



**Auditor of State
Betty Montgomery**

CITY OF ORRVILLE
WAYNE COUNTY

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**Auditor of State
Betty Montgomery**

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

City of Orrville
Wayne County
207 North Main Street
Orrville, Ohio 44667

To the Mayor and City Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orrville, Wayne 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 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated June 1, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 1, 2006, we reported another matter related to noncompliance we deemed immaterial.

City of Orrville
Wayne County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

June 1, 2006

CITY OF ORRVILLE, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2005

James D. Leggett
Finance Director

Prepared by the City Finance Department

Introductory Section

City of Orrville, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2005
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June 1, 2006

Citizens of Orrville
Members of City Council
Members of the Public Utility Board
City of Orrville, Ohio

I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the City of Orrville. This Governmental Accounting Standards Board (GASB) Statement No. 34 compliant report, for the year ended December 31, 2005, reflects our intent to provide an organized, comprehensive, and informative presentation of the financial statements and other financial and statistical data that represent a complete and full disclosure of the City's financial activities. This is our fifth CAFR, and the fifth year the City will be reporting under the GASB 34 reporting model.

The responsibility for the report's completeness and fairness of presentation rests with the City, specifically the City Finance Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. In preparing this report, the City Finance Director stresses the commitment of the City of Orrville to follow nationally recognized standards of excellence in financial reporting, a commitment shared by a growing number of governmental entities in Ohio.

The Comprehensive Annual Financial Report is divided into three sections:

1. The Introductory Section contains the table of contents, letter of transmittal, elected and principal officials of the City, the City's organizational chart and the GFOA Certificate of Achievement.
2. The Financial Section begins with the Independent Accountants' Report, and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents various tables reflecting social and economic information, financial trends, and fiscal capacity of the City.

REPORTING ENTITY

The City has reviewed its entity definition in order to ensure conformance with the Governmental Accounting Standards Board Statement No. 14 "The Financial Reporting Entity." In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City of Orrville (the primary government) and its potential component units. The Orrville City School District has not been included in the accompanying financial statements because it is not fiscally dependent on the City, nor is the City financially accountable for the School District.

THE CITY OF ORRVILLE

The City, founded in 1864, is located in Wayne County in northeastern Ohio, approximately 50 miles south of the City of Cleveland. The City was incorporated as a Village in 1913 and later became a City in 1951. The City’s 2000 population was 8,551, according to the U.S. Census. The Safety Service Department estimates the population in 2005 to be 8,751.

The City provides a number of services to its citizens, including police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, electric, sewer, and refuse collection.

A number of major State highways traverse the County and link the City and the County to the markets of the metropolitan areas of Akron, Cleveland, and Columbus and also facilitate travel within the County. In addition, Interstate 71 provides access to other major thoroughfares such as I-76, I-80 and I-77 providing County residents with direct access to major economic centers. One advantage of having such access has been the development of trucking terminals within the County. Several major carriers with terminals are located in the County.

The City has access to major railroad systems and is currently served by the Wheeling and Lake Erie, and Norfolk-Southern companies.

Air service is easily accessible to both residents and industry through the Wayne County Airport, the Holmes County Airport, and the Wadsworth Municipal Airport (Medina County). All are easily reached and able to handle small aircraft traffic.

Commercial passenger and air freight services are available through the Akron-Canton Regional Airport and the Cleveland Hopkins International Airport, each within an hour’s driving time.

The County has a strong agricultural economy with more than 1,880 farms covering 259,000 acres. The average farm size in the county is 138 acres. There is also 4,425,000 bushels of commercial grain storage capacity. In 2004 (latest information) the receipts from agriculture were \$162,830,000. The County ranked first in the State in the production of hay, and second in the production of oats. Wayne County farmers owned 94,600 head of cattle and calves, and 33,200 milk cows, ranking the County number one in the State. The County maintains forty two acres of fairgrounds situated in the southwest portion of the nearby City of Wooster. The fairgrounds are the home of the annual County Fair and are used year round to stable privately-owned horses, for flea markets and for art and craft shows. Paid attendance to the 2005 County fair was 114,505.

Several private and public golf courses and campgrounds are situated in the County.

The City’s area is 6.02 square miles, broken down by value as follows:

	Percent of Assessed Valuation
Residential	66.8 %
Commercial	17.0
Industrial	16.0
Agricultural	0.2

Source: County Auditor.

Residents of the City have access to a wide range of educational and cultural facilities. Wayne College, a branch campus of the University of Akron was founded in 1972 on 163 acres located within the City. Their enrollment in 2005 was 1,800 credit, and 2,000 non-credit students. Wayne College offers general, technical and continuing education programs. Students choosing general studies may transfer to a four-year college or university after the first two basic years at the campus. Those choosing technical education programs may obtain associate degrees from the University of Akron.

The County is also the home of the College of Wooster, the Ohio Agricultural Research and Development Center and the Agricultural Technical Institute. The College of Wooster, a private nonprofit college opened its doors in 1870 with a faculty of 5 and a student body of 34. The College is a source of cultural and educational opportunities usually limited to more metropolitan areas and had a fall 2005 enrollment of more than 1,800. Lectures, concerts, plays, recitals, arts shows and public forums draw residents from across the County. The College's Ohio Light Opera Company attracts thousands of residents each year as well as over 24,000 visitors from outside the County.

The Ohio Agricultural Research and Development Center (OARDC), a division of Ohio State University, is also located in the County. OARDC conducts basic and applied research in agriculture, home economics and related fields and helps train graduate students in these fields. At any given time, the OARDC scientists are conducting more than 600 different research projects. In addition to the extensive research facilities, OARDC houses the 85-acre Secrest Arboretum and a formal rose garden, both of which are popular attractions.

The Ohio State Agricultural Technical Institute (ATI) is located south of OARDC and had a fall 2005 enrollment of more than 850. ATI offers a two-year Associate of Applied Science specialized degree in Agriculture Technologies. In 2005, ATI was ranked #1 in the U.S. by Community College Week in the awarding of associate degrees in agriculture and related sciences, a position they have held since 2001.

City Government

The City operates under and is governed by its Charter, first adopted by the voters in 1975. The Charter became fully effective in 1976 and has been and may be amended by the voters from time to time. The City is also subject to some general laws that are applicable to all cities. Under the Ohio Constitution, the City may exercise all powers of local self-government, and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Council-Mayor form of government.

