage District will become a reality in 2006.

Preliminary work on a number of developments kept Planning Commission and City Council busy in 2005. In addition to the Triangle property, proposed developments in the City include a substantial development on the Gate of Heaven property which will include both commercial and residential uses, development of the auto dealership properties in the southern portion of the City and a residential development in the area of Remington and Main Streets. The City is committed to seeing that these developments are completed in compliance with the City’s code of ordinances and zoning code and will contribute to the overall high quality image of the City once completed.

CITY OF MONTGOMERY, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

The City was the recipient of a number of awards in 2005 including the Tree City Growth Award, which marks the 10th consecutive year that the City has received this distinction. The City also received its tenth consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its 2004 comprehensive annual financial report (CAFR) and was also the recipient of the Government Finance Officers Association's National Innovation Award for the City's Health Benefits Committee.

The City of Montgomery continued to spread the word about "The Montgomery Way" among its local government peers across the nation through presentations of the City's High Performance Organization (formerly TARGET, (Taking Action to reach Goals Through Empowerment and Teamwork)) Program at two conferences in 2005. The City's presentation team developed a program to teach our high performance theory and implementation plan to other cities that may have an interest in establishing such a program. Montgomery was given the opportunity to share this information at the Senior Executive Institute at the University of Virginia in August and also at the International City/County Management Association Conference in Minneapolis, Minnesota in September of 2005. Montgomery's presentation was very well received at each of these conferences and it is anticipated that the team will continue to be a part of the ICMA University series and will speak again at the annual conference in San Antonio Texas in September 2006.

In early 2005, the TARGET program continued its work toward achieving a high performance workplace through work on individual TARGET Teams, specialized Task Teams and through established employee teams such as the EAST (Employee Advisory and Safety Team) Committee, the Wellness Committee and Health Benefits Committee, to name a few. The TARGET program underwent some modifications starting late in 2005, with the elimination of the seven teams and the formation of four larger groups who meet on a quarterly basis rather than monthly to discuss issues and activities ongoing in the City as well as discuss topics to assist in the City's culture of high performance. The City's Task Teams will continue to work toward their individual goals and new task teams will form as need for them is identified.

In late April and early May, 2005, Montgomery's Sister Cities Commission hosted 18 representatives from Montgomery's Sister City, Neuilly-Plaisance, France. The delegation was comprised of teachers, school administrators and City officials. This visit represents the second phase of the back to back Teachers Exchange that was initiated several years ago. Several Montgomery residents graciously opened their doors to provide lodging for the guests while commission members developed an extensive, daily itinerary that included a variety of school visits, cultural events and social opportunities in their efforts to share a sampling of the American lifestyle. The project certainly exemplified the commission's motto - "Bringing the World Together...One Friendship at a Time."

The City hosted several special events, including ongoing events such as Sensory Sundays, Fourth of July and Bastille Day celebrations, Harvest Moon and Chilifest, and Holiday in the Village, just to name a few. In addition to these time-tested favorites, the City developed a new fun event, Gangsters and Gals which took place in November and was a sold out event which was greatly enjoyed by all in attendance. Also new in 2005 was the first annual Montgomery Walking Home Tour. Sponsored by the Arts Commission as a fundraising project, seven landmark properties were showcased in addition to eight new homes with distinguished historic details.

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

Information technology was a focus during 2005, with the redevelopment of the City's website to address issues such as accessibility for impaired users, and general ease of use for all users. A new vendor for the City's online services was also sought in an effort to make these functions easier to use and as a result the City will realize a substantial cost savings with the new vendor that was found.

There was a significant number of public improvement projects completed in the City in 2005, including resurfacing of several City streets, installation of two new subdivision sidewalks, and repair of existing sidewalks.

FINANCIAL HIGHLIGHTS

Accounting Controls

The City's budgetary accounting system was designed to provide reasonable assurance that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated using the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City Administration and members of the finance office.

All internal control evaluations occur within this framework. It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary Control

Budgetary control is maintained within the personal services, operating expenditures, contractual services, and capital outlay categories within each department through the encumbering of estimated purchase amounts prior to the release of formal purchase orders to vendors. Purchase orders which result in an overrun above appropriated balances are not released until additional appropriations are made available via amendments to the annual appropriations ordinance. Open encumbrances as of December 31, 2005 are reported as reservations of fund balances within this report.

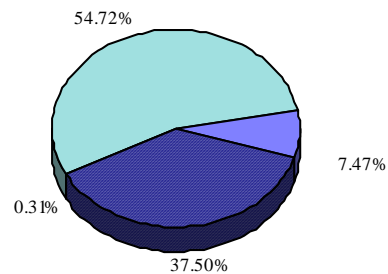
CITY OF MONTGOMERY, OHIO

Letter of Transmittal For the Year Ended December 31, 2005

Cash Management

Cash that was temporarily idle during the year was invested in interest-bearing demand deposit accounts or in the State Treasurer's investment pool, STAR Ohio. Funds of \$8,199,932 which were determined to be available for longer term investment were invested in U.S. Government Securities and a special assessment bond issued by the City of Montgomery. The City's investment policy is to minimize credit and market risks, while obtaining the highest yield possible on its investments. Accordingly, all funds are either insured by federal depository insurance, held in the City's name or are collateralized. All investments meet the State of Ohio's requirements on allowable investments and the City's official investment policy.

<u>Cash Resources</u>	<u>2005</u>	<u>%</u>
Cash	\$1,620,954	7.47
U S Government Securities	8,135,154	37.50
Investments (City's Debt)	64,779	0.31
STAR Ohio	11,870,255	54.72
Total Resources	\$21,691,142	100.00



Risk Management

The City tries to minimize its exposure to risk through employee training and insurance protection plans. Montgomery participates in an insurance pool operated by Miami Valley Risk Management Association, Inc. (MVRMA) for the purpose of obtaining lower insurance rates. MVRMA is a joint insurance pool for municipalities which has been operational since December 1, 1988 and was formed according to Section 2744 of the Ohio Revised Code. This pool covers all property, crime, liability, machinery and public official liability and bonding for the City.

Workers' Compensation insurance is provided by the State of Ohio but rates are pooled with other members of the Ohio Municipal League pool to obtain a lower rate than the City would obtain on its own. Additional information regarding the City's risk management can be found in Note 12, "Risk Management" in the financial section of this report.

OTHER INFORMATION

Independent Audit

The basic financial statements of the City of Montgomery were audited by Bastin & Company, LLC. The independent auditors' unqualified opinion has been included in this report.

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

Certificate of Achievement

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 Montgomery for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Montgomery has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended December 31, 1995-2004). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

We want to extend sincere appreciation to the many individuals who have contributed their time and effort in gathering data for this report, particularly the various City departmental staff and members of the Hamilton County Auditor's Office.

Also, it is important to recognize the continued dedication and support of the Montgomery City Council and its Finance Committee. Their commitment to sound financial practices and reporting is the reason this CAFR is possible.

Respectfully submitted,

The City of Montgomery Finance Department

Cheryl Hilvert, City Manager

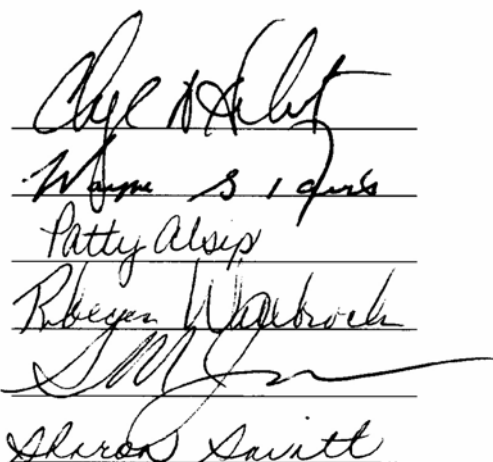
Wayne Davis, Director of Finance

Patty Alsip, Senior Account Clerk

Rebecca Wellbrock, Tax Commissioner

Suzanne Jarman, Tax Account Clerk

Sharon Savitt, Payroll Account Clerk



CITY OF MONTGOMERY, OHIO

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

Elected Officials

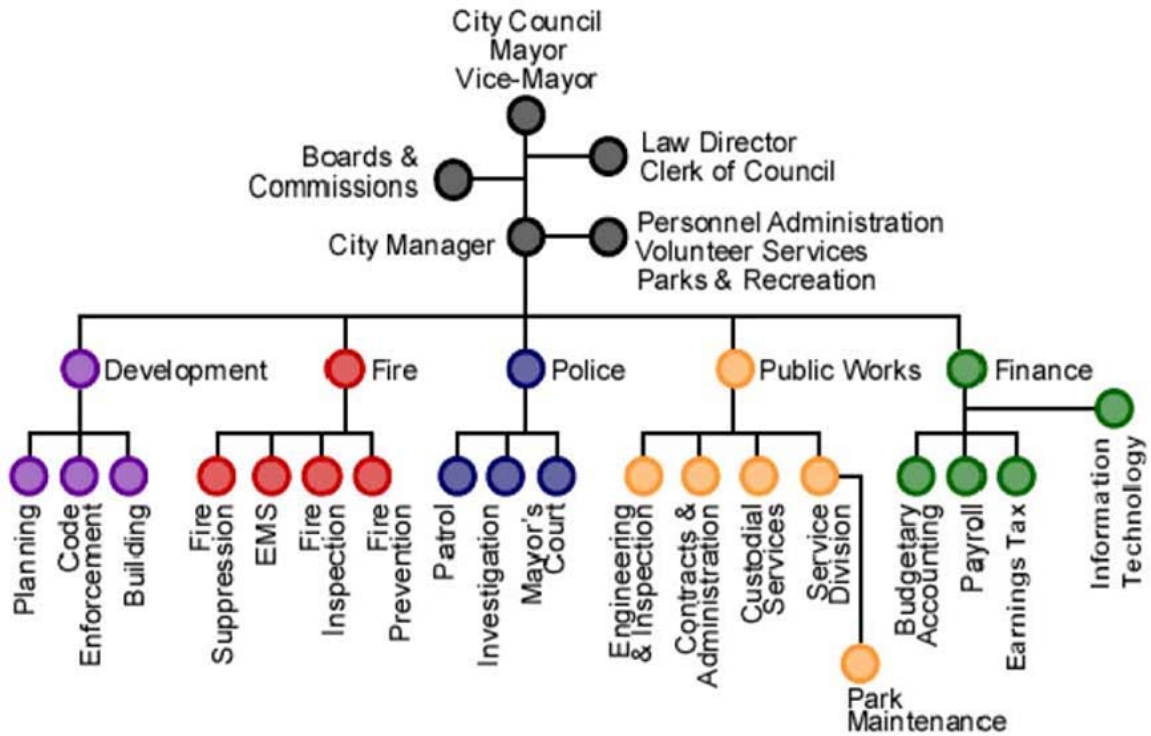
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gerri Harbison	Mayor	December 2007
Ken Suer	Vice Mayor	December 2009
Bill Niehaus	Council	December 2007
Todd Steinbrink	Council	December 2007
Mark Combs	Council	December 2009
Barry Joffe	Council	December 2009
Lynda Roesch	Council	December 2009

Appointed Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Donnellon	Director of Law	Indefinite
Susan Hamm	Clerk of Council	Indefinite
Cheryl Hilvert	City Manager	Indefinite

CITY OF MONTGOMERY, OHIO

City Organizational Chart
For the Year Ended December 31, 2005



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Montgomery,
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

FINANCIAL SECTION



Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of City Council
City of Montgomery, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Ohio (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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 23, 2006

The discussion and analysis of the City of Montgomery's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2005 are as follows:

- ❑ In total, net assets increased \$2,843,435. Net assets of governmental activities increased \$2,859,434, which represents a 5.8% increase from 2004. Net assets of business-type activities declined \$15,999 from 2004.
- ❑ General revenues accounted for \$12,705,619 in revenue or 90.2% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,383,819 or 9.8% of all revenues.
- ❑ The City had \$11,001,341 in expenses related to governmental activities; only \$1,187,156 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,705,619 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$7,558,678 in revenues and \$6,087,833 in expenditures. The general fund's fund balance increased \$915,460 to \$11,003,222.
- ❑ Net assets for the enterprise fund decreased slightly. This decline resulted from operating expenses of \$244,662 exceeding revenues and transfers of \$228,663.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF MONTGOMERY, OHIO

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

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2005	2004	2005	2004	2005	2004
Current and other assets	\$30,835,541	\$28,997,803	\$52,456	\$17,212	\$30,887,997	\$29,015,015
Capital assets, Net	35,214,842	35,094,981	1,358,748	1,410,112	36,573,590	36,505,093
Total assets	66,050,383	64,092,784	1,411,204	1,427,324	67,461,587	65,520,108
Long-term debt outstanding	10,365,841	11,519,748	0	0	10,365,841	11,519,748
Other liabilities	3,880,041	3,627,969	0	121	3,880,041	3,628,090
Total liabilities	14,245,882	15,147,717	0	121	14,245,882	15,147,838
Net assets						
Invested in capital assets, net of related debt	25,477,396	23,841,752	1,358,748	1,410,112	26,836,144	25,251,864
Restricted	15,362,245	14,660,323	0	0	15,362,245	14,660,323
Unrestricted	10,964,860	10,442,992	52,456	17,091	11,017,316	10,460,083
Total net assets	\$51,804,501	\$48,945,067	\$1,411,204	\$1,427,203	\$53,215,705	\$50,372,270

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CITY OF MONTGOMERY, OHIO

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

Unaudited

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

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,130,038	\$743,094	\$196,663	\$164,162	\$1,326,701	\$907,256
Operating Grants and Contributions	38,350	148,639	0	0	38,350	148,639
Capital Grants and Contributions	18,768	55,700	0	0	18,768	55,700
General Revenues:						
Income Taxes	6,136,151	5,460,795	0	0	6,136,151	5,460,795
Property Taxes	4,050,884	4,001,114	0	0	4,050,884	4,001,114
Other Local Taxes	339,367	539,802	0	0	339,367	539,802
General Shared Revenues	1,244,731	1,144,087	0	0	1,244,731	1,144,087
Investment Earnings	568,358	282,737	0	0	568,358	282,737
Miscellaneous	366,128	307,796	0	0	366,128	307,796
Total Revenues	<u>13,892,775</u>	<u>12,683,764</u>	<u>196,663</u>	<u>164,162</u>	<u>14,089,438</u>	<u>12,847,926</u>
Program Expenses						
Security of Persons and Property	4,650,457	4,034,433	0	0	4,650,457	4,034,433
Leisure Time Activities	784,676	725,148	0	0	784,676	725,148
Community Environment	563,592	493,830	0	0	563,592	493,830
Public Health and Welfare	61,721	63,586	0	0	61,721	63,586
Transportation	1,729,494	2,008,508	0	0	1,729,494	2,008,508
General Government	2,861,353	2,697,782	0	0	2,861,353	2,697,782
Interest and Fiscal Charges	350,048	346,420	0	0	350,048	346,420
Municipal Pool	0	0	244,662	227,144	244,662	227,144
Total Expenses	<u>11,001,341</u>	<u>10,369,707</u>	<u>244,662</u>	<u>227,144</u>	<u>11,246,003</u>	<u>10,596,851</u>
Excess (deficiency) before Transfers	2,891,434	2,314,057	(47,999)	(62,982)	2,843,435	2,251,075
Transfers	(32,000)	(10,000)	32,000	10,000	0	0
Total Change in Net Assets	2,859,434	2,304,057	(15,999)	(52,982)	2,843,435	2,251,075
Beginning Net Assets	48,945,067	46,641,010	1,427,203	1,480,185	50,372,270	48,121,195
Ending Net Assets	<u>\$51,804,501</u>	<u>\$48,945,067</u>	<u>\$1,411,204</u>	<u>\$1,427,203</u>	<u>\$53,215,705</u>	<u>\$50,372,270</u>

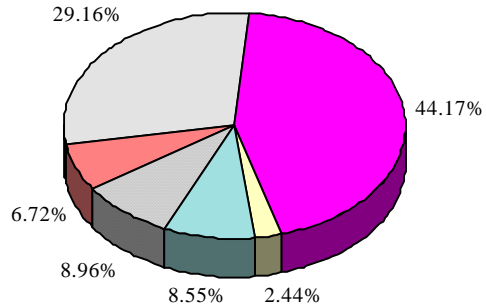
Governmental Activities

Net assets of the City's governmental activities increased by \$2,859,434 due to a combination of factors. The majority of the increase in the net assets in governmental activities can be attributed to significant increases in several revenue sources that were above projections and/or in excess of receipts collected in 2004. Two of the major areas for increase include income tax collections and property tax collections which exceeded 2004 collections by 12.4% and 1.2%, respectively. Other revenue sources contributing the net asset increase, and with variances in excess of forecasts, included investment income and charges for services (primarily in the area of building permits), which respectively exceeded forecasts by 103% and 118%. Finally, on the expense side, and also contributing to the increase in net assets, there were some significant expenditures related to the City's Triangle project that were put off until 2006 due to the schedule of the project.