Legislative authority is vested in a seven-member Council. Three members are elected at-large and four members are elected from wards, for staggered four-year terms. The Council fixes compensation of City officials and employees, and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal purposes. The presiding officer is the President of Council, who is elected by the electors of the City for a four-year term. The President of Council has no vote in Council except in the event of a tie. The Charter establishes certain administrative departments; the Council may establish divisions of those departments, and additional departments.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters for a four-year term. The Mayor appoints the directors of the City's departments. The major appointed officials are the Director of Finance and the Director of Law, appointed with the approval of Council, and the Director of Public Safety and Service, appointed by the Mayor. The Public Utilities Board is appointed by the Mayor with approval by Council. The Director of Utilities is appointed by the Public Utilities Board. The Mayor also appoints members to a number of boards and commissions, and appoints and removes, in accordance with civil service requirements, all appointed officers, except Council officers and employees of the City's utilities, who are hired and removed by the Director of Utilities. The Safety Service Director and the Finance Director have hiring authority for their respective departments. The Mayor may veto any legislation passed by the Council. A veto may be overridden by a two-thirds vote of all members of the Council.

City Employees

The City has 147 full-time and 4 part-time employees; these figures do not include 41 members of the City's volunteer fire department (who are paid on a per-call basis) or seasonal employees. The number of full-time employees has remained relatively constant over the past several years. A statewide public employee collective bargaining law applies generally to public employee relations and collective bargaining. Some full-time employees are represented by the following bargaining units:

Bargaining Unit	Expiration Date Of Current Agreement	Number of Employees
United City Workers Ohio Patrolmen's Benevolent Association	December 31, 2006	68
	December 31, 2006	18

The remaining full-time City employees either are not authorized to join a bargaining unit or have elected not to do so.

City Council by ordinance establishes salary, wages and other economic benefits for City employees, the terms of which are the product of negotiations with representatives of the employees or bargaining unit. Increases in economic benefits have been provided on an annual basis. In the judgment of the City, its employee relations have been and are currently considered to be excellent.

Community, Commercial, Industrial and Utilities Development

The City and its various utilities have completed a number of projects in 2005.

In 2005, the City of Orrville was pleased to become a member of the Ohio Main Street Program. This is a step in an ongoing effort to improve and revitalize the downtown business district.

The Orrville Public Library was named nationally the ninth best out of 1,770 libraries with a customer base between 10,000 and 25,000 people. This recognition comes from the Hennen's American Public Library Ratings, a national rating organization. In July 2000, the new library building was dedicated and opened. It is a beautiful addition to the community.

A 120-acre residential development on the west side of the City is progressing. It is the future site of the Wayne County Homebuilders Parade of Homes. The first phase of infrastructure has been completed and lots have been sold. Some houses have been built or are in progress. The development provides much needed residential building sites within the City.

Major improvements to West Oak Street and High Street were completed in 2005.

The Wastewater Utility replaced two Headwork Grinders and two Trickling Filter Distributors. This Utility also installed a new recreational vehicle dump station.

The Electric Utility contracted with American Municipal Power – Ohio to perform a business plan review to address pending environmental issues and to assist in long range planning.

The Electric Utility received safety awards in all departments. They also upgraded the industrial substation SCADA system, and replaced the Viking Avenue underground circuit. The plant main breaker controls were upgraded, and after several years of testing and replacement, all system transformers are non-PCB.

The Electric Utility also provides telecommunication services and leased fiber optic lines to many of our industrial and commercial customers. They also provide Internet services and remote reading and monitoring of electric meters at several facilities. Previously the Technical Service group installed a wireless base station to test the feasibility of delivering Internet capabilities via a wireless infrastructure and they now have more than forty customers receiving wireless internet.

The Water Utility treated approximately 1.6 million gallons of water per day during 2005. During the year they completed upgrades to the water distribution system along several city streets including Wayne, Oak, Walnut, Crownhill, Paradise, and Mineral Springs.

The Orrville Industrial Development Office continues to work at attracting new business to the City. They are coordinating the development of the new industrial park.

The City's largest employer, the J.M. Smucker Company, completed an addition to their Main Street administrative offices.

Smith Dairy, one of the City's major employers, completed a building project to enlarge their refrigerated storage facility on Dairy Lane.

The Orrville City Schools purchased and razed the former ACV plant at the corner of Smithville Road and Elm Street in preparation of building a new middle school.

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

Introduction

The City's fiscal year corresponds to the calendar year.

The responsibilities for the major financial functions of the City are divided among the Mayor, the Director of Finance and the Council. The Director of Finance is the City's fiscal and chief accounting officer. Among that officer's duties are the maintenance of the ledgers and subledgers of the City and the preparation of accurate statements of all moneys received and expended and of all taxes and assessments. At year end, or more often if requested by the Mayor, it is the Director of Finance's responsibility to examine the accounts of City officers and departments, not to allow the amount set aside for any appropriation to be overdrawn or the amount appropriated for any one item of expense to be drawn upon for any other purpose, and not to allow a voucher to be paid unless sufficient funds are in the City treasury to the credit of the fund on which the voucher is drawn. The Director of Finance is also responsible for receiving, maintaining custody of, investing and disbursing all City funds.

Other important financial functions include general financial recommendations and planning by the Director of Finance with the assistance of the Mayor, and express approval of appropriations by the Council. For property taxation purposes, assessment of real property is by the County Auditor subject to supervision by the State Tax Commissioner, and assessment of public utility and tangible personal property is by the State Tax Commissioner. Property taxes and assessments are billed and collected by County officials.

Budgeting, Tax Levy and Appropriations Procedures

Detailed provisions for City budgets, tax levies and appropriations are made in the Ohio Revised Code. The procedures involve review by County officials at several steps.

City budgeting formally begins with the preparation, and the adoption after a public hearing in the prior July, of a tax budget for the year. For debt service, the tax budget must show the amounts required, the estimated receipts from sources other than ad valorem property taxes, the net amount for which a property tax levy must be made, and the portions of that levy to be inside and outside the ten-mill limitation. The tax budget then is presented for review by the County Budget Commission comprised of the County Auditor, Treasurer and Prosecuting Attorney.

As part of that review, the County Budget Commission determines and approves levies for debt service outside and inside the ten-mill limitation. The Revised Code provides that "if any debt charge is omitted from the budget, the commission shall include it therein."

After approval of the tax budget, the County Budget Commission certifies its action to the City together with the estimate by the County Auditor of the tax rates outside and inside the ten-mill limitation. Thereafter, and before the end of the year, the Council approves the tax levies and certifies them to the proper County

officials. The approved and certified tax rates are then reflected in the tax bills sent to property owners. Real property taxes are payable in two installments, the first usually in January and the second in June.

The Council adopts a temporary appropriation measure in January and then, by April 1, a permanent appropriation measure for that year. Annual appropriations may not exceed the County Budget Commission's official estimates of resources, and the County Auditor must certify that the City's appropriation measures do not appropriate moneys in excess of the amounts set forth in those estimates.

Financial Reports and Examinations of Accounts

The City maintains its accounts, appropriations and other fiscal records, including those of the utilities, in accordance with the procedures prescribed by the Auditor of State (the Auditor). The Auditor is charged by law with the responsibility of inspecting and supervising the accounts and records of each taxing subdivision and most public agencies and institutions.

City receipts and expenditures are compiled on a cash basis, pursuant to accounting procedures prescribed by the Auditor. The accounting procedures are generally applicable to all Ohio municipal corporations and differ from generally accepted accounting principles (GAAP) as recommended by GASB. Those recommendations by GASB, among other things, provide for a modified accrual basis of accounting for reporting purposes for the general fund, all special revenue funds, the debt service funds and the capital projects funds and for a full accrual basis of accounting for reporting purposes for all other funds, and for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. Beginning with the year which ended December 31, 1988, annual reports to the Auditor have been made on a full accrual accounting basis for the City's proprietary funds and on a modified accrual accounting basis for all other City funds. Since the implementation of GASB 34, fiduciary funds must also be reported on the full accrual basis. Day-to-day records are maintained on a cash basis with conversion to GAAP on year-end reports.

The most recent examination of the City's accounts and records by the Auditor was completed through December 31, 2005, and has been received by the City. No material citations were made. Except for examinations by the Auditor, or by independent accounting firms at the direction of the Auditor, no other independent examination or audit of the City's financial records is made.

New Financial Reporting This is the fifth year the City has prepared financial statements following GASB Statement No. 34 – “Basic Financial Statements-and-Management’s Discussion and Analysis – for State and Local Governments.” GASB 34 creates new basic financial statements for reporting on the City's financial activities as follows:

Government-wide financial statements These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Fund financial statements These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statements of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As a part of this new reporting model, management is responsible for preparing a Management Discussion and Analysis of the City. This discussion follows this letter of transmittal, providing an assessment of the City finances for 2005 and the outlook for the future.

Financial Highlights - Internal Service Fund There is one internal service fund carried on the City's financial records. The self insurance-internal service fund has net assets of \$745,119. This fund is financially sound.

CASH MANAGEMENT

Investments of City funds are governed by the Uniform Depository Law (Chapter 135 of the Revised Code) applicable to all subdivisions. The Director of Finance is responsible for those investments. At the end of 2005, the City had investments in certificates of deposit, repurchase agreements, STAROhio, certain of the City's own obligations, securities issued by agencies of the Federal Government, and obligations of the United States of America.

RISK MANAGEMENT

The City of Orrville insures all risks with the exception of health insurance through private insurance carriers. Property valuations are revised annually to provide insurance companies and the City with an accurate inventory of insurable property and replacement cost values. The City of Orrville manages the hospital-medical, dental, drug and vision insurance benefits for its employees on a self-insured basis. A third party administrator processes and pays the claims. An excess coverage insurance (stop-loss) policy covers claims in excess of \$50,000 per person, per year. Control of the plan rests with the City.

INDEPENDENT AUDIT

State statutes require the City to be subjected to an annual examination by the Auditor of State. The Auditor of State's office rendered an opinion on the City's financial statements as of December 31, 2005, and the Independent Accountants' Report on the basic financial statements is included in the financial section of this report.

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 Orrville for its comprehensive financial report for the fiscal year ended December 31, 2004. This was the fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

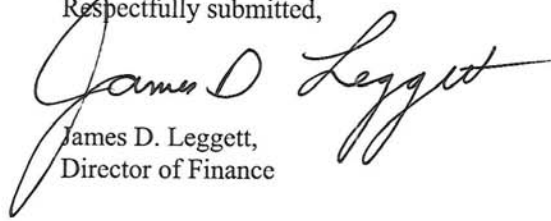
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

Special thanks is extended to the members of City Council and the Public Utility Board and to the Administration whose continued support is necessary for the City of Orrville to conform to reporting requirements established for municipal governments. Thanks also to my staff in the finance department for all their assistance and support.

A sincere thanks also goes to the Local Government Services Section of Auditor of State Betty Montgomery's Office for their assistance in the organization and final review of our 2005 Comprehensive Annual Financial Report.

Respectfully submitted,



James D. Leggett,
Director of Finance

City of Orrville, Ohio

City Officials

ELECTED OFFICIALS

Mayor..... Dennis Steiner
President of Council..... David Handwerk
Council Member Rich Corfman
Council Member Deborah Garrett
Council Member Lyle Baker
Council Member Dennis Landlaw
Council Member Tom Purdy
Council Member Bob Weaver