The City receives an income tax, which is based on 1.00% of all salaries, wages, commissions and other compensation and on net profits earned from businesses and residents living within the City.

Property taxes and income taxes made up 29.16% and 44.17% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 75.77% of total revenues from general tax revenues:

Revenue Sources	2005	Percent of Total
Property Taxes	\$4,050,884	29.16%
Income Taxes	6,136,151	44.17%
Other Local Taxes	339,367	2.44%
Program Revenues	1,187,156	8.55%
General Shared Revenues	1,244,731	8.96%
General Other	934,486	6.72%
Total Revenue	\$13,892,775	100.00%



Business-Type Activities

Net assets of the business-type activities decreased by \$15,999. This decrease was mainly the result of depreciation on the capital assets of the business-type activities during 2005.

CITY OF MONTGOMERY, OHIO

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

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$22,034,714, which is an increase from last year's balance of \$20,148,267. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$11,003,222	\$10,087,762	\$915,460
Fire Protection EMS	2,658,312	2,530,638	127,674
General Obligation			
Bond Retirement	967,900	951,899	16,001
Reserve of Montgomery			0
Bond Retirement	55,645	53,684	1,961
Capital Improvement	2,732,685	2,364,529	368,156
Other Governmental	4,616,950	4,159,755	457,195
Total	\$22,034,714	\$20,148,267	\$1,886,447

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

	2005 Revenues	2004 Revenues	Increase (Decrease)
Taxes	\$5,942,882	\$5,768,373	\$174,509
Intergovernmental Revenues	518,660	590,037	(71,377)
Charges for Services	199,745	196,913	2,832
Licenses, Permits, and Fees	330,066	222,885	107,181
Investment Earnings	393,736	173,018	220,718
Fines and Forfeitures	128,199	145,560	(17,361)
All Other Revenue	45,390	81,844	(36,454)
Total	\$7,558,678	\$7,178,630	\$380,048

General Fund revenues in 2005 increased 5.3% compared to revenues in fiscal year 2004. The most significant factors leading to the increase were the increases in earnings tax collections, the increase in building permit fees and the increases in the City's investment income.

	2005 Expenditures	2004 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,302,045	\$2,222,582	\$79,463
Public Health and Welfare Services	42,364	43,189	(825)
Leisure Time Activities	570,079	520,297	49,782
Community Environment	542,170	467,260	74,910
General Government	2,631,175	2,504,954	126,221
Total	\$6,087,833	\$5,758,282	\$329,551

General Fund expenditures increased by \$329,551 over the prior year mostly due to increases in cost associated with salaries and fringe benefits, although another significant contributor to this increase was the increased volume of inspections associated with the economic growth throughout the City.

Fire Protection EMS Fund - The fund balance of the Fire Protection EMS Fund, a major governmental fund, increased by \$127,674. The increase in fund balance resulted because 2005 was a fiscal year with no large capital purchases budgeted for the Fire Department. In prior and succeeding budget years the Fire Department has included large equipment purchases as part of its five and ten-year financial plans. These purchases require the buildup of a relatively large fund balance to finance the capital equipment needs of the department throughout the cycle.

General Obligation Bond Retirement Fund - The fund balance of the General Obligation Bond Retirement Fund, a major governmental fund, increased by \$16,001 during 2005. This increase was due primarily to the increase in earnings tax collections, of which 15% are allocated to this fund.

Reserve of Montgomery Bond Retirement Fund - The fund balance of the Reserve of Montgomery Bond Retirement Fund, a major governmental fund, increased by \$1,961 during 2005 due to payments in lieu of taxes that were slightly more than anticipated in the original budgetary projections.

Capital Improvement Fund - The fund balance of the Capital Improvement Fund, a major governmental fund, increased by \$368,156 during 2005 mainly due to increased tax collections.

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

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

For the General Fund, final budget basis revenue of \$7.6 million slightly changed over the original budget estimates of \$7.0 million. The General Fund had an adequate fund balance to cover expenditures.

CITY OF MONTGOMERY, OHIO

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

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$36,573,590 net of accumulated depreciation invested in land, buildings, infrastructure, equipment and vehicles. Of this total, \$35,214,842 was related to governmental activities and \$1,358,748 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$14,775,785	\$14,775,785	\$0
Buildings	3,341,123	3,341,123	0
Improvements Other than Buildings	3,920,656	3,920,656	0
Infrastructure	21,887,580	21,540,849	346,731
Machinery and Equipment	4,321,068	3,681,967	639,101
Less: Accumulated Depreciation	<u>(13,031,370)</u>	<u>(12,165,399)</u>	<u>(865,971)</u>
Totals	<u>\$35,214,842</u>	<u>\$35,094,981</u>	<u>\$119,861</u>

The primary increases occurred in infrastructure and machinery and equipment. The increases mainly resulted from the improvement of Parrott Alley in the Heritage District, as well as the purchase of a fire truck.

During 2005 the City added a new diving board at the pool as seen in the chart below showing the Business-Type capital assets activities for the year.

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$405,576	\$405,576	\$0
Buildings	683,109	683,109	0
Improvements Other than Buildings	726,142	724,324	1,818
Machinery and Equipment	69,063	69,063	0
Less: Accumulated Depreciation	<u>(525,142)</u>	<u>(471,960)</u>	<u>(53,182)</u>
Totals	<u>\$1,358,748</u>	<u>\$1,410,112</u>	<u>(\$51,364)</u>

Additional information on the City's Capital Assets can be found in Note 8.

Debt

At December 31, 2005, the City had \$9,557,100 in general obligation bonds outstanding, \$984,342 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Governmental Activities:		
General Obligation Bonds	\$9,557,100	\$10,526,442
Special Assessment Bonds	180,346	193,229
Long-Term Bond Anticipation Note	0	200,000
Compensated Absences	628,395	600,077
Total Governmental Activities	<u>\$10,365,841</u>	<u>\$11,519,748</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

ECONOMIC FACTORS

2005 marked the completion of one of the largest development projects in the City's history, Twin Lakes, and the beginning of another, the Phase II expansion at Bethesda North Hospital. In June, the City celebrated the opening of the main campus building of Twin Lakes. The 334,000 square foot central building provides independent apartment living, assisted care, skilled nursing, and memory support facilities, as well as dining and recreation areas. Combined with the patio homes on Hopewell Road and Perin Road, Twin Lakes offers 206 independent dwelling units and 65 accommodations for people needing assistance. By the end of the year, 300 people called Twin Lakes home.

2005 also saw the approval of Phase II of the capital improvement plan for Bethesda North Hospital. Construction started in the summer on the seven-story bed tower that will add 130 new in-patient beds, a new diagnostics and support services wing, and a new parking structure. Construction will continue through 2006.

The City's Landmarks and Planning Commission spent much of 2005 reviewing the proposed redevelopment of the City-owned property at the corner of Montgomery Road and Cooper Road. The City has been working with a private developer to construct approximately 40,000 square feet of office and retail space on top of a 90 space underground parking garage. Final agreements on the sale of the property and the design of the building were completed in December to allow the transfer of ownership and the start of construction in early 2006.

After a lengthy approval process, the City approved the plans for the relocation of Montgomery Chevrolet from downtown to the site of its existing used car operation. Construction began in the summer and should be complete by the spring of 2006. The move by this dealership will allow for the redevelopment of this important downtown property.

In anticipation of the Chevrolet dealership, the City undertook a planning study of the area between the downtown and Cross County Highway to evaluate the best uses and designs for future development. At

the completion of the study, a new zoning district was proposed for this area and legislation was drafted. By the end of the year the Planning Commission had completed its review and sent a recommendation on to City Council for its consideration.

The City also initiated a review of the zoning guidelines for the commercial district north of downtown to determine whether additional planning and architectural design guidelines were warranted. A committee comprised of property owners in the area, Planning and Landmarks Commission members, City staff, and a private consultant worked through the spring and early summer to develop reasonable, yet effective, measures to improve the overall design and appearance from Schoolhouse Lane to the Heritage District. Planning Commission completed its review in the fall and sent its recommendation to City Council. The guidelines will be in place in early 2006.

Late in 2005, the City received an application from an area developer to develop 70 acres of vacant land owned by the Archdiocese of Cincinnati adjoining Gate of Heaven Cemetery. This project includes rezoning portions of the property for higher density residential dwellings and a small commercial district. Work on this project will extend well into 2006.

2005 saw the demolition of 24 older houses throughout the City by homebuilders looking to build larger, more modern houses. In total, builders invested \$11,117,000 in new single family housing in 2005, an increase of over \$3.1 million from 2004. The City also approved building permits for remodeling or building additions on 40 homes, at a value of over \$825,000. The Building and Development Department also issued 156 permits for signs, accessory buildings, and swimming pools. This was comparable to 2004. Inspectors for the City dealt with 316 violations of the zoning and property maintenance codes. More than half of these involved the removal of signs placed within the public right of way.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Wayne Davis, Director of Finance for the City of Montgomery.

CITY OF MONTGOMERY, OHIO

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

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 13,175,356	\$ 52,456	\$ 13,227,812
Investments	8,199,933	0	8,199,933
Receivables:			
Taxes	4,506,263	0	4,506,263
Accounts	60,526	0	60,526
Intergovernmental	757,673	0	757,673
Interest	58,984	0	58,984
Special Assessments	4,059,536	0	4,059,536
Prepaid Items	17,270	0	17,270
Capital Assets not Being Depreciated	14,775,785	405,576	15,181,361
Capital Assets Being Depreciated, net	20,439,057	953,172	21,392,229
Total Assets	66,050,383	1,411,204	67,461,587
Liabilities:			
Accounts Payable	154,597	0	154,597
Accrued Wages and Benefits	360,329	0	360,329
Intergovernmental Payable	1,260	0	1,260
Deferred Revenue	3,346,577	0	3,346,577
Accrued Interest Payable	17,278	0	17,278
Noncurrent liabilities:			
Due within one year	1,253,876	0	1,253,876
Due in more than one year	9,111,965	0	9,111,965
Total Liabilities	14,245,882	0	14,245,882
Net Assets:			
Invested in Capital Assets, Net of Related Debt	25,477,396	1,358,748	26,836,144
Restricted For:			
Capital Projects	2,932,825	0	2,932,825
Debt Service	7,308,168	0	7,308,168
Streets and Highways	1,436,258	0	1,436,258
Security of Persons and Property	2,911,812	0	2,911,812
Other Purposes	773,182	0	773,182
Unrestricted	10,964,860	52,456	11,017,316
Total Net Assets	\$ 51,804,501	\$ 1,411,204	\$ 53,215,705

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 4,650,457	\$ 217,513	\$ 5,460	\$ 0
Leisure Time Activities	784,676	39,053	0	0
Community Environment	563,592	624,099	0	18,768
Public Health and Welfare Services	61,721	45,375	0	0
Transportation	1,729,494	0	32,890	0
General Government	2,861,353	203,998	0	0
Interest and Fiscal Charges	350,048	0	0	0
Total Governmental Activities	11,001,341	1,130,038	38,350	18,768
Business-Type Activities:				
Municipal Pool	244,662	196,663	0	0
Total Business-Type Activities	244,662	196,663	0	0
Totals	\$ 11,246,003	\$ 1,326,701	\$ 38,350	\$ 18,768

General Revenues

Property Taxes Levied for:

General Purposes

Income Tax

Other Local Taxes

Intergovernmental, unrestricted

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,427,484)	\$ 0	\$ (4,427,484)
(745,623)	0	(745,623)
79,275	0	79,275
(16,346)	0	(16,346)
(1,696,604)	0	(1,696,604)
(2,657,355)	0	(2,657,355)
(350,048)	0	(350,048)
<u>(9,814,185)</u>	<u>0</u>	<u>(9,814,185)</u>
<u>0</u>	<u>(47,999)</u>	<u>(47,999)</u>
<u>0</u>	<u>(47,999)</u>	<u>(47,999)</u>
<u>(9,814,185)</u>	<u>(47,999)</u>	<u>(9,862,184)</u>
4,050,884	0	4,050,884
6,136,151	0	6,136,151
339,367	0	339,367
1,244,731	0	1,244,731
568,358	0	568,358
366,128	0	366,128
(32,000)	32,000	0
<u>12,673,619</u>	<u>32,000</u>	<u>12,705,619</u>
2,859,434	(15,999)	2,843,435
<u>48,945,067</u>	<u>1,427,203</u>	<u>50,372,270</u>
<u>\$ 51,804,501</u>	<u>\$ 1,411,204</u>	<u>\$ 53,215,705</u>

CITY OF MONTGOMERY, OHIO

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

	General	Fire Protection / EMS	General Obligation Bond Retirement
Assets:			
Cash and Cash Equivalents	\$ 5,242,684	\$ 1,357,769	\$ 413,218
Investments	5,364,515	1,391,989	418,528
Receivables:			
Taxes	2,385,626	1,789,329	136,154
Accounts	60,526	0	0
Intergovernmental	355,500	114,024	0
Interest	40,663	10,552	0
Special Assessments	0	0	0
Interfund Loans Receivables	8,700	0	0
Prepaid Items	13,193	717	0
Total Assets	\$ 13,471,407	\$ 4,664,380	\$ 967,900
Liabilities:			
Accounts Payable	\$ 120,247	\$ 7,651	\$ 0
Accrued Wages and Benefits Payable	239,570	90,452	0
Intergovernmental Payable	1,260	0	0
Interfund Loans Payable	0	0	0
Deferred Revenue	2,107,108	1,907,965	0
Total Liabilities	2,468,185	2,006,068	0
Fund Balances:			
Reserved for Encumbrances	355,966	163,764	0
Reserved for Prepaid Items	13,193	717	0
Reserved for Debt Service	0	0	967,900
Undesignated, Unreserved in:			
General Fund	10,634,063	0	0
Special Revenue Funds	0	2,493,831	0
Capital Projects Funds	0	0	0
Total Fund Balances	11,003,222	2,658,312	967,900
Total Liabilities and Fund Balances	\$ 13,471,407	\$ 4,664,380	\$ 967,900

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

<u>Reserve of Montgomery Bond Retirement</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 55,645	\$ 2,016,291	\$ 4,089,749	\$ 13,175,356
0	0	1,024,901	8,199,933
0	195,154	0	4,506,263
0	0	0	60,526
0	0	288,149	757,673
0	0	7,769	58,984
3,666,962	0	392,574	4,059,536
0	527,500	0	536,200
0	0	3,360	17,270
<u>\$ 3,722,607</u>	<u>\$ 2,738,945</u>	<u>\$ 5,806,502</u>	<u>\$ 31,371,741</u>
\$ 0	\$ 6,260	\$ 20,439	\$ 154,597
0	0	30,307	360,329
0	0	0	1,260
0	0	536,200	536,200
3,666,962	0	602,606	8,284,641
<u>3,666,962</u>	<u>6,260</u>	<u>1,189,552</u>	<u>9,337,027</u>
0	409,600	81,033	1,010,363
0	0	3,360	17,270
55,645	0	2,207,199	3,230,744
0	0	0	10,634,063
0	0	2,186,157	4,679,988
0	2,323,085	139,201	2,462,286
<u>55,645</u>	<u>2,732,685</u>	<u>4,616,950</u>	<u>22,034,714</u>
<u>\$ 3,722,607</u>	<u>\$ 2,738,945</u>	<u>\$ 5,806,502</u>	<u>\$ 31,371,741</u>

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

Total Governmental Fund Balances		\$ 22,034,714
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		35,214,842
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		4,938,064
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(9,557,100)	
Special Assessment Bonds Payable	(180,346)	
Compensated Absences Payable	(628,395)	
Accrued Interest Payable	(17,278)	(10,383,119)
<i>Net Assets of Governmental Activities</i>		<u>\$ 51,804,501</u>