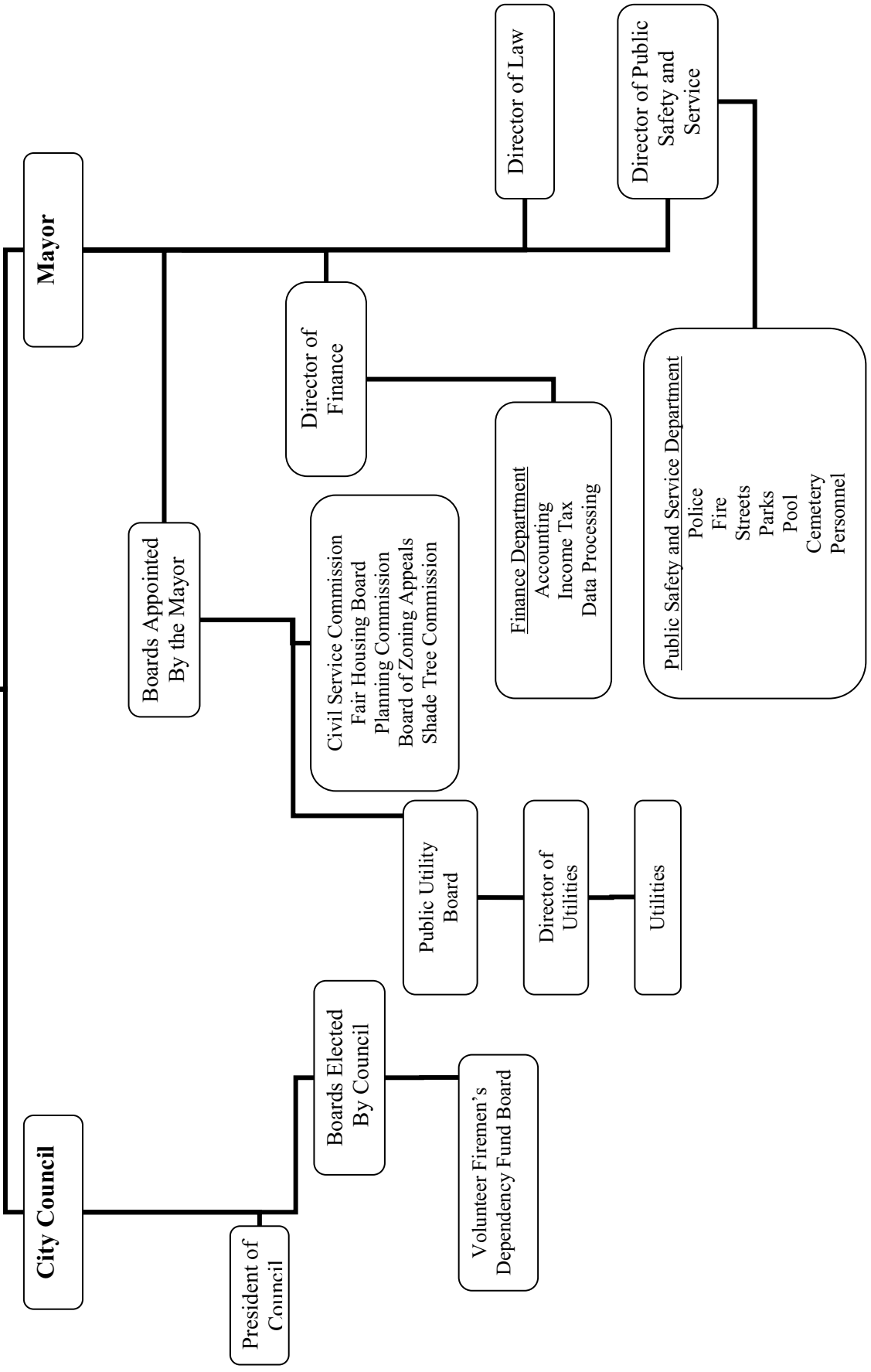
APPOINTED OFFICIALS

Director of Finance James D. Leggett
Director of Law..... Daniel R. Lutz
Director of Public Safety and Service..... Becky L. Jewell
Director of Utilities Dan Preising
Clerk of Council..... Michelle Hedberg

UTILITY BOARD MEMBERS

President of Board..... Robert Maglio
Board Member Roland Lehman Jr.
Board Member Dave Shrader
Board Member Gary Gossard
Board Member Kenneth Stuter

**Citizens of Orrville
(Voters)**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orrville,
Ohio

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

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



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

Financial Section



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Orrville
Wayne County
207 North Main Street
Orrville, Ohio 44667

To the Mayor and City Council Members:

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orrville, Wayne County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General 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 1, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

June 1, 2006

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

The discussion and analysis for the City of Orrville's financial statements provides an overall review of the financial activity of the City for the twelve months ended December 31, 2005. The intent of this discussion is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding, one should also review the transmittal letter and the basic financial statements.

Financial Highlights

Financial highlights for 2005 are as follows:

- Total Net Assets increased \$2,432,481. Net Assets of governmental activities increased \$551,941 which represents a 1.2 percent increase from 2004. Net assets of business-type activities increased \$1,880,540 from 2004.
- Total Assets of Governmental Activities decreased \$158,175 or .3 percent below the 2004 level.
- Total Assets of Business Type Activities decreased \$681,417 or .9 percent below the 2004 level.
- Total Liabilities of Governmental Activities decreased \$393,766. This is a reduction of 21.2 percent from the previous year.
- Total Liabilities of Business-Type Activities decreased \$2,561,957. This is a reduction of 10.2 percent from the previous year.
- Total Capital Assets decreased \$1,177,115 which represents a 1.3 percent decrease.
- Total Long Term Liabilities decreased \$2,257,534 or 9.9 percent during 2005.

Using this Annual Financial Report

This report consists of a series of financial statements and notes to those statements. These statements are prepared and organized in a manner that allows the reader to look at the financial activities of the City of Orrville as a whole. These statements also allow the reader to obtain a more detailed view of the City's operations.

The Statement of Net Assets and the Statement of Changes in Net Assets provides summarized information showing the effects of the operations for the year 2005 and how they effected the operations of the City as a whole.

Major Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City of Orrville as a Whole

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities provide summary information concerning the financial position and operations of the City as an entity. They provide a good resource for an overall evaluation of the City's financial performance "on one page." These statements include all assets and all

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liabilities using the accrual basis of accounting. This method takes into account all revenues when they are earned and all expenses when they are incurred. These transactions are booked as they occur, not when the actual cash is received for revenues or when invoices are paid for expenses.

These two statements report the City's net assets and changes in those assets. The change in net assets is important since it indicates if the financial position of the City is improving or declining. However, to properly evaluate the operation of the City, certain non-cash items should be taken into consideration. These items include the current economic situation as a whole, the current tax base for the City and the age and condition of the City buildings and infrastructure.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two major activities:

- **Governmental Activities** - Most of the City's programs and services are reported here including, general government, police, fire, transportation, public health and welfare and leisure time activities.
- **Business-Type Activities** - These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The City's business-type activities are sewer, electric, and water.

Reporting on the Most Significant Funds of the City of Orrville

Fund Financial Statements

The analysis of the City's major funds begins on page 8. Fund financial reports give a detailed report of the activities within the funds. The City currently has twenty-six funds, as presented in this report. These funds are in existence to provide a multitude of services to the citizens of Orrville. Some funds provide for safety forces, some provide for streets, some provide for electric service, some provide for water service, and some provide for sewer service. Some provide for purchase of capital assets and infrastructure. One even provides health care for the City's employees. Each fund is in some ways an entity unto itself. Each fund has a designated revenue stream and restricted uses for the monies within the fund.

In this report, the focus is on five major funds, the General Fund, the Capital Improvements Fund, the Sewer Fund, the Electric Fund, and the Water Fund.

Governmental Funds All of the City's major activities (excluding the Utility Department) are reported in the governmental funds. This report shows how monies flow into and out of these funds as well as what balances are available for future expenditures. The accounting method used to report this activity is the modified accrual method. This method reports cash and like-cash items that can be converted into cash. This shows what level of financial resources is available or will be available to provide the services that the general government provides. These services include police and fire protection, as well as the improving and maintaining the City's streets, parks, cemeteries, and City hall. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the government funds is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

The City of Orrville as a Whole

The Statement of Net Assets provides an overall view of the City. Table one shows a summary of the City's net assets for 2005 as they compare to 2004.

City of Orrville, Ohio
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Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$6,464,312	\$6,329,249	\$25,270,457	\$24,751,647	\$31,734,769	\$31,080,896
Capital Assets, Net	42,180,685	42,157,573	47,680,395	48,880,622	89,861,080	91,038,195
<i>Total Assets</i>	<u>48,644,997</u>	<u>48,486,822</u>	<u>72,950,852</u>	<u>73,632,269</u>	<u>121,595,849</u>	<u>122,119,091</u>
Liabilities						
Current Liabilities	1,182,350	1,522,825	2,405,951	2,763,665	3,588,301	4,286,490
Long-Term Liabilities:						
Due Within One Year	132,659	123,033	2,563,591	2,490,821	2,696,250	2,613,854
Due in More Than One Year	151,984	214,901	17,613,645	19,890,658	17,765,629	20,105,559
<i>Total Liabilities</i>	<u>1,466,993</u>	<u>1,860,759</u>	<u>22,583,187</u>	<u>25,145,144</u>	<u>24,050,180</u>	<u>27,005,903</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	42,058,605	42,024,483	27,780,982	26,780,181	69,839,587	68,804,664
Restricted for:						
Capital Projects	2,050,035	1,913,814	0	0	2,050,035	1,913,814
Debt Service	240,691	247,391	2,891,452	0	3,132,143	247,391
Street Repair and Maintenance	370,016	431,651	0	0	370,016	431,651
Solid Waste Services	43,100	42,187	0	0	43,100	42,187
Law Enforcement and Education	19,323	23,157	0	0	19,323	23,157
Cemetery Maintenance	220,720	203,195	0	0	220,720	203,195
EMS Equipment	107,040	74,640	0	0	107,040	74,640
Performing Arts	7,475	7,195	0	0	7,475	7,195
Replacement and Improvement	0	0	2,300,000	2,300,000	2,300,000	2,300,000
Unrestricted	2,060,999	1,658,350	17,395,231	19,406,944	19,456,230	21,065,294
<i>Total Net Assets</i>	<u>\$47,178,004</u>	<u>\$46,626,063</u>	<u>\$50,367,665</u>	<u>\$48,487,125</u>	<u>\$97,545,669</u>	<u>\$95,113,188</u>

Total assets decreased in 2005 by \$523,242. The decrease in total assets is primarily due to expenses for capital items being smaller than the annual depreciation. This is the result of conservative spending on capital assets dictated by the levels of the capital funds. The decrease was partially offset by an increase in current assets. Increased revenue in the operating funds created an increase in accounts receivable.

The reduction of \$2,955,723 in total liabilities is due to a reduction in both current and long-term liabilities. The decrease in current liabilities is due to lower accounts payable, while the reduction in long-term liabilities is primarily the result of the payments on the revenue bonds and loans in the enterprise funds. All three utilities have long-term debt.

Total net assets increased by \$2,432,481. This is a result of the liabilities decreasing by a larger amount than assets, and is an indication of the fact that revenues exceeded expenses.

The City also works hard to increase net assets through our investment program. Investment earnings for the City were \$464,191 in 2005. This is a \$91,155 increase over 2004 and reflects the increase in interest rates throughout the year in the type of investments that municipalities are permitted to purchase.

City of Orrville, Ohio
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Table 2 shows the changes in net assets for the year ended December 31, 2005, for both our Governmental Activities and our Business-Type Activities.

Table 2
Change in Net Assets

	Governmental Activities		Business - Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services	\$646,620	\$624,575	\$29,792,864	\$26,032,997	\$30,439,484	\$26,657,572
Operating Grants and Contributions	567,247	471,167	0	0	567,247	471,167
Capital Grants and Contributions	282,606	819,983	0	0	282,606	819,983
Total Program Revenues	1,496,473	1,915,725	29,792,864	26,032,997	31,289,337	27,948,722
General Revenues:						
Property Taxes	524,516	536,388	0	0	524,516	536,388
Income Taxes	2,730,228	2,378,792	0	0	2,730,228	2,378,792
Other Local Taxes	837,438	802,505	0	0	837,438	802,505
Grants and Entitlements	717,533	497,937	0	0	717,533	497,937
Investment Earnings	139,056	80,061	325,135	292,975	464,191	373,036
Miscellaneous	165,427	112,812	539,674	710,640	705,101	823,452
Total General Revenues	5,114,198	4,408,495	864,809	1,003,615	5,979,007	5,412,110
Total Revenues	6,610,671	6,324,220	30,657,673	27,036,612	37,268,344	33,360,832
Program Expenses						
General Government	1,075,509	970,814	0	0	1,075,509	970,814
Security of Persons and Property:						
Police	1,360,423	1,425,870	0	0	1,360,423	1,425,870
Fire	531,847	357,766	0	0	531,847	357,766
Transportation	1,590,642	2,478,398	0	0	1,590,642	2,478,398
Public Health and Welfare	118,376	179,941	0	0	118,376	179,941
Leisure Time Activities	252,386	308,917	0	0	252,386	308,917
Basic Utility Service	282,403	279,895	0	0	282,403	279,895
Interest and Fiscal Charges	9,706	10,726	0	0	9,706	10,726
Enterprise Operations	0	0	29,614,571	27,861,707	29,614,571	27,861,707
Total Program Expenses	5,221,292	6,012,327	29,614,571	27,861,707	34,835,863	33,874,034
Increase/(Decrease) in Net Assets						
Before Transfers	1,389,379	311,893	1,043,102	(825,095)	2,432,481	(513,202)
Transfers	(837,438)	(802,505)	837,438	802,505	0	0
Increase/(Decrease) in Net Assets	551,941	(490,612)	1,880,540	(22,590)	2,432,481	(513,202)
Net Assets Beginning of Year	46,626,063	47,116,675	48,487,125	48,509,715	95,113,188	95,626,390
Net Assets End of Year	\$47,178,004	\$46,626,063	\$50,367,665	\$48,487,125	\$97,545,669	\$95,113,188

City of Orrville, Ohio
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Governmental Activities

Funding for government activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, charges for services, and investment interest.