See accompanying notes to the basic financial statements



CITY OF MONTGOMERY, OHIO

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

	General	Fire Protection / EMS	General Obligation Bond Retirement
Revenues:			
Taxes	\$ 5,942,882	\$ 1,737,050	\$ 920,424
Intergovernmental Revenues	518,660	210,104	0
Charges for Services	199,745	72,025	0
Licenses, Permits and Fees	330,066	0	0
Investment Earnings	393,736	104,130	(2,367)
Special Assessments	0	0	0
Fines and Forfeitures	128,199	0	0
All Other Revenue	45,390	7,792	0
Total Revenue	7,558,678	2,131,101	918,057
Expenditures:			
Current:			
Security of Persons and Property	2,302,045	1,884,427	0
Public Health and Welfare Services	42,364	0	0
Leisure Time Activities	570,079	0	0
Community Environment	542,170	0	0
Transportation	0	0	0
General Government	2,631,175	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	855,000
Interest and Fiscal Charges	0	0	166,056
Total Expenditures	6,087,833	1,884,427	1,021,056
Excess (Deficiency) of Revenues Over Expenditures	1,470,845	246,674	(102,999)
Other Financing Sources (Uses):			
Sale of Capital Assets	16,815	0	0
Transfers In	25,000	0	119,000
Transfers Out	(597,200)	(119,000)	0
Total Other Financing Sources (Uses)	(555,385)	(119,000)	119,000
Net Change in Fund Balances	915,460	127,674	16,001
Fund Balances at Beginning of Year	10,087,762	2,530,638	951,899
Fund Balances End of Year	\$ 11,003,222	\$ 2,658,312	\$ 967,900

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Reserve of Montgomery Bond Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 1,319,272	\$ 709,656	\$ 10,629,284
0	0	614,910	1,343,674
0	0	56,448	328,218
0	0	281,887	611,953
0	0	67,997	563,496
179,589	0	100,457	280,046
0	0	20,234	148,433
0	164,958	75,516	293,656
<u>179,589</u>	<u>1,484,230</u>	<u>1,927,105</u>	<u>14,198,760</u>
0	0	171,834	4,358,306
0	0	18,873	61,237
0	0	32,202	602,281
0	0	3,771	545,941
0	0	986,008	986,008
5,398	0	155,905	2,792,478
0	1,116,074	299,731	1,415,805
105,000	0	247,883	1,207,883
67,230	0	96,308	329,594
<u>177,628</u>	<u>1,116,074</u>	<u>2,012,515</u>	<u>12,299,533</u>
1,961	368,156	(85,410)	1,899,227
0	0	2,405	19,220
0	0	1,156,443	1,300,443
0	0	(616,243)	(1,332,443)
<u>0</u>	<u>0</u>	<u>542,605</u>	<u>(12,780)</u>
1,961	368,156	457,195	1,886,447
53,684	2,364,529	4,159,755	20,148,267
<u>\$ 55,645</u>	<u>\$ 2,732,685</u>	<u>\$ 4,616,950</u>	<u>\$ 22,034,714</u>

CITY OF MONTGOMERY, OHIO

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

Net Change in Fund Balances - Total Governmental Funds \$ 1,886,447

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

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

Capital Outlay	1,197,246	
Depreciation Expense	<u>(1,053,963)</u>	143,283

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (23,422)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (305,985)

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

General Obligation Bond Principal Payment	969,342	
Special Assessment Bond Principal Payment	12,883	
Long-Term Bond Anticipation Note	<u>200,000</u>	1,182,225

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 5,204

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

Compensated Absences		<u>(28,318)</u>
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Change in Net Assets of Governmental Activities \$ 2,859,434

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,679,321	\$ 5,913,017	\$ 5,920,168	\$ 7,151
Intergovernmental Revenue	562,462	562,462	563,926	1,464
Charges for Services	181,112	181,112	200,464	19,352
Licenses, Permits and Fees	183,273	246,455	331,143	84,688
Investment Earnings	240,000	240,000	424,892	184,892
Fines and Forfeitures	145,526	145,526	128,199	(17,327)
All Other Revenues	37,104	37,104	45,122	8,018
Total Revenues	<u>7,028,798</u>	<u>7,325,676</u>	<u>7,613,914</u>	<u>288,238</u>
Expenditures:				
Current:				
Security of Persons and Property	2,364,387	2,371,044	2,292,565	78,479
Public Health and Welfare Services	49,261	49,261	42,364	6,897
Leisure Time Activities	668,808	696,719	613,994	82,725
Community Environment	526,053	693,405	629,262	64,143
General Government	3,513,197	3,735,052	2,850,602	884,450
Total Expenditures	<u>7,121,706</u>	<u>7,545,481</u>	<u>6,428,787</u>	<u>1,116,694</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(92,908)	(219,805)	1,185,127	1,404,932
Other Financing Sources (Uses):				
Sale of Capital Assets	450,000	450,000	16,815	(433,185)
Transfers In	0	0	25,000	25,000
Transfers Out	(591,676)	(890,676)	(597,200)	293,476
Total Other Financing Sources (Uses):	<u>(141,676)</u>	<u>(440,676)</u>	<u>(555,385)</u>	<u>(114,709)</u>
Net Change in Fund Balance	(234,584)	(660,481)	629,742	1,290,223
Fund Balance at Beginning of Year	9,263,541	9,263,541	9,263,541	0
Prior Year Encumbrances	303,775	303,775	303,775	0
Fund Balance at End of Year	<u>\$ 9,332,732</u>	<u>\$ 8,906,835</u>	<u>\$ 10,197,058</u>	<u>\$ 1,290,223</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,620,492	\$ 1,737,049	\$ 1,737,050	\$ 1
Intergovernmental Revenue	226,645	226,645	207,874	(18,771)
Charges for Services	70,250	70,250	72,025	1,775
Investment Earnings	43,260	83,399	111,873	28,474
All Other Revenues	5,900	5,900	7,792	1,892
Total Revenues	<u>1,966,547</u>	<u>2,123,243</u>	<u>2,136,614</u>	<u>13,371</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>1,959,063</u>	<u>2,377,514</u>	<u>2,029,372</u>	<u>348,142</u>
Total Expenditures	<u>1,959,063</u>	<u>2,377,514</u>	<u>2,029,372</u>	<u>348,142</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,484	(254,271)	107,242	361,513
Other Financing Sources (Uses):				
Transfers Out	<u>(119,000)</u>	<u>(119,000)</u>	<u>(119,000)</u>	<u>0</u>
Total Other Financing Sources (Uses):	<u>(119,000)</u>	<u>(119,000)</u>	<u>(119,000)</u>	<u>0</u>
Net Change in Fund Balance	(111,516)	(373,271)	(11,758)	361,513
Fund Balance at Beginning of Year	<u>2,611,595</u>	<u>2,611,595</u>	<u>2,611,595</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,500,079</u>	<u>\$ 2,238,324</u>	<u>\$ 2,599,837</u>	<u>\$ 361,513</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

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

	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Municipal Pool</u>
ASSETS:	
Current assets:	
Cash and Cash Equivalents	\$ 52,456
Total current assets	<u>52,456</u>
Noncurrent assets:	
Capital Assets, Net	<u>1,358,748</u>
Total assets	<u>1,411,204</u>
LIABILITIES	
Total Liabilities	<u>0</u>
NET ASSETS	
Invested in Capital Assets	1,358,748
Unrestricted	<u>52,456</u>
Total Net Assets	<u>\$ 1,411,204</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

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

	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Municipal Pool</u>
Operating Revenues:	
Charges for Services	\$ 194,707
Total Operating Revenues	<u>194,707</u>
Operating Expenses:	
Materials and Supplies	191,480
Depreciation	53,182
Total Operating Expenses	<u>244,662</u>
Operating Income (Loss)	(49,955)
Non-Operating Revenue (Expenses):	
Interest Income	1,956
Total Non-Operating Revenues (Expenses)	<u>1,956</u>
Income(Loss) Before Transfers	(47,999)
Transfers:	
Transfers In	32,000
Total Transfers	<u>32,000</u>
Change in Net Assets	(15,999)
Net Assets Beginning of Year	1,427,203
Net Assets End of Year	<u>\$ 1,411,204</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

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

	Business-Type Activities Enterprise Funds Municipal Pool
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$194,707
Cash Payments for Goods and Services	(191,601)
Net Cash Used for Operating Activities	<u>3,106</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In from Other Funds	32,000
Net Cash Provided by Noncapital Financing Activities	<u>32,000</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(1,818)
Net Cash Used for Capital and Related Financing Activities	<u>(1,818)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	1,956
Net Cash Provided by Investing Activities	<u>1,956</u>
Net Decrease in Cash and Cash Equivalents	35,244
Cash and Cash Equivalents at Beginning of Year	<u>17,212</u>
Cash and Cash Equivalents at End of Year	<u><u>\$52,456</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$49,955)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	53,182
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(121)
Total Adjustments	<u>53,061</u>
Net Cash Used for Operating Activities	<u><u>\$3,106</u></u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

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

	Private Purpose Trust	
	Special Trust	Agency
Assets:		
Cash and Cash Equivalents	\$ 62,096	\$ 0
Receivables:		
Accounts	1,020	0
Restricted Assets:		
Cash and Cash Equivalents	0	4,066
Cash and Cash Equivalents with Fiscal Agent	0	197,235
Total Assets	63,116	201,301
Liabilities:		
Accounts Payable	22	190,413
Intergovernmental Payable	0	5,767
Due to Others	0	5,121
Total Liabilities	22	201,301
Unrestricted	63,094	0
Total Net Assets	\$ 63,094	\$ 0

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

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

	<u>Private Purpose Trust Special Trust Fund</u>
Additions:	
Contributions:	
Rental Fees	\$ 21,184
Private Donations	<u>950</u>
Total Contributions	<u>22,134</u>
Investment Earnings:	
Interest	<u>2,512</u>
Total Investment Earnings	<u>2,512</u>
Total Additions	<u>24,646</u>
Deductions:	
Administrative Expenses	<u>22,878</u>
Total Deductions	<u>22,878</u>
Change in Net Assets	1,768
Net Assets at Beginning of Year	<u>61,326</u>
Net Assets End of Year	<u>\$ 63,094</u>

See accompanying notes to the basic financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Montgomery, Ohio (the City) is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council/Manager form of government. The community was established in 1902.

The financial statements are presented as of December 31, 2005 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

Based on the foregoing, the City's financial reporting entity includes all component units, funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, emergency medical services, parks and recreation, planning, zoning, street maintenance, refuse collection and other governmental services.

Blended Component Unit - The Community Improvement Corporation of the City of Montgomery (the "CIC") was created in accordance with Chapter 1702 of the Ohio Revised Code. As a legally separate not-for-profit corporation, the CIC's purpose is to provide economic development loans. The balances and transactions of the CIC have been reported as a special revenue fund of the primary government because the governing board of the corporation is composed of those persons who are serving as members of the City Council of the City of Montgomery. There was no activity in the CIC during 2005, and the CIC did not report any balances at December 31, 2005.

B. Basis of Presentation - Fund Accounting

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types:

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

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

Fire EMS Protection Fund - This fund is used to account for Fire Protection / EMS Levy revenues collected to fund Fire Department operations.

General Obligation Bond Retirement Fund - This fund is used to account for payments of principal and interest on the City's general obligation bonds. Revenues for this purpose include ad valorem property taxes, intergovernmental revenues and investment income.

Reserve of Montgomery Bond Retirement Fund - This fund is used to account for accumulation of resources set up to fund the community improvement district that is part of the Great Traditions project and will be paid back as part of a thirty year special assessment.

Capital Improvement Fund - To account for resources used for the major capital construction and/or improvement projects undertaken by the City.

Proprietary Fund

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise fund is the Municipal Pool Fund, which is used to account for the operations of a municipal pool run by the City.

Fiduciary Funds

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

C. Basis of Presentation - Financial Statements

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

Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

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

D. Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2005, but which are not intended to finance 2005 operations, and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue. Property taxes are further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by the government wide statements, proprietary fund and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the fund and department level for the General Fund and at the fund level for all other funds. Budgetary control is maintained by not permitting expenditures to exceed appropriations at the fund level without the approval of City Council. Administrative control is maintained through the establishment of more detailed line-item budgets.

1. Tax Budget

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

2. Estimated Resources

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund level, and may only be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level. During the year, several supplemental appropriations were necessary to budget note proceeds, contingency funds and intergovernmental grants. The supplemental appropriations increased year end appropriations by approximately 13.6% over the appropriation ordinance approved in January 2005. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non-GAAP Budgetary Basis)" for the General Fund and Major Special Revenue Funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balance	
	General Fund	Fire Protection / EMS Fund
GAAP Basis (as reported)	\$915,460	\$127,674
Increase (Decrease):		
Accrued Revenues at December 31, 2005 received during 2006	(683,861)	12,415
Accrued Revenues at December 31, 2004 received during 2005	739,097	(6,902)
Accrued Expenditures at December 31, 2005 paid during 2006	361,077	98,103
Accrued Expenditures at December 31, 2004 paid during 2005	(259,285)	(80,333)
2004 Prepays for 2005	40,634	6,278
2005 Prepays for 2006	(13,193)	(717)
Outstanding Encumbrances	(470,187)	(168,276)
Budget Basis	<u>\$629,742</u>	<u>(\$11,758)</u>

F. Cash and Cash Equivalents

During fiscal year 2005, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in cash and cash equivalents represents the balance on hand as if each had maintained its own cash and cash investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in STAR Ohio to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts which are reported at cost, which approximates fair value. Fair value is determined by quoted market prices. See Note 3, "Cash, Cash Equivalents and Investments." The City allocates interest among the various funds based upon applicable legal and administrative requirements. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements.

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

H. 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.

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life threshold of three or more years.

1. Property, Plant and Equipment - Governmental Activities

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined at December 31, 1985 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment - Business Type Activities

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

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation on newly acquired/constructed streets begins in the year following acquisition. Depreciation has been provided using the straight-line method over the following estimated useful lives:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
Long-Term Bond	Debt Service Fund
Anticipation Note Payable	General Obligation Bond Retirement Fund
Special Assessment Bonds	Debt Service Funds (Special Assessment Bond Retirement Fund) (Reserve of Montgomery Bond Retirement Fund)
General Obligation Bonds	Debt Service Funds (General Obligation Bond Retirement Fund) (Pioneer Park Bond Retirement Fund) (Ohio National Tax Increment Fund)
Compensated Absences	General Fund Special Revenue Funds (Fire Protection/EMS Fund) (Street Construction, Maintenance and Repair Fund)

K. Compensated Absences

All full-time City employees earn vacation at varying rates based upon length of service. An employee's vacation must be used during the period in which it is earned unless the City Manager allows the balance to be carried over to the following year. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance.

All full-time City employees earn sick leave at the rate of 12 days per year of active service. Upon retirement from the City, an employee with 10-19 years of service to the City shall receive one day of monetary compensation for every three days of unused sick leave. An employee who retires with twenty or more years of service to the City shall receive one day of monetary compensation for every two days of unused sick leave. The monetary compensation shall be at the hourly rate of compensation of the employee at the time of retirement.

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences for payments that come due each period upon the occurrence of the relevant event is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

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

L. Net Assets

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

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

M. Pensions

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

N. Interfund Transactions

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

O. Intergovernmental Revenues

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

P. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables," while long-term interfund loans are classified as "Interfund Loan Receivable/Payable."

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Reservations of Fund Balance

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

R. 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.

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

Deferred Tax Revenue	\$251,994
Deferred Investment Earnings	38,245
Intergovernmental Revenue Receivable	588,289
Special Assessments Receivable	<u>4,059,536</u>
	\$4,938,064

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

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

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

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

Governmental revenues not reported in the funds:

Decrease in Deferred Tax Revenue	(\$102,882)
Increase in Deferred Investment Earnings	4,862
Increase in Intergovernmental Revenue	30,647
Decrease in Special Assessments Revenue	<u>(238,612)</u>
	(\$305,985)

NOTE 3 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

A. Deposits

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

CITY OF MONTGOMERY, OHIO

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$1,620,954 and the bank balance was \$1,957,948. Federal depository insurance covered \$100,000 of the bank balance and \$1,857,948 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and uncollateralized	\$1,857,948
Total Balance	<u>\$1,857,948</u>

B. Investments

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

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$11,870,255	AAAm ¹	\$11,870,255	\$0	\$0
City's Special Assessment Bonds	64,779		0	64,779	0
FREDiscount Note	113,685	AAA ¹ / Aaa ²	113,685	0	0
FHLMC	3,008,771	AAA ¹ / Aaa ²	1,042,171	1,966,600	0
FHLB	2,382,763	AAA ¹ / Aaa ²	1,398,703	0	984,060
FNMA	1,380,323	AAA ¹ / Aaa ²	402,823	977,500	0
FFCB	981,560	AAA ¹ / Aaa ²	981,560	0	0
FMAC	148,801	AAA ¹ / Aaa ²	148,801	0	0
US Treasury Notes	119,251		119,251	0	0
Total Investments	<u>\$20,070,188</u>		<u>\$16,077,249</u>	<u>\$3,008,879</u>	<u>\$984,060</u>

¹ Standard & Poor's

² Moody's Investor Service

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 59.14% are STAR Ohio, 14.99% are FHLMC, 11.87% are FHLB, 6.88% are FNMA, and the remaining 7.12% is comprised of other various investments.