The City's income tax was established by ordinance to be effective January 1, 1961 at a rate of .6 percent. The rate was later increased by resolution to 1 percent effective October 1, 1970. The rate has remained at that level since then. This rate is much lower than the state average for municipalities that have an income tax. The income tax accounted for revenues of \$2,730,228 in 2005. These revenues were split between the General Fund and the Capital Improvements Fund with an allocation of 80 percent to the General Fund and 20 percent to the Capital Improvements Fund. The allocation percentage is set by resolution and historically has changed from time to time depending on the balances in the two aforementioned funds. The allocation has been 65 - 35 percent, 60 - 40 percent as well as 70 - 30 percent. This practice of putting a percentage of income tax revenue into the Capital Improvements Fund has been an excellent tool for the City in making capital improvements without the need to issue debt. In the last several years some major projects have been accomplished with monies from the Capital Improvements Fund, such as the reconstruction and repaving of North Main Street.

The level of revenue from the income tax increased in 2005. This was the result of several local business and industries generating net profits at a higher rate than in 2004. Withholding taxes also showed a significant increase in 2005.

Transportation represents the largest expense of the Governmental Activities. This expense of \$1,590,642 represents 30 percent of the total expenses of the Governmental Activities. These funds are used to maintain the streets and the equipment used for the streets.

Our Fire Department is a part-time department with a full-time Chief. The City is very committed to maintaining a very efficient department. Regular meetings, drills, and training sessions are held. There is a strong emphasis on equipment with a new heavy rescue truck having been purchased in the last several years. The Department's functions include firefighting, emergency medical service including paramedic service, fire prevention education, and investigation. The Fire Department expenses account for 10 percent of the Governmental Activities expenses. The Department also contracts with surrounding townships to provide firefighting and emergency medical services. The revenues generated by these contracts are reported under the charges for services area.

Our Police Department is also funded through the general fund. The Department is a full-time 24-hour a day, 365-days a year Department. Each patrol car is now equipped with a laptop computer to assist the officers in accessing information while on duty. The expenses for the Department for the year 2005 were \$1,360,423. This accounts for 26 percent of the expenses for Governmental Activities.

Business-Type Activities

The City also operates a Utility Department that consists of three utilities. The largest from an asset and revenue standpoint is the electric utility. This utility consists of a coal fired generation plant and distribution system that serves the City and surrounding area with reliable and competitively priced power. In 2005, the electric utility sold 274,766,000 KWH of electricity to generate \$25,220,891 in charges for services revenue. They burned 195,350 tons of coal at a cost of \$6,067,000.

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The Water utility treats 1,600,000 gallons of water per day with a capacity to treat an additional 2,100,000 per day. The water plant is the newest of the utility facilities. It was put into service in 1996. The raw water is supplied from various wells. The plant currently serves 3,091 residential customers and 361 industrial and commercial customers.

The Sewer facility processed an average of 2,000,000 gallons per day during 2005, which is the same level of operation experienced in 2004. This facility was last upgraded in 1990 and currently operates at 80 percent capacity. The plant is controlled by a modern SCADA (computer) system. A video surveillance system monitors strategic locations throughout the facility 24 hours a day. The plant currently serves 2,947 residential customers and 298 industrial and commercial customers.

The revenues and expenses for all three of these utilities are reported under the Business-Type Activities on Table 2. Reviewing this table shows the majority of the City's revenues and expenses flow through the Utility Department. The revenues for the Utility Department come primarily from charges for service. In 2005 this amount of \$29,792,864 accounted for approximately 97 percent of the revenues. The total expenses for the utilities were \$29,614,571, leaving a surplus of \$1,880,540 for the Business-Type Activities.

The City's Funds

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual method of accounting. The general fund had revenues of \$4,720,262 and expenditures of \$3,401,827. Although this shows a surplus of \$1,318,435, the true picture is somewhat different. Some of the revenue collected in the general fund is from the collection of the Kilowatt-hour tax that is then passed back through the Electric Revenue Fund by way of a transfer. When these receipts and other transfers are eliminated, the true surplus is \$267,433. The capital improvements fund had revenues of \$643,847 and expenditures of \$382,689, leaving a surplus of \$261,158. This surplus is a result of conservative spending caused by a reduction in the revenue stream.

Information about the business-type funds starts on page 21. These funds are accounted for on an accrual basis. The sewer fund had operating revenues of \$1,981,388 which exceeded operating expenses of \$1,745,609. The electric fund had operating revenues of \$25,750,305 and operating expenses of \$24,833,180 and the water fund had operating revenues of \$2,600,845 and operating expenses of \$2,117,980.

Budgeting Highlights

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. The City of Orrville is somewhat different than many other Ohio cities its size in that the General Fund is not our most significant fund. Because we own and operate an electric generating and distribution facility, our Electric Fund is our most significant. During 2005, we passed five appropriation amendments. On September 6th a resolution was passed to appropriate funds in the newly created FEMA Grant Fund for money received for ice storm damage in December of 2004. On September 19th a resolution was passed to increase appropriations in the Guaranteed Deposit Trust Fund to cover increased activity in the return of deposits to our utility customers. On October 17th, a resolution was passed to increase appropriations in the State Highway Fund for the payment of the City's portion of the repaving of North Main Street. On November 7th a resolution was passed to increase appropriations in the State Highway Fund to cover additional work performed on the North Main Street repaving project. On December 5th a resolution was passed to increase appropriations in both the Electric Revenue Fund as well as the Electric Utility Reserve Fund. The Revenue fund increase was for coal, water, and purchased power. These items were increased due to increased demand for electricity primarily

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on the wholesale market. The Reserve fund increase was needed to cover the cost of updating the distribution system. All recommendations for appropriation changes come to Council from the Finance Director. The Finance Committee of Council reviews them, and makes their recommendations to the Council as a whole.

For the general fund, the original budgeted revenues and the final budgeted revenues were \$4,254,499 and the actual revenues were \$4,634,248. Of this \$379,749 difference, most was due to higher than anticipated income tax revenues.

Strong emphasis is placed on fund balances. The Finance Director reviews fund balances on a daily basis. Special attention is paid to the major operating funds, which are the General, the Electric, Sewer and Water Funds. Council also receives a monthly report showing fund balance for all funds at the beginning of the year, the change in the balances thus far, and the current fund balance.

Line item reports are reviewed regularly by the Finance Director to ensure spending is within the legal level of control. The managers and superintendents, as well as the Utility and Safety Service Directors, also monitor their appropriations and fund balances to ensure the entire operation of the City operates within the appropriations.

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$1,479,263	\$1,576,411	\$678,203	\$613,668	\$2,157,466	\$2,190,079
Buildings and Improvements	3,578,774	2,954,433	12,768,371	12,961,310	16,347,145	15,915,743
Equipment	456,707	758,692	2,976,177	3,087,992	3,432,884	3,846,684
Vehicles	981,932	866,465	363,436	312,609	1,345,368	1,179,074
Electric - Generation/ Transmission/Distribution	0	0	20,337,436	21,078,033	20,337,436	21,078,033
Infrastructure	35,684,009	36,001,572	10,556,772	10,827,010	46,240,781	46,828,582
Totals	\$42,180,685	\$42,157,573	\$47,680,395	\$48,880,622	\$89,861,080	\$91,038,195

Total Capital Assets for the City of Orrville for the year ended December 31, 2005 amounted to \$89,861,080, which reflects a \$1,177,115 decrease from the 2004 figure of \$91,038,195.

The most significant project completed in 2005 was the repaving of North Main Street at a cost of \$313,000.

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The City has a formal capital asset policy, which outlines the procedures for purchasing, receiving, and disposing of capital assets. The policy contains forms and includes a tagging process, which was instituted in 2004. For additional information see Note 10 to the basic financial statements.

Debt

The outstanding debt for the City of Orrville as of December 31, 2005 was \$20,572,272. This balance reflects a reduction of \$2,260,119 from the previous year's balance of \$22,832,391, a reduction of 9.9 percent.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Special Assessment Bonds	\$127,119	\$139,637	\$0	\$0	\$127,119	\$139,637
Mortgage Revenue Bonds	0	0	9,563,576	10,941,862	9,563,576	10,941,862
Revenue Bonds	0	0	6,264,814	6,623,646	6,264,814	6,623,646
OWDA Loans	0	0	3,031,009	3,381,049	3,031,009	3,381,049
OPWC Loan	0	0	785,754	846,197	785,754	846,197
Notes Payable	0	0	800,000	900,000	800,000	900,000
Totals	\$127,119	\$139,637	\$20,445,153	\$22,692,754	\$20,572,272	\$22,832,391

As can be seen from the above table the Governmental Activities have very little debt. The small amount of debt (\$127,119) is in Special Assessment Bonds, which were issued after our Downtown Improvement Project (Streetscape) was finished and for residential sidewalk installation. The bonds cover the amount of unpaid property owner assessments. The payments on these bonds come from the assessments collected by the County Auditor on property tax duplicates.

The Utility department carries the vast majority of the debt, the largest debt being that of the Electric Utility. Most of this debt is in Mortgage Revenue Bonds that were originally issued in the 1980's for major upgrades to the power plant. These bonds were refinanced in 1997. The Electric Utility also has an outstanding bond anticipation general obligation note in the amount of \$800,000. This note, which is due in 2006, was issued in 2005 for the purpose of financing the precipitator improvement project, which was completed in 2002. The precipitator is part of the pollution control system at the power plant.

The Water Utility carries two kinds of debt. Water System Improvement Revenue Bonds were issued in 1994 for the construction of a new treatment plant and then refunded in 2002. They are scheduled to be paid off in 2018. The Water Utility also has an interest free loan from the OPWC, which is also scheduled to be paid off in 2018.

The Sewer Utility has two loans from the Ohio Water Development Authority which were used to defease the original mortgage revenue bonds issued to construct the treatment plant. These loans will be paid off in 2012 and 2013.

The total debt service obligation for the Electric Utility in 2005 was \$2,686,445, for the Sewer Utility \$542,766, and for the Water Utility \$719,735.

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The administration and City Council are both very committed to controlling and managing the debt. Over the last eight years, we have been able to manage the cash balances of the City to a point that debt issuance is not necessary for capital improvement except in extreme cases or instances where it is fiscally better to issue debt rather than spend reserves. For additional information see Notes 11 and 12 to the basic financial statements.

Current Financial Issues

The City's finances during 2005 reflected a positive outcome. Income tax revenues were up, and revenues from two of the three utilities showed an increase. The City as a whole operated in a surplus position due to controlled spending. The strength of the City was evident, as the services to our citizens remained at a high level. Our police department operated with one less full time officer and the fire department remained at full force. Our street department continued to repair and improve streets, and plow snow. Our park system operated on a slightly reduced schedule. All three utilities remained fully staffed, providing quality service. There were no lay-offs.

The safety and services department operates under a comprehensive plan. This plan is updated every ten years, and provides a structure for development within the City. The Safety Service Director, the Mayor, and City Council spend a great deal of time working with a planning consultant and the citizens to develop the plan for the next ten years. The plan deals with Land Use, Economic Development, Transportation, and Community Facilities/Parks and Recreation.

Some items addressed in the plan have already started. An additional park in the south end of town is under construction. The money for this project is currently in the Capital Improvements Fund. The City continues with its sidewalk improvement plan that requires sidewalks on every street throughout the City. This plan has been very successful to date and will continue until every street within the City has sidewalks. The City also has a long-range street-paving plan, which will result in all streets within the City being either asphalt or concrete. This program will replace the chip and seal program that is currently in place.

The City is in the process of procuring developers for a second industrial park. This park will allow for future controlled industrial growth. The current park is nearing full capacity.

The City became a member of Main Street Ohio in 2005, and has been awarded a grant to improve the downtown business district.

The Utility Departments continue to grow and improve. The Sewer utility replaced two headwork grinders, two trickling filters, and installed a new RV dumping station.

The Water Utility upgraded the water distribution system on several of the city residential streets as part of its long term plan to improve the distribution system. They also implemented new meter reading devices, and began installing radio read and water meter modules. The water utility continues to research new water supply.