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$13,491,209	\$8,199,933
STAR Ohio	<u>(11,870,255)</u>	<u>11,870,255</u>
Per GASB Statement No. 3	<u>\$1,620,954</u>	<u>\$20,070,188</u>

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

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

NOTE 4 – TAXES (Continued)

A. Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Montgomery. The County Auditor remits in February and August of each year the City's portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2004 was \$10.05 per \$1,000 of assessed value. The assessed value upon which the 2005 tax collections were based was \$413,822,990. This amount constitutes \$384,316,040 in real property assessed value, \$7,342,510 in public utility assessed value and \$22,164,440 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 1.005% (10.05 mills) of assessed value.

B. Income Tax

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are received by the General Fund, General Obligation Bond Retirement Fund and Capital Improvement Fund.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, accounts receivable, special assessments, interfund receivables and intergovernmental receivables arising from shared revenues. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred revenue.

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

NOTE 6 - INTERFUND BALANCES

Individual interfund balances at December 31, 2005 are as follows:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$8,700	\$0
Nonmajor Governmental Fund:		
Capital Improvement Fund	527,500	0
Community Development Grant Fund	0	8,700
Triangle Tax Increment Fund	0	527,500
Totals	<u>\$536,200</u>	<u>\$536,200</u>

The interfund loans receivable/payable on the Governmental Balance Sheet are loans to the Community Development Block Grant Fund and the Triangle Tax Increment Fund to assist with cash flow issues.

NOTE 7 - TRANSFERS

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

Fund	Transfer In	Transfer Out
General Fund	\$25,000	\$597,200
Fire/EMS Protection Fund (Major Special Revenue)	0	119,000
General Obligation Bond Retirement Fund (Major Debt Service)	119,000	0
Municipal Pool Fund (Major Enterprise)	32,000	0
Nonmajor Governmental Funds:		
COPS Grant Fund	26,024	25,000
FEMA Fire Fund	7,288	0
Environmental Impact Tax Fund	281,888	563,775
Street Construction, Maintenance, & Repair Fund	841,243	0
Federal Emergency Management Agency Fund	0	27,468
Total Nonmajor Governmental Funds	<u>1,156,443</u>	<u>616,243</u>
Totals	<u>\$1,332,443</u>	<u>\$1,332,443</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

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

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

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

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Capital assets not being depreciated:				
Land	\$14,775,785	\$0	\$0	\$14,775,785
Capital assets being depreciated:				
Buildings	3,341,123	0	0	3,341,123
Improvements Other than Buildings	3,920,656	0	0	3,920,656
Infrastructure	21,540,849	474,316	(127,585)	21,887,580
Machinery and Equipment	3,681,967	722,930	(83,829)	4,321,068
Subtotal	32,484,595	1,197,246	(211,414)	33,470,427
Total Cost	\$47,260,380	\$1,197,246	(\$211,414)	\$48,246,212

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$730,455)	(\$82,094)	\$0	(\$812,549)
Improvements Other than Buildings	(2,300,083)	(176,659)	0	(2,476,742)
Infrastructure	(6,998,305)	(430,867)	104,163	(7,325,009)
Machinery and Equipment	(2,136,556)	(364,343)	83,829	(2,417,070)
Total Depreciation	(\$12,165,399)	(\$1,053,963) *	\$187,992	(\$13,031,370)
Net Value:	\$35,094,981			\$35,214,842

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$278,123
Leisure Time Activities	181,415
Community Environment	15,320
Public Health and Welfare	484
Transportation	518,435
General Government	60,186
Total Depreciation Expense	\$1,053,963

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

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<i>Capital assets not being depreciated:</i>				
Land	\$405,576	\$0	\$0	\$405,576
<i>Capital assets being depreciated:</i>				
Buildings	683,109	0	0	683,109
Improvements Other than Buildings	724,324	1,818	0	726,142
Machinery and Equipment	69,063	0	0	69,063
Subtotal	1,476,496	1,818	0	1,478,314
Total Cost	\$1,882,072	\$1,818	\$0	\$1,883,890

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$150,148)	(\$17,280)	\$0	(\$167,428)
Improvements Other than Buildings	(265,750)	(29,731)	0	(295,481)
Machinery and Equipment	(56,062)	(6,171)	0	(62,233)
Total Depreciation	(\$471,960)	(\$53,182)	\$0	(\$525,142)
<i>Net Value:</i>	\$1,410,112			\$1,358,748

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2005, 2004, and 2003 were \$267,952, \$248,586, and \$244,465, respectively, which were equal to the required contributions for each year.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$79,100.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$279,956, \$257,599 and \$225,957 for police and \$141,143, \$135,696 and \$125,632 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2005 covered payroll that was used to fund postemployment health care benefits was \$111,265 representing 7.75% of covered payroll for police and \$45,577 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

CITY OF MONTGOMERY, OHIO

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

NOTE 10 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds, notes, and compensated absences, of the City for the year ended December 31, 2005 is as follows:

			Balance December 31, 2004	Issued	(Retired)	Balance December 31, 2005	Amount Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
2.00%	Public Improvement	2004	\$4,115,000	\$0	(\$350,000)	\$3,765,000	\$345,000
	Deferred Loss on Refunding	2004	(333,558)	0	25,658	(307,900)	(25,658)
2.00-3.80%	Various Purpose Refunding Bonds	2003	6,745,000	0	(645,000)	6,100,000	665,000
Total General Obligation Bonds			\$10,526,442	\$0	(\$969,342)	\$9,557,100	\$984,342
Special Assessment Bonds							
With Governmental Commitment:							
6.00%	Swaim Sidewalk Bonds	1994	36,000	0	(3,000)	33,000	3,000
6.50%	Street Lighting	1997	25,000	0	(2,000)	23,000	2,000
6.00%	Montgomery Woods Sidewalk	1997	59,000	0	(3,000)	56,000	3,000
6.00%	Tanager Woods	1999	73,229	0	(4,883)	68,346	4,883
Total Special Assessment Bonds							
With Governmental Commitment			193,229	0	(12,883)	180,346	12,883
Other Long-Term Obligations:							
Long-Term Bond Anticipation Note:							
4.00%	Real Estate Acquisition		200,000	0	(200,000)	0	0
Compensated Absences			600,077	628,395	(600,077)	628,395	256,651
Total Governmental Activities			\$11,519,748	\$628,395	(\$1,782,302)	\$10,365,841	\$1,253,876

The principal amount of the City's special assessment debt outstanding at December 31, 2005 of \$180,346 is general obligation debt (backed by the full faith and credit of the City) that is to be retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$72,409 in the Special Assessment Bond Retirement Fund and the balance of \$55,645 in the Reserve of Montgomery Bond Retirement Fund at December 31, 2005 are reserved for the retirement of outstanding special assessment bonds. The Tanager Woods special assessment bond payable is a self-funded debt obligation. The funds used to retire this debt are held in a special assessment bond, which is reported as an investment by the City.

Tax Increment Financing (TIF) Bonds have been issued as general obligation bonds to provide for additional security of the full faith and credit of the City. The TIF Bonds will be retired from the Ohio National Tax Increment Fund utilizing payments in lieu of taxes received from Ohio National City Life Insurance Company. A service agreement with Duke Realty provides for minimum annual payments sufficient to satisfy all TIF Bond debt service requirements.

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

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

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

Years	General Obligation Bonds		Special Assessment Bonds	
	Bonds	Interest	Bonds	Interest
2006	\$1,010,000	\$293,615	\$12,883	\$10,402
2007	960,000	272,553	13,883	9,912
2008	830,000	250,103	13,883	9,362
2009	860,000	229,772	13,883	8,812
2010	860,000	206,622	14,883	8,262
2011-2015	3,980,000	636,476	79,415	36,387
2016-2020	1,320,000	126,995	31,516	10,522
2021	45,000	1,710	0	0
Totals	<u>\$9,865,000</u>	<u>\$2,017,846</u>	<u>\$180,346</u>	<u>\$93,659</u>

B. Defeasance of General Obligation and Special Assessment Debt

In November of 2004 the City issued \$4,495,000 of Public Improvement Refunding General Obligation Bonds to defease the \$4,130,000 of General Obligation Bonds for Public Improvements dated June 1, 1997.

The net proceeds of the 2004 Public Improvement General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$3,540,000 at December 31, 2005, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

In June of 2003, the City issued \$7,895,000 of Various Purpose Refunding General Obligation Bonds to defease the following: the \$885,000 of General Obligation Bonds for Recreational Facilities dated July 1, 1992 (the "1992 Recreation Bonds"); the \$95,000 of General Obligation Bonds for Parking Lot Construction dated July 1, 1992 (the "1992 Parking Lot Bonds"); the \$1,030,000 of General Obligation Bonds for Park Facilities dated August 1, 1993 (the "Park and Recreation Bonds"); the \$2,965,000 of General Obligation Bonds for Real Estate Acquisition and Improvements dated July 1, 1995 (the "1995 TIF Duke Realty Bonds"); the \$300,000 of Special Assessment Bonds for Acomb Subdivision Sanitary Sewers dated February 1, 1993 (the "Acomb Sewer Bonds"); the \$2,250,000 of Special Assessment Bonds for Public Improvements dated August 1, 1993 (the "1993 Public Improvement Bonds").

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

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

B. Defeasance of General Obligation and Special Assessment Debt (Continued)

The net proceeds of the 2003 Various Purpose Refunding General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$2,570,000 at December 31, 2005 and are not included in the City's outstanding debt since the City has in-substance, satisfied its obligations through the advance refunding.

NOTE 11 – COMPENSATED ABSENCES

The costs of vacation time, compensatory time in lieu of overtime, and sick leave benefits are recorded as they are earned. Employees earn sick leave up to a maximum of 960 hours and vacation leave at varying rates based upon length of service, with a maximum accumulation of the amount earned over a two-year period. Upon retirement and, in certain instances, termination, an individual will be compensated for his/her accumulated sick leave at a maximum rate of 50%. If a full-time employee has accumulated 864 hours or more of unused sick leave, the employee may redeem sick leave hours at the employee's current rate of pay at the rate of one hour of compensation for each three hours of sick leave redeemed.

As of December 31, 2005, the liability for unpaid compensated absences was \$628,395 for all funds of the City, a net increase of \$28,318 from the amount at December 31, 2004 of \$600,077.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2005, the pool has twenty members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote.

Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

CITY OF MONTGOMERY, OHIO

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

NOTE 12 – RISK MANAGEMENT (Continued)

The twenty participating cities and their respective pool contribution factors for the loss year ended December 31, 2005 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	7.92 %	Montgomery	3.44 %
Bellbrook	0.36 %	Piqua	3.24 %
Blue Ash	6.86 %	Sidney	8.40 %
Centerville	1.03 %	Springdale	5.56 %
Englewood	0.54 %	Tipp City	2.21 %
Indian Hill	2.65 %	Troy	7.53 %
Kettering	16.16 %	Vandalia	5.12 %
Madeira	1.55 %	West Carrollton	4.53 %
Mason	5.59 %	Wilmington	4.61 %
Miamisburg	10.32 %	Wyoming	2.38 %
Subtotal	<u>52.98 %</u>	Subtotal	<u>47.02 %</u>
		Total	<u>100.00 %</u>

The 2005 pool contribution of the City of Montgomery was \$135,816 representing 4.37% of the total collected from all members for that year's operating costs and projected loss reserves.

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

The following is a summary of insurance coverages at year end:

General/Automobile Liability	\$7,000,000	per occurrence
Public Officials Liability	2,000,000	per occurrence
Property	100,000,000	per occurrence
Boiler and Machinery	100,000,000	per occurrence
Flood (Property in Zone B)	25,000,000	aggregate
Earthquake (Property)	25,000,000	aggregate

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

NOTE 12 – RISK MANAGEMENT (Continued)

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$200,000 per occurrence except Boiler and Machinery which is \$2,501 - \$5,000. The pool's SIR for liability claims is \$1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2005, because an actuarial opinion issued as of that date reported actual MVRMA loss reserves of \$8,185,878 an amount in excess of the recommended net reserve of \$4,558,183. MVRMA reported Montgomery's loss experience for years 2005 (most recent information available), 2004 and 2003 as \$0, \$1,389, and \$3,932 respectively.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' Compensation claims are covered under the State of Ohio Bureau of Workers' Compensation. The City participates in the Ohio Municipal League's Workers' Compensation Group Rating Program to benefit from the shared risk of a pooled group. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on the group's accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance public officials liability. The City's liability coverage was reduced from \$7,000,000 in 2004 to \$2,000,000 per occurrence in 2005. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 13 – CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

NOTE 13 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

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

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 3, "Cash and Cash Equivalents." The implementation of GASB Statement No. 42 did not have an effect on the financial statements of the City.

NOTE 14 – COMPLIANCE AND ACCOUNTABILITY

The deficits at December 31, 2005 of \$13,287 in the Triangle Tax Increment Fund (nonmajor governmental fund) was the result of recognizing expenses on the modified accrual basis, which result in expenses greater than those on the cash basis. Deficits did not exist on a cash basis. The General Fund provides transfers, upon City Council's approval, when cash is required, not when accruals occur.

NOTE 15 – CONTINGENCIES

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



*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Memorial Fund

To account for revenue that is donated for special purchases, most notably trees and benches.

Law Enforcement Fund

To account for revenues received by the Police Department for contraband per state statute.

Drug Law Enforcement Fund

To account for revenues received from mandatory fines for drug offenses.

DUI Enforcement and Education Fund

To account for resources used to educate the public regarding laws governing the operation of motor vehicles while under the influence of alcohol.

Mayor's Court Technology Fund

To account for the assessment fee charged to each issued citation to be used only for the purchase and maintenance of computerizing the Mayor's Court operations.

Community Oriented Policing Services (COPS) Grant Fund

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

Federal Emergency Management Agency (FEMA) Fire Fund

To account for funds provided by FEMA for the purchase of Self-Contained Breathing Apparatus (SCBA).

Environmental Impact Tax Fund

To account for revenue that is generated from fees attached to the new development in the City which is matched with City funds.

Street Construction, Maintenance and Repair Fund

To account for revenues distributed by the State from the motor vehicle registration and gasoline tax. Expenditures may only be used for street construction, maintenance and repair.

Arts and Amenities Fund

To account for expenditures of the Arts Commission and the Sister Cities Commission.

Cemetery Fund

To account for revenues generated from operating the City owned Hopewell Cemetery. The revenues are used to maintain the property.

Debt Service Fund

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

Special Assessment Bond Retirement Fund

To account for the accumulation of special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of principal and interest on the City's special assessment bonds.

Ohio National Tax Increment Fund

To account for service payments (in lieu of taxes) as a result of the Ohio National Life Insurance Company tax increment financing agreement. These monies will pay the debt service on money borrowed to complete improvements around the project site.

Capital Projects Funds

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

Special Assessment Capital Projects Fund

To account for revenues and expenditures designated for capital improvements which are financed by levying special assessments against benefited property owners.

Federal Emergency Management Agency (FEMA) Fund

To account for funds to reimburse the City for expenses related to a 2001 flood.
(The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Community Development Block Grant (CDBG) Fund

To account for Community Development Block grant monies used for the development of the City's Triangle property and improvements to Montgomery Park.

Urban Redevelopment Fund

To account for the lease payments received from the Village Corner and Montgomery Commons projects in the downtown area.

Triangle Tax Increment Fund

To account for revenues and expenditures as part of the Tax Increment Financing for redevelopment of the Property at 9356 Montgomery Road also known as the Triangle.

CITY OF MONTGOMERY, OHIO

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

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,150,331	\$ 2,207,199	\$ 732,219	\$ 4,089,749
Investments	1,024,901	0	0	1,024,901
Intergovernmental	248,862	35,166	4,121	288,149
Interest	7,769	0	0	7,769
Special Assessments	0	392,574	0	392,574
Prepaid Items	3,360	0	0	3,360
Total Assets	\$ 2,435,223	\$ 2,634,939	\$ 736,340	\$ 5,806,502
Liabilities:				
Accounts Payable	\$ 20,439	\$ 0	\$ 0	\$ 20,439
Accrued Wages and Benefits Payable	30,307	0	0	30,307
Interfund Loans Payable	0	0	536,200	536,200
Deferred Revenue	170,745	427,740	4,121	602,606
Total Liabilities	221,491	427,740	540,321	1,189,552
Fund Balances:				
Reserved for Encumbrances	24,215	0	56,818	81,033
Reserved for Prepaid Items	3,360	0	0	3,360
Reserved for Debt Service	0	2,207,199	0	2,207,199
Undesignated/Unreserved	2,186,157	0	139,201	2,325,358
Total Fund Balances	2,213,732	2,207,199	196,019	4,616,950
Total Liabilities and Fund Balances	\$ 2,435,223	\$ 2,634,939	\$ 736,340	\$ 5,806,502

CITY OF MONTGOMERY, OHIO

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

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 0	\$ 635,217	\$ 74,439	\$ 709,656
Intergovernmental Revenues	508,867	70,333	35,710	614,910
Charges for Services	56,448	0	0	56,448
Licenses, Permits and Fees	281,887	0	0	281,887
Investment Earnings	67,997	0	0	67,997
Special Assessments	0	59,024	41,433	100,457
Fines and Forfeitures	20,234	0	0	20,234
All Other Revenue	75,516	0	0	75,516
Total Revenue	1,010,949	764,574	151,582	1,927,105
Expenditures:				
Current:				
Security of Persons and Property	171,834	0	0	171,834
Public Health and Welfare Services	18,873	0	0	18,873
Leisure Time Activities	32,202	0	0	32,202
Community Environment	3,771	0	0	3,771
Transportation	986,008	0	0	986,008
General Government	12,069	142,990	846	155,905
Capital Outlay	0	0	299,731	299,731
Debt Service:				
Principal Retirement	0	247,883	0	247,883
Interest and Fiscal Charges	0	96,308	0	96,308
Total Expenditures	1,224,757	487,181	300,577	2,012,515
Excess (Deficiency) of Revenues Over Expenditures	(213,808)	277,393	(148,995)	(85,410)
Other Financing Sources (Uses):				
Sale of Capital Assets	2,405	0	0	2,405
Transfers In	1,156,443	0	0	1,156,443
Transfers Out	(588,775)	0	(27,468)	(616,243)
Total Other Financing Sources (Uses)	570,073	0	(27,468)	542,605
Net Change in Fund Balances	356,265	277,393	(176,463)	457,195
Fund Balances at Beginning of Year	1,857,467	1,929,806	372,482	4,159,755
Fund Balances End of Year	\$ 2,213,732	\$ 2,207,199	\$ 196,019	\$ 4,616,950

CITY OF MONTGOMERY, OHIO

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

	Memorial	Law Enforcement	Drug Law Enforcement	DUI Enforcement and Education	Mayor's Court Technology
Assets:					
Cash and Cash Equivalents	\$ 2,907	\$ 4,730	\$ 3,808	\$ 3,484	\$ 58,875
Investments	0	0	0	0	0
Receivables:					
Intergovernmental	0	200	0	100	0
Interest	0	0	0	0	0
Prepaid Items	0	0	0	0	44
Total Assets	<u>\$ 2,907</u>	<u>\$ 4,930</u>	<u>\$ 3,808</u>	<u>\$ 3,584</u>	<u>\$ 58,919</u>
Liabilities:					
Accounts Payable	\$ 695	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
Total Liabilities	<u>695</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
Reserved for Encumbrances	1,216	0	0	0	236
Reserved for Prepaid Items	0	0	0	0	44
Undesignated/Unreserved	996	4,930	3,808	3,584	58,639
Total Fund Balances	<u>2,212</u>	<u>4,930</u>	<u>3,808</u>	<u>3,584</u>	<u>58,919</u>
Total Liabilities and Fund Balances	<u>\$ 2,907</u>	<u>\$ 4,930</u>	<u>\$ 3,808</u>	<u>\$ 3,584</u>	<u>\$ 58,919</u>

CITY OF MONTGOMERY, OHIO

<u>COPS Grant</u>	<u>FEMA Fire</u>	<u>Environmental Impact Tax</u>	<u>Street Construction, Maintenance, and Repair</u>	<u>Arts and Amenities</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 33,444	\$ 0	\$ 42,714	\$ 664,057	\$ 256,759	\$ 79,553	\$ 1,150,331
0	0	43,814	635,906	263,686	81,495	1,024,901
0	0	0	248,562	0	0	248,862
0	0	332	4,820	1,999	618	7,769
0	18	0	3,298	0	0	3,360
<u>\$ 33,444</u>	<u>\$ 18</u>	<u>\$ 86,860</u>	<u>\$ 1,556,643</u>	<u>\$ 522,444</u>	<u>\$ 161,666</u>	<u>\$ 2,435,223</u>
\$ 0	\$ 0	\$ 0	\$ 19,744	\$ 0	\$ 0	\$ 20,439
378	0	0	29,929	0	0	30,307
0	0	215	168,833	1,296	401	170,745
<u>378</u>	<u>0</u>	<u>215</u>	<u>218,506</u>	<u>1,296</u>	<u>401</u>	<u>221,491</u>
0	0	0	21,657	364	742	24,215
0	18	0	3,298	0	0	3,360
33,066	0	86,645	1,313,182	520,784	160,523	2,186,157
<u>33,066</u>	<u>18</u>	<u>86,645</u>	<u>1,338,137</u>	<u>521,148</u>	<u>161,265</u>	<u>2,213,732</u>
<u>\$ 33,444</u>	<u>\$ 18</u>	<u>\$ 86,860</u>	<u>\$ 1,556,643</u>	<u>\$ 522,444</u>	<u>\$ 161,666</u>	<u>\$ 2,435,223</u>

CITY OF MONTGOMERY, OHIO

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

	Memorial	Law Enforcement	Drug Law Enforcement	DUI Enforcement and Education	Mayor's Court Technology
Revenues:					
Intergovernmental Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	0	0	0	0
Licenses, Permits and Fees	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	2,945	990	973	1,456	13,870
All Other Revenue	0	375	0	0	0
Total Revenue	2,945	1,365	973	1,456	13,870
Expenditures:					
Current:					
Security of Persons and Property	0	1,029	249	429	0
Public Health and Welfare Services	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Environment	3,771	0	0	0	0
Transportation	0	0	0	0	0
General Government	0	0	0	0	12,069
Total Expenditures	3,771	1,029	249	429	12,069
Excess (Deficiency) of Revenues Over Expenditures	(826)	336	724	1,027	1,801
Other Financing Sources (Uses):					
Sale of Capital Assets	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	(826)	336	724	1,027	1,801
Fund Balances at Beginning of Year	3,038	4,594	3,084	2,557	57,118
Fund Balances End of Year	\$ 2,212	\$ 4,930	\$ 3,808	\$ 3,584	\$ 58,919

CITY OF MONTGOMERY, OHIO

COPS Grant	FEMA Fire	Environmental Impact Tax	Street Construction, Maintenance, and Repair	Arts and Amenities	Cemetery	Total Nonmajor Special Revenue Funds
\$ 0	\$ 72,472	\$ 0	\$ 436,395	\$ 0	\$ 0	\$ 508,867
0	0	0	0	11,073	45,375	56,448
0	0	281,887	0	0	0	281,887
0	0	8,829	33,979	19,718	5,471	67,997
0	0	0	0	0	0	20,234
69,518	0	0	5,623	0	0	75,516
<u>69,518</u>	<u>72,472</u>	<u>290,716</u>	<u>475,997</u>	<u>30,791</u>	<u>50,846</u>	<u>1,010,949</u>
90,385	79,742	0	0	0	0	171,834
0	0	0	0	0	18,873	18,873
0	0	0	0	32,202	0	32,202
0	0	0	0	0	0	3,771
0	0	0	986,008	0	0	986,008
0	0	0	0	0	0	12,069
<u>90,385</u>	<u>79,742</u>	<u>0</u>	<u>986,008</u>	<u>32,202</u>	<u>18,873</u>	<u>1,224,757</u>
(20,867)	(7,270)	290,716	(510,011)	(1,411)	31,973	(213,808)
0	0	0	2,405	0	0	2,405
26,024	7,288	281,888	841,243	0	0	1,156,443
(25,000)	0	(563,775)	0	0	0	(588,775)
<u>1,024</u>	<u>7,288</u>	<u>(281,887)</u>	<u>843,648</u>	<u>0</u>	<u>0</u>	<u>570,073</u>
(19,843)	18	8,829	333,637	(1,411)	31,973	356,265
52,909	0	77,816	1,004,500	522,559	129,292	1,857,467
<u>\$ 33,066</u>	<u>\$ 18</u>	<u>\$ 86,645</u>	<u>\$ 1,338,137</u>	<u>\$ 521,148</u>	<u>\$ 161,265</u>	<u>\$ 2,213,732</u>

CITY OF MONTGOMERY, OHIO

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

	Special Assessment Bond Retirement	Ohio National Tax Increment	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 72,409	\$ 2,134,790	\$ 2,207,199
Receivables (net of allowance for doubtful accounts):			
Intergovernmental	0	35,166	35,166
Special Assessments	392,574	0	392,574
Total Assets	\$ 464,983	\$ 2,169,956	\$ 2,634,939
Liabilities:			
Deferred Revenue	\$ 392,574	\$ 35,166	\$ 427,740
Total Liabilities	392,574	35,166	427,740
Fund Balances:			
Reserved for Debt Service	72,409	2,134,790	2,207,199
Total Fund Balances	72,409	2,134,790	2,207,199
Total Liabilities and Fund Balances	\$ 464,983	\$ 2,169,956	\$ 2,634,939

CITY OF MONTGOMERY, OHIO

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

	Special Assessment Bond Retirement	Ohio National Tax Increment	Total Nonmajor Debt Service Funds
Revenues:			
Taxes	\$ 0	\$ 635,217	\$ 635,217
Intergovernmental Revenues	0	70,333	70,333
Special Assessments	59,024	0	59,024
Total Revenue	59,024	705,550	764,574
Expenditures:			
General Government	1,743	141,247	142,990
Debt Service:			
Principal Retirement	37,883	210,000	247,883
Interest and Fiscal Charges	17,830	78,478	96,308
Total Expenditures	57,456	429,725	487,181
Excess (Deficiency) of Revenues Over Expenditures	1,568	275,825	277,393
Fund Balances at Beginning of Year	70,841	1,858,965	1,929,806
Fund Balances End of Year	\$ 72,409	\$ 2,134,790	\$ 2,207,199

CITY OF MONTGOMERY, OHIO

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

	Special Assessment Capital Projects	Community Development Block Grant	Urban Redevelopment
Assets:			
Cash and Cash Equivalents	\$ 98,776	\$ 12,390	\$ 106,840
Receivables:			
Intergovernmental	0	0	4,121
Total Assets	<u>\$ 98,776</u>	<u>\$ 12,390</u>	<u>\$ 110,961</u>
Liabilities:			
Interfund Loans Payable	\$ 0	\$ 8,700	\$ 0
Deferred Revenue	0	0	4,121
Total Liabilities	<u>0</u>	<u>8,700</u>	<u>4,121</u>
Fund Balances:			
Reserved for Encumbrances	0	0	8,578
Undesignated/Unreserved (Deficits)	98,776	3,690	98,262
Total Fund Balances (Deficits)	<u>98,776</u>	<u>3,690</u>	<u>106,840</u>
Total Liabilities and Fund Balances	<u>\$ 98,776</u>	<u>\$ 12,390</u>	<u>\$ 110,961</u>

CITY OF MONTGOMERY, OHIO

<u>Triangle Tax Increment Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 514,213	\$ 732,219
<u>0</u>	<u>4,121</u>
<u>\$ 514,213</u>	<u>\$ 736,340</u>
\$ 527,500	\$ 536,200
<u>0</u>	<u>4,121</u>
<u>527,500</u>	<u>540,321</u>
48,240	56,818
<u>(61,527)</u>	<u>139,201</u>
<u>(13,287)</u>	<u>196,019</u>
<u>\$ 514,213</u>	<u>\$ 736,340</u>

CITY OF MONTGOMERY, OHIO

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

	Special Assessment Capital Projects	Federal Emergency Management Agency	Community Development Block Grant
Revenues:			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	27,468	0
Special Assessments	41,433	0	0
Total Revenue	41,433	27,468	0
Expenditures:			
Current:			
General Government	0	0	0
Capital Outlay	0	0	8,700
Total Expenditures	0	0	8,700
Excess (Deficiency) of Revenues Over Expenditures	41,433	27,468	(8,700)
Other Financing Uses:			
Transfers Out	0	(27,468)	0
Total Other Financing Uses	0	(27,468)	0
Net Change in Fund Balances	41,433	0	(8,700)
Fund Balances at Beginning of Year	57,343	0	12,390
Fund Balances End of Year (Deficits)	\$ 98,776	\$ 0	\$ 3,690

CITY OF MONTGOMERY, OHIO

Urban Redevelopment	Triangle Tax Increment Fund	Total Nonmajor Capital Project Funds
\$ 74,439	\$ 0	\$ 74,439
8,242	0	35,710
0	0	41,433
<u>82,681</u>	<u>0</u>	<u>151,582</u>
846	0	846
<u>277,744</u>	<u>13,287</u>	<u>299,731</u>
<u>278,590</u>	<u>13,287</u>	<u>300,577</u>
(195,909)	(13,287)	(148,995)
<u>0</u>	<u>0</u>	<u>(27,468)</u>
<u>0</u>	<u>0</u>	<u>(27,468)</u>
(195,909)	(13,287)	(176,463)
<u>302,749</u>	<u>0</u>	<u>372,482</u>
<u>\$ 106,840</u>	<u>\$ (13,287)</u>	<u>\$ 196,019</u>

CITY OF MONTGOMERY, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,679,321	\$ 5,913,017	\$ 5,920,168	\$ 7,151
Intergovernmental Revenues	562,462	562,462	563,926	1,464
Charges for Services	181,112	181,112	200,464	19,352
Licenses, Permits and Fees	183,273	246,455	331,143	84,688
Investment Earnings	240,000	240,000	424,892	184,892
Fines and Forfeitures	145,526	145,526	128,199	(17,327)
All Other Revenues	37,104	37,104	45,122	8,018
Total Revenues	7,028,798	7,325,676	7,613,914	288,238
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	2,016,438	2,016,438	1,953,872	62,566
Material, Supplies, and Services	250,589	257,246	247,501	9,745
Capital Outlay	95,860	95,860	90,268	5,592
Total Police	2,362,887	2,369,544	2,291,641	77,903
Disaster Service:				
Material, Supplies, and Services	1,500	1,500	924	576
Total Disaster Service	1,500	1,500	924	576
Total Security of Persons and Property	2,364,387	2,371,044	2,292,565	78,479
Public Health and Welfare:				
Public Health and Welfare:				
Personal Services	49,261	49,261	42,364	6,897
Total Public Health and Welfare	49,261	49,261	42,364	6,897
Leisure Time Activities:				
Recreation:				
Personal Services	122,195	122,195	101,908	20,287
Material, Supplies, and Services	75,967	81,641	59,454	22,187
Capital Outlay	5,900	5,900	1,109	4,791
Total Recreation	204,062	209,736	162,471	47,265
City Parks:				
Personal Services	180,279	180,279	176,834	3,445
Materials, Supplies, and Services	129,441	141,840	133,443	8,397
Capital Outlay	22,100	25,588	21,827	3,761
Total City Parks	331,820	347,707	332,104	15,603

(Continued)

CITY OF MONTGOMERY, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Lodges:				
Materials, Supplies, and Services	17,265	17,265	10,124	7,141
Capital Outlay	11,400	11,400	12,539	(1,139)
Total Lodges	<u>28,665</u>	<u>28,665</u>	<u>22,663</u>	<u>6,002</u>
Volunteer Services:				
Personal Services	38,236	38,236	35,623	2,613
Materials, Supplies, and Services	3,879	3,879	1,803	2,076
Capital Outlay	3,021	3,021	3,364	(343)
Total Volunteer Services	<u>45,136</u>	<u>45,136</u>	<u>40,790</u>	<u>4,346</u>
Special Events:				
Material, Supplies, and Services	59,125	65,475	55,966	9,509
Total Special Events	<u>59,125</u>	<u>65,475</u>	<u>55,966</u>	<u>9,509</u>
Total Leisure Time Activities	<u>668,808</u>	<u>696,719</u>	<u>613,994</u>	<u>82,725</u>
Community Environment:				
Landmarks Commission:				
Personal Services	1,170	1,170	322	848
Material, Supplies, and Services	8,000	8,378	5,564	2,814
Capital Outlay	2,000	9,733	8,533	1,200
Total Landmarks Commission	<u>11,170</u>	<u>19,281</u>	<u>14,419</u>	<u>4,862</u>
City Beautiful:				
Material, Supplies, and Services	85,821	88,282	80,726	7,556
Capital Outlay	7,000	8,700	3,686	5,014
Total City Beautiful	<u>92,821</u>	<u>96,982</u>	<u>84,412</u>	<u>12,570</u>
Development:				
Personal Services	236,470	236,470	206,265	30,205
Material, Supplies, and Services	150,600	304,235	290,763	13,472
Total Development	<u>387,070</u>	<u>540,705</u>	<u>497,028</u>	<u>43,677</u>
Planning Commission:				
Personal Services	2,242	2,242	805	1,437
Material, Supplies, and Services	2,750	2,750	1,153	1,597
Capital Outlay	30,000	31,445	31,445	0
Total Planning Commission	<u>34,992</u>	<u>36,437</u>	<u>33,403</u>	<u>3,034</u>
Total Community Environment	<u>526,053</u>	<u>693,405</u>	<u>629,262</u>	<u>64,143</u>

(Continued)

CITY OF MONTGOMERY, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Government:				
Administration:				
Personal Services	465,337	465,337	342,598	122,739
Material, Supplies, and Services	23,300	26,284	20,841	5,443
Capital Outlay	2,200	2,200	2,477	(277)
Total Administration	<u>490,837</u>	<u>493,821</u>	<u>365,916</u>	<u>127,905</u>
Finance Administration:				
Personal Services	237,162	237,162	199,888	37,274
Material, Supplies, and Services	57,550	58,670	61,469	(2,799)
Capital Outlay	3,700	3,700	259	3,441
Total Finance Administration	<u>298,412</u>	<u>299,532</u>	<u>261,616</u>	<u>37,916</u>
Legal Administration:				
Material, Supplies, and Services	195,000	250,306	187,480	62,826
Capital Outlay	6,000	6,000	6,000	0
Total Legal Administration	<u>201,000</u>	<u>256,306</u>	<u>193,480</u>	<u>62,826</u>
Income Tax:				
Personal Services	148,211	148,211	146,218	1,993
Material, Supplies, and Services	17,075	18,385	14,066	4,319
Capital Outlay	900	900	562	338
Total Income Tax	<u>166,186</u>	<u>167,496</u>	<u>160,846</u>	<u>6,650</u>
Council:				
Personal Services	19,286	19,286	12,565	6,721
Material, Supplies, and Services	1,650	1,650	1,952	(302)
Total Council	<u>20,936</u>	<u>20,936</u>	<u>14,517</u>	<u>6,419</u>
Mayor's Court:				
Personal Services	80,045	80,045	75,654	4,391
Material, Supplies, and Services	33,502	33,502	33,486	16
Total Mayor's Court	<u>113,547</u>	<u>113,547</u>	<u>109,140</u>	<u>4,407</u>
Civil Service:				
Material, Supplies, and Services	6,075	6,075	0	6,075
Total Civil Service	<u>6,075</u>	<u>6,075</u>	<u>0</u>	<u>6,075</u>

(Continued)

CITY OF MONTGOMERY, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Central Services:				
Personal Services	247,075	247,075	216,294	30,781
Material, Supplies, and Services	73,007	83,561	79,588	3,973
Capital Outlay	3,800	3,800	3,628	172
Total Central Services	<u>323,882</u>	<u>334,436</u>	<u>299,510</u>	<u>34,926</u>
Information Technology:				
Personal Services	98,873	98,873	93,715	5,158
Materials, Supplies, and Services	23,150	29,405	27,379	2,026
Capital Outlay	13,000	16,500	16,500	0
Total Information Technology	<u>135,023</u>	<u>144,778</u>	<u>137,594</u>	<u>7,184</u>
General Administration:				
Personal Services	2,000	2,000	800	1,200
Material, Supplies, and Services	1,208,299	1,326,575	1,221,778	104,797
Capital Outlay	547,000	569,550	85,405	484,145
Total General Administration	<u>1,757,299</u>	<u>1,898,125</u>	<u>1,307,983</u>	<u>590,142</u>
Total General Government	<u>3,513,197</u>	<u>3,735,052</u>	<u>2,850,602</u>	<u>884,450</u>
Total Expenditures	<u>7,121,706</u>	<u>7,545,481</u>	<u>6,428,787</u>	<u>1,116,694</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(92,908)	(219,805)	1,185,127	1,404,932
Other Financing Sources (Uses):				
Sale of Capital Assets	450,000	450,000	16,815	(433,185)
Transfers In	0	0	25,000	25,000
Transfers Out	(591,676)	(890,676)	(597,200)	293,476
Total Other Financing Sources (Uses)	<u>(141,676)</u>	<u>(440,676)</u>	<u>(555,385)</u>	<u>(114,709)</u>
Net Change in Fund Balance	(234,584)	(660,481)	629,742	1,290,223
Fund Balance at Beginning of Year	9,263,541	9,263,541	9,263,541	0
Prior Year Encumbrances	303,775	303,775	303,775	0
Fund Balance at End of Year	<u>\$ 9,332,732</u>	<u>\$ 8,906,835</u>	<u>\$ 10,197,058</u>	<u>\$ 1,290,223</u>

CITY OF MONTGOMERY, OHIO

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

	FIRE PROTECTION / EMS FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 1,620,492	\$ 1,737,049	\$ 1,737,050	\$ 1
Intergovernmental Revenues	226,645	226,645	207,874	(18,771)
Charges for Services	70,250	70,250	72,025	1,775
Investment Earnings	43,260	83,399	111,873	28,474
All Other Revenues	5,900	5,900	7,792	1,892
Total Revenues	<u>1,966,547</u>	<u>2,123,243</u>	<u>2,136,614</u>	<u>13,371</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	1,492,337	1,492,386	1,257,497	234,889
Material, Supplies, and Services	197,156	200,558	166,638	33,920
Capital Outlay	269,570	684,570	605,237	79,333
Total Expenditures	<u>1,959,063</u>	<u>2,377,514</u>	<u>2,029,372</u>	<u>348,142</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,484	(254,271)	107,242	361,513
Other Financing Sources (Uses):				
Transfers Out	(119,000)	(119,000)	(119,000)	0
Total Other Financing Sources (Uses)	<u>(119,000)</u>	<u>(119,000)</u>	<u>(119,000)</u>	<u>0</u>
Net Change in Fund Balance	(111,516)	(373,271)	(11,758)	361,513
Fund Balance at Beginning of Year	2,193,144	2,193,144	2,193,144	0
Prior Year Encumbrances	418,451	418,451	418,451	0
Fund Balance at End of Year	<u>\$ 2,500,079</u>	<u>\$ 2,238,324</u>	<u>\$ 2,599,837</u>	<u>\$ 361,513</u>

CITY OF MONTGOMERY, OHIO

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

GENERAL OBLIGATION BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 885,539	\$ 906,013	\$ 915,058	\$ 9,045
Total Revenues	<u>885,539</u>	<u>906,013</u>	<u>915,058</u>	<u>9,045</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	8,200	8,200	0	8,200
Debt Service:				
Principal Retirement	800,000	800,000	855,000	(55,000)
Interest and Fiscal Charges	<u>226,729</u>	<u>226,729</u>	<u>166,056</u>	<u>60,673</u>
Total Expenditures	<u>1,034,929</u>	<u>1,034,929</u>	<u>1,021,056</u>	<u>13,873</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,390)	(128,916)	(105,998)	22,918
Other Financing Sources (Uses):				
Transfers In	<u>119,000</u>	<u>119,000</u>	<u>119,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>119,000</u>	<u>119,000</u>	<u>119,000</u>	<u>0</u>
Net Change in Fund Balance	(30,390)	(9,916)	13,002	22,918
Fund Balance at Beginning of Year	<u>824,263</u>	<u>824,263</u>	<u>824,263</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 793,873</u>	<u>\$ 814,347</u>	<u>\$ 837,265</u>	<u>\$ 22,918</u>

CITY OF MONTGOMERY, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 180,000	\$ 179,589	\$ 179,589	\$ 0
Total Revenues	<u>180,000</u>	<u>179,589</u>	<u>179,589</u>	<u>0</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	6,132	6,132	5,398	734
Debt Service:				
Principal Retirement	105,000	105,000	105,000	0
Interest and Fiscal Charges	<u>67,430</u>	<u>67,430</u>	<u>67,230</u>	<u>200</u>
Total Expenditures	<u>178,562</u>	<u>178,562</u>	<u>177,628</u>	<u>934</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,438	1,027	1,961	934
Fund Balance at Beginning of Year	<u>53,684</u>	<u>53,684</u>	<u>53,684</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 55,122</u>	<u>\$ 54,711</u>	<u>\$ 55,645</u>	<u>\$ 934</u>

CITY OF MONTGOMERY, OHIO

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

CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 1,269,273	\$ 1,311,702	\$ 1,311,581	\$ (121)
All Other Revenues	0	151,873	164,958	13,085
Total Revenues	<u>1,269,273</u>	<u>1,463,575</u>	<u>1,476,539</u>	<u>12,964</u>
Expenditures:				
Capital Outlay	<u>1,324,900</u>	<u>1,638,776</u>	<u>1,526,136</u>	<u>112,640</u>
Total Expenditures	<u>1,324,900</u>	<u>1,638,776</u>	<u>1,526,136</u>	<u>112,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,627)	(175,201)	(49,597)	125,604
Other Financing Sources (Uses):				
Advances Out	<u>(527,500)</u>	<u>(527,500)</u>	<u>(527,500)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(527,500)</u>	<u>(527,500)</u>	<u>(527,500)</u>	<u>0</u>
Net Change in Fund Balance	(583,127)	(702,701)	(577,097)	125,604
Fund Balance at Beginning of Year	1,863,653	1,863,653	1,863,653	0
Prior Year Encumbrances	<u>313,876</u>	<u>313,876</u>	<u>313,876</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,594,402</u>	<u>\$ 1,474,828</u>	<u>\$ 1,600,432</u>	<u>\$ 125,604</u>

CITY OF MONTGOMERY, OHIO

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

	MEMORIAL FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Fines and Forfeitures	\$ 7,900	\$ 2,945	\$ 2,945	\$ 0
Total Revenues	<u>7,900</u>	<u>2,945</u>	<u>2,945</u>	<u>0</u>
Expenditures:				
Community Environment:				
Material, Supplies, and Services	7,900	6,238	5,242	996
Total Expenditures	<u>7,900</u>	<u>6,238</u>	<u>5,242</u>	<u>996</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(3,293)	(2,297)	996
Fund Balance at Beginning of Year	2,920	2,920	2,920	0
Prior Year Encumbrances	373	373	373	0
Fund Balance at End of Year	<u>\$ 3,293</u>	<u>\$ 0</u>	<u>\$ 996</u>	<u>\$ 996</u>

CITY OF MONTGOMERY, OHIO

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

	LAW ENFORCEMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Fines and Forfeitures	\$ 500	\$ 790	\$ 790	\$ 0
All Other Revenues	200	375	375	0
Total Revenues	<u>700</u>	<u>1,165</u>	<u>1,165</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Material, Supplies, and Services	400	400	231	169
Capital Outlay	500	875	798	77
Total Expenditures	<u>900</u>	<u>1,275</u>	<u>1,029</u>	<u>246</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200)	(110)	136	246
Fund Balance at Beginning of Year	4,594	4,594	4,594	0
Fund Balance at End of Year	<u>\$ 4,394</u>	<u>\$ 4,484</u>	<u>\$ 4,730</u>	<u>\$ 246</u>

CITY OF MONTGOMERY, OHIO

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

DRUG LAW ENFORCEMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Fines and Forfeitures	\$ 300	\$ 972	\$ 973	\$ 1
Total Revenues	<u>300</u>	<u>972</u>	<u>973</u>	<u>1</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	300	300	249	51
Total Expenditures	<u>300</u>	<u>300</u>	<u>249</u>	<u>51</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	672	724	52
Fund Balance at Beginning of Year	<u>3,084</u>	<u>3,084</u>	<u>3,084</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,084</u>	<u>\$ 3,756</u>	<u>\$ 3,808</u>	<u>\$ 52</u>

CITY OF MONTGOMERY, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	<u>\$ 1,000</u>	<u>\$ 1,356</u>	<u>\$ 1,356</u>	<u>\$ 0</u>
Total Revenues	<u>1,000</u>	<u>1,356</u>	<u>1,356</u>	<u>0</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	<u>600</u>	<u>600</u>	<u>429</u>	<u>171</u>
Total Expenditures	<u>600</u>	<u>600</u>	<u>429</u>	<u>171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	400	756	927	171
Fund Balance at Beginning of Year	<u>2,557</u>	<u>2,557</u>	<u>2,557</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,957</u>	<u>\$ 3,313</u>	<u>\$ 3,484</u>	<u>\$ 171</u>

CITY OF MONTGOMERY, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 20,000	\$ 13,870	\$ 13,870	\$ 0
Total Revenues	<u>20,000</u>	<u>13,870</u>	<u>13,870</u>	<u>0</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	18,031	18,531	7,519	11,012
Capital Outlay	<u>8,970</u>	<u>8,970</u>	<u>4,788</u>	<u>4,182</u>
Total Expenditures	<u>27,001</u>	<u>27,501</u>	<u>12,307</u>	<u>15,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,001)	(13,631)	1,563	15,194
Fund Balance at Beginning of Year	55,396	55,396	55,396	0
Prior Year Encumbrances	<u>500</u>	<u>500</u>	<u>500</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 48,895</u>	<u>\$ 42,265</u>	<u>\$ 57,459</u>	<u>\$ 15,194</u>

CITY OF MONTGOMERY, OHIO

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

COPS GRANT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 77,294	\$ 77,294	\$ 69,518	\$ (7,776)
Total Revenues	<u>77,294</u>	<u>77,294</u>	<u>69,518</u>	<u>(7,776)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	88,523	88,523	87,208	1,315
Material, Supplies, and Services	3,200	3,200	2,389	811
Total Expenditures	<u>91,723</u>	<u>91,723</u>	<u>89,597</u>	<u>2,126</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,429)	(14,429)	(20,079)	(5,650)
Other Financing Sources (Uses):				
Transfers In	14,676	6,899	26,024	19,125
Transfers Out	(25,000)	(25,000)	(25,000)	0
Total Other Financing Sources (Uses)	<u>(10,324)</u>	<u>(18,101)</u>	<u>1,024</u>	<u>19,125</u>
Net Change in Fund Balance	(24,753)	(32,530)	(19,055)	13,475
Fund Balance at Beginning of Year	<u>52,499</u>	<u>52,499</u>	<u>52,499</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 27,746</u>	<u>\$ 19,969</u>	<u>\$ 33,444</u>	<u>\$ 13,475</u>

CITY OF MONTGOMERY, OHIO

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

	FEMA FIRE FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 102,925	\$ 72,472	\$ 72,472	\$ 0
Total Revenues	<u>102,925</u>	<u>72,472</u>	<u>72,472</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Capital Outlay	102,925	79,760	79,760	0
Total Expenditures	<u>102,925</u>	<u>79,760</u>	<u>79,760</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(7,288)	(7,288)	0
Other Financing Sources (Uses):				
Transfers In	0	7,288	7,288	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>7,288</u>	<u>7,288</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF MONTGOMERY, OHIO

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

ENVIRONMENTAL IMPACT TAX FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Licenses, Permits and Fees	\$ 20,000	\$ 317,881	\$ 281,887	\$ (35,994)
Investment Earnings	2,510	8,754	9,084	330
Total Revenues	<u>22,510</u>	<u>326,635</u>	<u>290,971</u>	<u>(35,664)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,510	326,635	290,971	(35,664)
Other Financing Sources (Uses):				
Transfers In	20,000	281,888	281,888	0
Transfers Out	<u>(40,000)</u>	<u>(638,000)</u>	<u>(563,775)</u>	<u>74,225</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(356,112)</u>	<u>(281,887)</u>	<u>74,225</u>
Net Change in Fund Balance	2,510	(29,477)	9,084	38,561
Fund Balance at Beginning of Year	<u>78,022</u>	<u>78,022</u>	<u>78,022</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 80,532</u></u>	<u><u>\$ 48,545</u></u>	<u><u>\$ 87,106</u></u>	<u><u>\$ 38,561</u></u>

CITY OF MONTGOMERY, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND				
Revenues:				
Intergovernmental Revenues	\$ 434,602	\$ 435,960	\$ 432,145	\$ (3,815)
Investment Earnings	25,904	36,387	38,054	1,667
All Other Revenues	4,500	4,500	5,623	1,123
Total Revenues	<u>465,006</u>	<u>476,847</u>	<u>475,822</u>	<u>(1,025)</u>
Expenditures:				
Transportation:				
Personal Services	749,596	750,382	732,512	17,870
Material, Supplies, and Services	239,933	280,654	274,517	6,137
Capital Outlay	36,200	52,544	34,623	17,921
Total Expenditures	<u>1,025,729</u>	<u>1,083,580</u>	<u>1,041,652</u>	<u>41,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(560,723)	(606,733)	(565,830)	40,903
Other Financing Sources (Uses):				
Sale of Capital Assets	0	2,405	2,405	0
Transfers In	540,000	910,531	841,243	(69,288)
Total Other Financing Sources (Uses)	<u>540,000</u>	<u>912,936</u>	<u>843,648</u>	<u>(69,288)</u>
Net Change in Fund Balance	(20,723)	306,203	277,818	(28,385)
Fund Balance at Beginning of Year	931,721	931,721	931,721	0
Prior Year Encumbrances	57,851	57,851	57,851	0
Fund Balance at End of Year	<u>\$ 968,849</u>	<u>\$ 1,295,775</u>	<u>\$ 1,267,390</u>	<u>\$ (28,385)</u>

CITY OF MONTGOMERY, OHIO

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

ARTS AND AMENITIES FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 10,000	\$ 10,000	\$ 11,073	\$ 1,073
Investment Earnings	12,657	12,185	21,107	8,922
All Other Revenues	7,500	7,500	0	(7,500)
Total Revenues	<u>30,157</u>	<u>29,685</u>	<u>32,180</u>	<u>2,495</u>
Expenditures:				
Leisure Time Activities:				
Material, Supplies, and Services	29,900	29,900	12,566	17,334
Capital Outlay	20,000	20,000	20,000	0
Total Expenditures	<u>49,900</u>	<u>49,900</u>	<u>32,566</u>	<u>17,334</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,743)	(20,215)	(386)	19,829
Fund Balance at Beginning of Year	523,944	523,944	523,944	0
Fund Balance at End of Year	<u>\$ 504,201</u>	<u>\$ 503,729</u>	<u>\$ 523,558</u>	<u>\$ 19,829</u>

CITY OF MONTGOMERY, OHIO

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

	CEMETERY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 39,250	\$ 42,458	\$ 45,375	\$ 2,917
Investment Earnings	4,709	4,709	5,978	1,269
Total Revenues	<u>43,959</u>	<u>47,167</u>	<u>51,353</u>	<u>4,186</u>
Expenditures:				
Leisure Time Activities:				
Material, Supplies, and Services	32,501	32,501	19,636	12,865
Capital Outlay	7,000	10,300	3,232	7,068
Total Expenditures	<u>39,501</u>	<u>42,801</u>	<u>22,868</u>	<u>19,933</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,458	4,366	28,485	24,119
Fund Balance at Beginning of Year	129,596	129,596	129,596	0
Prior Year Encumbrances	3,300	3,300	3,300	0
Fund Balance at End of Year	<u>\$ 137,354</u>	<u>\$ 137,262</u>	<u>\$ 161,381</u>	<u>\$ 24,119</u>

CITY OF MONTGOMERY, OHIO

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

SPECIAL ASSESSMENT BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Special Assessments	\$ 69,112	\$ 59,023	\$ 59,024	\$ 1
Total Revenues	<u>69,112</u>	<u>59,023</u>	<u>59,024</u>	<u>1</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	1,900	1,900	1,743	157
Debt Service:				
Principal Retirement	37,883	37,883	37,883	0
Interest and Fiscal Charges	<u>18,030</u>	<u>18,030</u>	<u>17,830</u>	<u>200</u>
Total Expenditures	<u>57,813</u>	<u>57,813</u>	<u>57,456</u>	<u>357</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,299	1,210	1,568	358
Fund Balance at Beginning of Year	<u>70,841</u>	<u>70,841</u>	<u>70,841</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 82,140</u>	<u>\$ 72,051</u>	<u>\$ 72,409</u>	<u>\$ 358</u>

CITY OF MONTGOMERY, OHIO

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

OHIO NATIONAL TAX INCREMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 571,445	\$ 635,216	\$ 635,217	\$ 1
Intergovernmental Revenues	60,314	70,333	70,333	0
Total Revenues	<u>631,759</u>	<u>705,549</u>	<u>705,550</u>	<u>1</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	144,000	144,000	141,247	2,753
Total General Government	<u>144,000</u>	<u>144,000</u>	<u>141,247</u>	<u>2,753</u>
Debt Service:				
Principal Retirement	210,000	210,000	210,000	0
Interest and Fiscal Charges	79,478	79,478	78,478	1,000
Total Expenditures	<u>433,478</u>	<u>433,478</u>	<u>429,725</u>	<u>3,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	198,281	272,071	275,825	3,754
Fund Balance at Beginning of Year	<u>1,858,965</u>	<u>1,858,965</u>	<u>1,858,965</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,057,246</u>	<u>\$ 2,131,036</u>	<u>\$ 2,134,790</u>	<u>\$ 3,754</u>

CITY OF MONTGOMERY, OHIO

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

SPECIAL ASSESSMENT CAPITAL PROJECTS FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Special Assessments	\$ 31,045	\$ 41,434	\$ 41,433	\$ (1)
Total Revenues	<u>31,045</u>	<u>41,434</u>	<u>41,433</u>	<u>(1)</u>
Expenditures:				
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,955)	(8,566)	41,433	49,999
Other Financing Sources (Uses):				
Transfers In	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	31,045	(8,566)	41,433	49,999
Fund Balance at Beginning of Year	<u>57,343</u>	<u>57,343</u>	<u>57,343</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 88,388</u>	<u>\$ 48,777</u>	<u>\$ 98,776</u>	<u>\$ 49,999</u>

CITY OF MONTGOMERY, OHIO

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

	FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 27,468	\$ 27,468	\$ 0
Total Revenues	<u>0</u>	<u>27,468</u>	<u>27,468</u>	<u>0</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	27,468	27,468	0
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(27,468)</u>	<u>(27,468)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(27,468)</u>	<u>(27,468)</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF MONTGOMERY, OHIO

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

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Capital Outlay	<u>0</u>	<u>8,700</u>	<u>8,700</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>8,700</u>	<u>8,700</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(8,700)	(8,700)	0
Fund Balance at Beginning of Year	12,390	12,390	12,390	0
Prior Year Encumbrances	<u>8,700</u>	<u>8,700</u>	<u>8,700</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 21,090</u>	<u>\$ 12,390</u>	<u>\$ 12,390</u>	<u>\$ 0</u>

CITY OF MONTGOMERY, OHIO

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

URBAN REDEVELOPMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 67,710	\$ 74,439	\$ 74,439	\$ 0
Intergovernmental Revenues	7,523	8,242	8,242	0
Total Revenues	<u>75,233</u>	<u>82,681</u>	<u>82,681</u>	<u>0</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	796	796	846	(50)
Total General Government	<u>796</u>	<u>796</u>	<u>846</u>	<u>(50)</u>
Capital Outlay:				
Capital Outlay	47,075	310,250	286,322	23,928
Total Capital Outlay	<u>47,075</u>	<u>310,250</u>	<u>286,322</u>	<u>23,928</u>
Total Expenditures	<u>47,871</u>	<u>311,046</u>	<u>287,168</u>	<u>23,878</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,362	(228,365)	(204,487)	23,878
Fund Balance at Beginning of Year	39,574	39,574	39,574	0
Prior Year Encumbrances	263,175	263,175	263,175	0
Fund Balance at End of Year	<u>\$ 330,111</u>	<u>\$ 74,384</u>	<u>\$ 98,262</u>	<u>\$ 23,878</u>

CITY OF MONTGOMERY, OHIO

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

TRIANGLE TAX INCREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Capital Outlay	527,500	527,500	61,527	465,973
Total Capital Outlay	527,500	527,500	61,527	465,973
Total Expenditures	527,500	527,500	61,527	465,973
Excess (Deficiency) of Revenues Over (Under) Expenditures	(527,500)	(527,500)	(61,527)	465,973
Other Financing Sources (Uses):				
Advances In	527,500	527,500	527,500	0
Total Other Financing Sources (Uses)	527,500	527,500	527,500	0
Net Change in Fund Balance	0	0	465,973	465,973
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 465,973</u>	<u>\$ 465,973</u>

Fiduciary Funds

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

Agency Fund

Mayor's Court Fund

To account for funds that flow through the Mayor's Court.

Trust Reimbursement Fund

To account for a cost center for depositing insurance monies and other payments with the City prior to payments to the appropriate contractor or business.

Unclaimed Monies Fund

To account for funds which rightfully belong to the payor and are refunded when the payor provides proof of claim for the funds within the period specified by law.

CITY OF MONTGOMERY, OHIO

***Combining Statement Of Changes In Assets And Liabilities
Agency Fund
For the Year Ended December 31, 2005***

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
<u>Mayor's Court</u>				
Assets:				
Restricted Assets:				
Cash with Fiscal Agent	\$314	\$1,055	(\$314)	\$1,055
Total Assets	<u>\$314</u>	<u>\$1,055</u>	<u>(\$314)</u>	<u>\$1,055</u>
Liabilities:				
Due to Others	\$314	\$1,055	(\$314)	\$1,055
Total Liabilities	<u>\$314</u>	<u>\$1,055</u>	<u>(\$314)</u>	<u>\$1,055</u>
<u>Trust Reimbursement</u>				
Assets:				
Restricted Assets:				
Cash with Fiscal Agent	\$151,967	\$110,686	(\$66,473)	\$196,180
Total Assets	<u>\$151,967</u>	<u>\$110,686</u>	<u>(\$66,473)</u>	<u>\$196,180</u>
Liabilities:				
Accounts Payable	\$146,329	\$104,919	(\$60,835)	\$190,413
Intergovernmental Payables	5,638	5,767	(5,638)	5,767
Total Liabilities	<u>\$151,967</u>	<u>\$110,686</u>	<u>(\$66,473)</u>	<u>\$196,180</u>
<u>Unclaimed Monies</u>				
Assets:				
Restricted Assets:				
Cash and Cash Equivalents	\$3,693	\$475	(\$102)	\$4,066
Total Assets	<u>\$3,693</u>	<u>\$475</u>	<u>(\$102)</u>	<u>\$4,066</u>
Liabilities:				
Due to Others	\$3,693	\$475	(\$102)	\$4,066
Total Liabilities	<u>\$3,693</u>	<u>\$475</u>	<u>(\$102)</u>	<u>\$4,066</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Restricted Assets:				
Cash and Cash Equivalents	\$3,693	\$475	(\$102)	\$4,066
Cash with Fiscal Agent	152,281	111,741	(66,787)	197,235
Total Assets	<u>\$155,974</u>	<u>\$112,216</u>	<u>(\$66,889)</u>	<u>\$201,301</u>
Liabilities:				
Accounts Payable	\$146,329	\$104,919	(\$60,835)	\$190,413
Intergovernmental Payables	5,638	5,767	(5,638)	5,767
Due to Others	4,007	1,530	(416)	5,121
Total Liabilities	<u>\$155,974</u>	<u>\$112,216</u>	<u>(\$66,889)</u>	<u>\$201,301</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF MONTGOMERY, OHIO

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

Capital Assets:

Land	\$14,775,785
Buildings	3,341,123
Improvements Other than Buildings	3,920,656
Infrastructure	21,887,580
Machinery and Equipment	<u>4,321,068</u>
Total Capital Assets	<u><u>\$48,246,212</u></u>

Investment in Capital Assets from:

General Fund	\$11,919,415
Special Revenue Funds	3,816,646
Capital Projects Funds	32,399,335
Expendable Trust Funds	<u>110,816</u>
Total Investment in Capital Assets	<u><u>\$48,246,212</u></u>

CITY OF MONTGOMERY, OHIO

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

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Infrastructure</u>	<u>Machinery and Equipment</u>	<u>Total</u>
<u>General Government:</u>						
Administration	\$0	\$286,177	\$417,493	\$0	\$256,531	\$960,201
Finance	0	0	0	0	67,314	67,314
Mayor's Court	0	0	0	0	41,700	41,700
Total	0	286,177	417,493	0	365,545	1,069,215
<u>Security of Persons and Property:</u>						
Police	278,400	1,799,140	0	0	545,712	2,623,252
Fire/EMS	0	0	0	0	2,117,993	2,117,993
Communications	0	0	0	0	17,161	17,161
Total	278,400	1,799,140	0	0	2,680,866	4,758,406
<u>Transportation:</u>						
Street/Service	8,685,273	795,875	101,409	21,887,580	921,153	32,391,290
<u>Leisure Time Activities:</u>						
Parks/Recreation	4,284,640	189,567	3,222,082	0	251,925	7,948,214
<u>Community Environment:</u>						
Development	1,252,729	270,364	73,167	0	92,196	1,688,456
Historic Trust	0	0	102,192	0	4,820	107,012
Total	1,252,729	270,364	175,359	0	97,016	1,795,468
<u>Public Health and Welfare:</u>						
Cemetery	274,743	0	4,313	0	4,563	283,619
Total Capital Assets	<u>\$14,775,785</u>	<u>\$3,341,123</u>	<u>\$3,920,656</u>	<u>\$21,887,580</u>	<u>\$4,321,068</u>	<u>\$48,246,212</u>

CITY OF MONTGOMERY, OHIO

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

Function and Activity	December 31, 2004	Transfers	Additions	Deletions	December 31, 2005
<u>General Government:</u>					
Administration	\$960,201	\$0	\$0	\$0	\$960,201
Finance	67,314	0	0	0	67,314
Mayor's Court	41,700	0	0	0	41,700
Total	<u>1,069,215</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,069,215</u>
<u>Security of Persons and Property:</u>					
Police	2,535,603	0	87,649	0	2,623,252
Fire/EMS	1,634,209	0	483,784	0	2,117,993
Fire/EMS	0	0	17,161	0	17,161
Total	<u>4,169,812</u>	<u>0</u>	<u>588,594</u>	<u>0</u>	<u>4,758,406</u>
<u>Transportation:</u>					
Street/Service	32,024,943	0	577,761	(211,414)	32,391,290
<u>Leisure Time Activities:</u>					
Parks/Recreation	7,920,449	0	27,765	0	7,948,214
<u>Community Environment:</u>					
Development	1,688,456	0	0	0	1,688,456
Historic Trust	108,449	(1,437)	0	0	107,012
Total	<u>1,796,905</u>	<u>(1,437)</u>	<u>0</u>	<u>0</u>	<u>1,795,468</u>
<u>Public Health and Welfare:</u>					
Cemetery	279,056	1,437	3,126	0	283,619
Total Capital Assets	<u>\$47,260,380</u>	<u>\$0</u>	<u>\$1,197,246</u>	<u>(\$211,414)</u>	<u>\$48,246,212</u>



STATISTICAL SECTION



STATISTICAL TABLES

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

CITY OF MONTGOMERY, OHIO

**General Governmental Expenditures by Function (1)
Last Ten Years**

Year	Security of Persons and Property	Public Health and Welfare Services	Leisure Time Activities	Community Environment	Basic Utility Services	Trans- portation	General Government	Capital Outlay	Debt Service	Total
1996	\$2,194,986	\$54,461	\$464,171	\$363,793	\$411,842	\$788,858	\$1,506,270	\$0	\$1,432,095	\$7,216,476
1997	2,674,436	54,003	599,505	357,371	358,415	750,492	1,251,736	2,644,681	2,163,053	10,853,692
1998	2,406,355	59,926	326,311	373,941	328,556	734,320	1,368,527	507,448	2,238,606	8,343,990
1999	3,322,830	62,852	431,869	310,787	1,152	965,784	1,985,387	562,123	1,541,454	9,184,238
2000	3,024,669	47,900	507,291	350,474	0	1,029,656	1,924,549	301,955	1,526,024	8,712,518
2001	3,086,716	61,217	539,682	322,334	0	907,814	2,156,817	926,712	1,499,266	9,500,558
2002	3,294,040	36,500	504,812	340,702	0	794,995	2,440,323	2,131,054	1,499,907	11,042,333
2003	4,207,246	71,191	543,956	480,298	0	931,182	2,654,358	1,512,227	2,780,815	13,181,273
2004	3,772,691	63,370	547,032	474,413	0	923,703	2,655,321	1,147,304	1,595,670	11,179,504
2005	4,358,306	61,237	602,281	545,941	0	986,008	2,792,478	1,415,805	1,537,477	12,299,533

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

CITY OF MONTGOMERY, OHIO

**General Governmental Revenues by Source (1)
Last Ten Years**

Year	Taxes	Inter-Governmental Revenue	Charges for Service	Licenses and Permits	Investment Earnings	Fines and Forfeitures	(2) All Other	Total
1996	\$5,709,941	\$712,552	\$318,774	\$152,904	\$353,987	\$145,321	\$324,389	\$7,717,868
1997	6,955,554	549,159	350,962	179,103	354,618	202,904	647,170	9,239,470
1998	7,815,545	314,739	253,453	162,761	368,884	297,359	1,136,785	10,349,526
1999	7,998,679	529,898	212,272	159,297	298,124	153,457	342,448	9,694,175
2000	10,921,055	122,067	236,043	214,031	614,128	173,629	770,167	13,051,120
2001	10,511,251	362,873	279,623	149,867	540,132	163,973	380,907	12,388,626
2002	11,102,193	432,545	343,799	205,731	301,023	152,069	319,084	12,856,444
2003	10,730,132	1,303,807	300,191	550,360	222,096	203,435	325,921	13,635,942
2004	10,234,237	1,360,965	337,765	237,850	249,354	166,726	489,352	13,076,249
2005	10,629,284	1,343,674	328,218	611,953	563,496	148,433	573,702	14,198,760

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

(2) Special Assessments are included in All Other.

CITY OF MONTGOMERY, OHIO

**Real Property Tax Levies and Collections
Last Ten Years**

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes To Total Tax Levy
1996	\$2,101,898	\$1,989,010	\$37,680	\$2,026,690	96.42%	\$162,551	7.73%
1997	2,263,997	2,135,574	34,309	2,169,883	95.84%	261,402	11.55%
1998	2,425,338	2,181,724	44,045	2,225,769	91.77%	195,163	8.05%
1999	2,499,219	2,423,510	124,006	2,547,516	101.93%	140,242	5.61%
2000	3,530,615	3,436,936	80,766	3,517,702	99.63%	224,721	6.36%
2001	3,832,239	3,497,696	79,276	3,576,972	93.34%	257,224	6.71%
2002	3,760,268	3,378,287	101,909	3,480,196	92.55%	283,959	7.55%
2003	4,001,811	3,561,230	92,010	3,653,240	91.29%	330,694	8.26%
2004	4,090,042	3,633,215	101,951	3,735,166	91.32%	354,876	8.68%
2005	4,077,538	3,674,640	153,258	3,827,898	93.88%	251,993	6.18%

Source: Hamilton County Auditor

CITY OF MONTGOMERY, OHIO

**Tangible Tax Collected
Last Ten Years**

<u>Year Paid</u>	<u>Amount</u>
1996	\$152,856
1997	152,790
1998	179,461
1999	180,620
2000	224,196
2001	244,982
2002	253,322
2003	212,774
2004	246,511
2005	233,727

CITY OF MONTGOMERY, OHIO

Assessed Valuations and Estimated True Values of Taxable Property Last Ten Years

Tax Year	Real Property (a)		Public Utility Personal (a)		Tangible Personal Property (b)		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1996	\$249,290,140	\$712,257,543	\$8,405,930	\$9,552,193	\$15,019,050	\$60,076,200	\$272,715,120	\$781,885,936	34.88%
1997	277,592,030	793,120,086	8,603,800	9,777,045	16,508,900	66,035,600	302,704,730	868,932,731	34.84%
1998	281,025,200	802,929,142	7,851,570	8,922,238	18,384,000	73,536,000	307,260,770	885,387,380	34.70%
1999	319,012,100	911,463,143	8,024,660	8,024,660	19,416,100	77,664,400	346,452,860	997,152,203	34.74%
2000	324,262,130	926,463,229	7,580,120	7,580,120	22,166,530	88,666,120	354,008,780	1,022,709,469	34.61%
2001	330,550,770	944,430,771	6,384,560	6,384,560	23,506,340	94,025,360	360,441,670	1,044,840,691	34.50%
2002	376,870,340	1,076,772,400	6,742,770	6,742,770	22,968,110	91,872,440	406,581,220	1,175,387,610	34.59%
2003	378,397,970	1,081,137,057	6,598,690	6,598,690	19,627,940	78,511,760	404,624,600	1,166,247,507	34.69%
2004	384,316,040	1,098,045,829	7,342,510	6,598,690	22,164,440	88,657,760	413,822,990	1,193,302,279	34.68%
2005	459,778,580	1,313,653,086	6,830,960	6,830,960	15,314,760	61,259,040	481,924,300	1,381,743,086	34.88%

(a) Assessed taxes are collected in subsequent year

(b) Assessed taxes are collected in same year

Source: Hamilton County Auditor

CITY OF MONTGOMERY, OHIO

**Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuations)
Last Ten Years**

<u>Collection Year</u>	<u>City of Montgomery</u>			<u>Total</u>	<u>Sycamore School District</u>	<u>Hamilton County</u>	<u>Special Taxing Districts</u>	<u>Total</u>
	<u>General Fund</u>	<u>Fire / EMS Fund</u>	<u>Pioneer Park</u>					
1996	\$4.50	\$3.95	\$0.70	\$9.15	\$54.14	\$19.44	\$2.70	\$85.43
1997	4.50	3.95	0.70	9.15	54.14	19.44	2.70	85.43
1998	4.50	3.95	0.70	9.15	54.14	19.01	2.70	85.00
1999	4.50	3.95	0.70	9.15	61.53	18.51	3.73	92.92
2000	4.50	5.55	0.70	10.75	60.84	19.80	3.73	95.12
2001	4.50	5.55	0.70	10.75	60.84	19.92	2.70	94.21
2002	4.50	5.55	0.00	10.05	60.84	21.47	2.70	95.06
2003	4.50	5.55	0.00	10.05	60.49	21.87	2.70	95.11
2004	4.50	5.55	0.00	10.05	60.40	21.51	2.70	94.66
2005	4.50	5.55	0.00	10.05	65.90	21.06	2.70	99.71

Source: Hamilton County Auditor

CITY OF MONTGOMERY, OHIO

**Special Assessment Billings and Collections
Last Ten Years**

Collection Year	Amount Billed	Amount Collected	Percent Collected
1996	\$42,233	\$40,124	95.01%
1997	239,812	236,539	98.64%
1998	237,481	232,371	97.85%
1999	239,020	234,251	98.00%
2000	247,820	244,584	98.69%
2001	246,639	239,871	97.26%
2002	249,836	239,646	95.92%
2003	254,351	246,298	96.83%
2004	251,646	246,657	98.02%
2005	241,732	238,695	98.74%

These figures represent amounts certified to and collected by the Hamilton County Auditor.

Source: Hamilton County Auditor

CITY OF MONTGOMERY, OHIO

**Computation of Legal Debt Margin
December 31, 2005**

	Total Debt	Unvoted Debt
Net Assessed Valuation	\$481,924,300	\$481,924,300
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (2)	50,602,052	26,505,837
Applicable City Debt Outstanding	9,865,000	9,865,000
Less: Applicable Debt Service Fund Amounts	(967,900)	(967,900)
Net Indebtedness Subject to Limitation	8,897,100	8,897,100
Legal Debt Margin	\$41,704,952	\$17,608,737

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code

(2) Special Assessment Debt is not considered in the computation of the legal debt margin

Source: Finance Department, City of Montgomery and Hamilton County Auditor's Office

CITY OF MONTGOMERY, OHIO

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Years

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1996	9,753 (a)	\$301,214,880	\$8,845,000	\$460,625	\$8,384,375	2.78%	\$860
1997	9,753 (a)	302,704,750	15,905,958	1,158,782	14,747,176	4.87%	1,512
1998	9,753 (a)	307,261,570	15,703,000	1,236,819	14,466,181	4.71%	1,483
1999	9,753 (a)	346,452,860	8,860,000	1,387,485	7,472,515	2.16%	766
2000	10,163 (b)	354,008,780	8,310,000	2,426,477	5,883,523	1.66%	579
2001	10,163 (b)	360,441,670	7,750,000	1,456,375	6,293,625	1.75%	619
2002	10,163 (b)	406,581,220	7,165,000	1,475,475	5,689,525	1.40%	560
2003	10,163 (b)	404,624,600	11,500,000	1,011,136	10,488,864	2.59%	1,032
2004	10,163 (b)	413,822,990	10,860,000	951,899	9,908,101	2.39%	975
2005	10,163 (b)	481,924,300	9,865,000	967,900	8,897,100	1.85%	875

(1) Source: (a) U.S. Bureau of Census; 1990 Federal Census
 (b) U.S. Bureau of Census; 2000 Federal Census

(2) Source: Hamilton County Auditor

(3) Includes all general obligation bonded debt except the TIF Duke Realty Bonds which are supported by payments in lieu of taxes

CITY OF MONTGOMERY, OHIO

**Ratio of Annual Debt Service Expenditures
For General Bonded Debt to Total General Governmental Expenditures
Last Ten Years**

<u>Year</u>	<u>Debt Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Bonded Debt Service (1)</u>	<u>General Governmental Expenditures</u>	<u>Debt Service to General Governmental Expenditures</u>
1996	\$705,000	\$587,513	\$1,292,513	\$7,216,476	17.91%
1997	830,000	521,301	1,351,301	10,853,692	12.45%
1998	1,170,000	754,760	1,924,760	8,343,990	23.07%
1999	540,000	482,356	1,022,356	9,184,238	11.13%
2000	550,000	447,139	997,139	8,712,518	11.44%
2001	560,000	413,124	973,124	9,500,558	10.24%
2002	585,000	383,094	968,094	11,042,333	8.77%
2003	3,305,000	324,777	3,629,777	13,181,273	27.54%
2004	4,935,000	190,385	5,125,385	11,179,504	45.85%
2005	995,000	313,516	1,308,516	12,299,533	10.64%

(1) Includes Debt Principal, Interest and Fiscal Charges on all general obligation bonded debt except the TIF Realty Bonds which are supported by payments in lieu of taxes

CITY OF MONTGOMERY, OHIO

**Computation of All Direct and Overlapping Governmental Debt
December 31, 2005**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Montgomery (1)</u>	<u>Amount Applicable to City of Montgomery</u>
Direct:			
City of Montgomery	\$8,897,100	100.00%	\$8,897,100
Overlapping Subdivisions:			
Sycamore School District	37,773,599	25.57%	9,658,709
Great Oaks Career Center School District	4,340,000	2.37%	102,858
Hamilton County	111,605,000	2.21%	2,466,471
		Subtotal	<u>12,228,038</u>
		Total	<u><u>\$21,125,138</u></u>

The percentage of gross indebtedness of the city's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed value within the City by its total assessed value.

(1) Decimal places have been rounded to the nearest hundredth for presentation.

Source: Ohio Municipal Advisory Council.

CITY OF MONTGOMERY, OHIO

Demographic Statistics Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate Cincinnati Metropolitan Area (3)</u>
1996	9,753 (a)	6,240	4.5%
1997	9,753 (a)	6,259	3.3%
1998	9,753 (a)	6,279	2.8%
1999	9,753 (a)	6,079	4.9%
2000	10,163 (b)	6,309	3.1%
2001	10,163 (b)	5,677	3.9%
2002	10,163 (b)	5,891	4.7%
2003	10,163 (b)	5,667	4.6%
2004	10,163 (b)	5,673	6.4%
2005	10,163 (b)	5,691	6.4%

(1) Source: (a) U.S. Bureau of Census - 1990 Federal Census
(b) U.S. Bureau of Census - 2000 Federal Census

(2) Source: Sycamore Community School District, Board of Education
Includes total Sycamore Community School District, a portion of which is located outside the City of Montgomery.

(3) Source: Greater Cincinnati Chamber of Commerce.

CITY OF MONTGOMERY, OHIO

**Property Value and Construction Permits
Last Ten Years**

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>Number of Permits</u>	<u>Property Value</u>	<u>Number of Permits</u>	<u>Property Value</u>
1996	186	\$14,047,725	145	\$32,927,295
1997	209	7,355,986	126	7,345,788
1998	217	11,401,916	168	19,505,009
1999	392	13,642,941	106	7,253,005
2000	187	6,200,000	136	38,000,000
2001	165	4,472,228	89	3,613,290
2002	451	8,751,420	101	25,699,225
2003	105	10,485,527	39	6,029,341
2004	63	10,236,828	18	1,621,388
2005	65	11,942,000	20	7,549,000

Source: City of Montgomery Building Department

CITY OF MONTGOMERY, OHIO

**Principal Taxpayers (Property Tax)
December 31, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
Twin Lakes	Real Estate Development	\$14,510,260	3.01%
Bethesda Properties Inc.	Real Estate Development	5,260,720	1.09%
Cincinnati Gas & Electric. Co.	Public Utility	4,477,480	0.93%
Coopers Meyer Co.	Real Estate Management	4,345,170	0.90%
Bethesda Hospital Inc.	Hospital	4,042,660	0.84%
Bethesda Healthcare Inc.	Health Care	3,775,930	0.78%
High Country Health Care	Health Care	2,010,200	0.42%
Cooper Realty LLC.	Real Estate	1,953,070	0.41%
Mayfair of Montgomery Condominium LLC.	Real Estate	1,661,240	0.34%
Montgomery Place LLC.	Real Estate	1,478,750	0.31%
Sub-Total		<u>43,515,480</u>	<u>9.03%</u>
All Others		<u>438,408,820</u>	<u>90.97%</u>
Total		<u><u>\$481,924,300</u></u>	<u><u>100.00%</u></u>

Source: Hamilton County, Ohio: County Auditor.

CITY OF MONTGOMERY, OHIO

**Principal Taxpayers (Income Tax)
December 31, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>
1. Twin Lakes	Real Estate Development
2. Bethesda Properties Inc.	Real Estate Development
3. Cincinnati Gas & Electric. Co.	Public Utility
4. Coopers Meyer Co.	Real Estate Management
5. Bethesda Hospital Inc.	Hospital
6. Bethesda Healthcare Inc.	Health Care
7. High Country Health Care	Health Care
8. Cooper Realty LLC.	Real Estate
9. Mayfair of Montgomery Condominium LLC.	Real Estate
10. Montgomery Place LLC.	Real Estate

Source: City of Montgomery Income Tax Department

CITY OF MONTGOMERY, OHIO

**PRINCIPAL EMPLOYERS
DECEMBER 31, 2005**

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
1. Bethesda Hospital	Hospital	2,832
2. Sycamore Community School District	Education	1,106
3. Ohio National Financial Services	Insurance and Financial Services	751
4. Montgomery Inn, Inc.	Restaurant	373
5. CEI Physicians PSC, Inc.	Health Care	333
6. Bethesda Healthcare, Inc.	Health Care	242
7. Kroger Limited Partnership	Grocery Retail	237
8. Montgomery Care Inc.	Health Care	232
9. Camargo Cadillac	Automobile Dealership	165
10. Columbia Oldsmobile Inc.	Automobile Dealership	161

Source: City of Montgomery Income Tax Department

CITY OF MONTGOMERY, OHIO

**Miscellaneous Statistics
December 31, 2005**

	Date of Incorporation	1910	
	Form of Government	Council/Manager	
Area	5.3 Square Miles	Fire/Emergency Medical Services:	
Miles of Streets	46	Number of Stations	1
Number of Street Lights	233	Number of Full-time	
(per Light bill)		Officers and Firefighter/Paramedics	8
		Number of Part-time	
Police Protection:		Officers and Firefighter/Paramedics	29
Number of Stations	1	Number of Calls Answered:	
Number of Uniformed Personnel	21	Fire Run Calls	447
Number of Civilian Personnel	3	Emergency Medical Calls	881
Number of Patrol Units	13		
Marked	8	Recreation and Culture:	
Unmarked	5	Number of Parks	6
Number of Law Violations:		Nature Preserve	1
Criminal/Juvenile Citations and Charge:	341	Park Area (acres)	81
Citations Issued	2,300	Number of Ball Fields	13
Calls for Police	13,186	Number of Tennis Courts	10
Volunteer Hours	3,150	Summer Camp Attendance	600
(excluding committees, boards & commissions)			

Bastin & Company, LLC

Certified Public Accountants

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

The Honorable Members of City Council
City of Montgomery, Ohio

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that we have reported to management of the City in a separate letter dated June 23, 2006.

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

Bastin & Company, LLC

Cincinnati, Ohio
June 23, 2006



**Auditor of State
Betty Montgomery**

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CITY OF MONTGOMERY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 10, 2006**