The Electric Utility continues to upgrade the distribution system. In 2005, they replaced the underground distribution circuit on Viking Avenue. They also contracted with AMP-Ohio to perform a Business Plan review to address pending environmental and power supply issues and assist us in long range planning.

The Orrville Utility Department continues to look for other sources of revenue to supplement existing utilities while providing our customers with low cost services. The electric utility's telecommunications

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system has proven to be such a service, and has been an exceptionally reliable service for industrial and commercial customers. Future expansion of this system to smaller commercial and residential customers will present many opportunities for those customers to save money due to lower rates created by competition. Orrville Utilities plans to continue deployment of the fiber optic system to homes so all residents can take advantage of competition between suppliers. We look forward to providing another infrastructure with the same reliability and service that our customer/owners of our electric, water, and sewer utilities have come to expect. In 2005, the Technical Service group launched a wireless internet service.

The Mayor, Directors, and Council work very hard to keep the City's debt low. All of the projects mentioned above, with the possible exception of the future water well fields, will be funded from cash balances. We watch our funds closely and make sure monies are budgeted to provide for proper maintenance of our equipment and facilities. Our superintendents, managers, and directors are all involved in our budget process. Our budget is developed from the bottom up with the emphasis of good stewardship of our ratepayers and taxpayers money.

On behalf of the City of Orrville we would like to thank the staff from the Local Government Services Section of the Auditor of State's Office for their help in preparing the GASB 34 Statements. They were cooperative, professional, and efficient. This was our fifth year reporting under GASB Statement 34 and their guidance was extremely valuable.

Contacting the City's Finance Department

This report is intended to provide our citizens and anyone interested in the financial aspects of the City of Orrville a general overview of our financial operation. If there are questions, please contact the Finance Director James D. Leggett, City of Orrville, 207 North Main Street, P.O. Box 61, Orrville, Ohio 44667, telephone 330-684-5007 or website at www.orrville.com.

City of Orrville, Ohio

Statement of Net Assets

December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,765,826	\$14,453,173	\$18,218,999
Cash Equivalents in Segregated Accounts	0	3,555	3,555
Investments in Segregated Accounts	0	2,951,096	2,951,096
Materials and Supplies Inventory	126,399	3,458,471	3,584,870
Accrued Interest Receivable	25,452	91,718	117,170
Accounts Receivable	67,887	3,927,853	3,995,740
Internal Balances	223,536	(223,536)	0
Intergovernmental Receivable	777,864	0	777,864
Prepaid Items	17,917	62,387	80,304
Deferred Charges	0	545,740	545,740
Income Taxes Receivable	815,149	0	815,149
Property Taxes Receivable	514,906	0	514,906
Special Assessments Receivable	129,376	0	129,376
Nondepreciable Capital Assets	1,479,263	678,203	2,157,466
Depreciable Capital Assets, Net	40,701,422	47,002,192	87,703,614
<i>Total Assets</i>	<u>48,644,997</u>	<u>72,950,852</u>	<u>121,595,849</u>
Liabilities			
Accounts Payable	410,279	885,964	1,296,243
Accrued Wages	125,801	203,897	329,698
Intergovernmental Payable	117,156	184,820	301,976
Accrued Interest Payable	722	131,005	131,727
Claims Payable	0	48,770	48,770
Deferred Revenue	462,716	0	462,716
Vacation Benefits Payable	65,676	151,495	217,171
Notes Payable	0	800,000	800,000
Long-Term Liabilities:			
Due Within One Year	132,659	2,563,591	2,696,250
Due In More Than One Year	151,984	17,613,645	17,765,629
<i>Total Liabilities</i>	<u>1,466,993</u>	<u>22,583,187</u>	<u>24,050,180</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	42,058,605	27,780,982	69,839,587
Restricted for:			
Capital Projects	2,050,035	0	2,050,035
Debt Service	240,691	2,891,452	3,132,143
Electric Replacement and Improvement	0	1,500,000	1,500,000
Water Replacement and Improvement	0	800,000	800,000
Street Repair and Maintenance	370,016	0	370,016
Solid Waste Services	43,100	0	43,100
Law Enforcement and Education	19,323	0	19,323
Cemetery Maintenance	220,720	0	220,720
EMS Equipment	107,040	0	107,040
Performing Arts	7,475	0	7,475
Unrestricted	2,060,999	17,395,231	19,456,230
<i>Total Net Assets</i>	<u>\$47,178,004</u>	<u>\$50,367,665</u>	<u>\$97,545,669</u>

See accompanying notes to the basic financial statements

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,075,509	\$113,000	\$16,205	\$95,944
Security of Persons and Property:				
Police	1,360,423	14,506	0	0
Fire	531,847	46,024	0	0
Transportation	1,590,642	30,141	540,752	186,662
Public Health and Welfare	118,376	100,576	0	0
Leisure Time Activities	252,386	72,621	10,290	0
Basic Utility Service	282,403	269,752	0	0
Interest and Fiscal Charges	9,706	0	0	0
<i>Total Governmental Activities</i>	<u>5,221,292</u>	<u>646,620</u>	<u>567,247</u>	<u>282,606</u>
Business-Type Activities:				
Sewer	1,942,249	1,980,067	0	0
Electric	25,247,053	25,220,891	0	0
Water	2,425,269	2,591,906	0	0
<i>Total Business-Type Activities</i>	<u>29,614,571</u>	<u>29,792,864</u>	<u>0</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$34,835,863</u>	<u>\$30,439,484</u>	<u>\$567,247</u>	<u>\$282,606</u>

General Revenues

Property Taxes Levied for
 General Purposes
Kilowatt per Hour Taxes Levied for
 General Purposes
Income Tax Levied for:
 General Purposes
 Capital Outlay
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Other

Total General Revenues

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$850,360)	\$0	(\$850,360)
(1,345,917)	0	(1,345,917)
(485,823)	0	(485,823)
(833,087)	0	(833,087)
(17,800)	0	(17,800)
(169,475)	0	(169,475)
(12,651)	0	(12,651)
(9,706)	0	(9,706)
<u>(3,724,819)</u>	<u>0</u>	<u>(3,724,819)</u>
0	37,818	37,818
0	(26,162)	(26,162)
<u>0</u>	<u>166,637</u>	<u>166,637</u>
0	178,293	178,293
<u>(3,724,819)</u>	<u>178,293</u>	<u>(3,546,526)</u>
524,516	0	524,516
837,438	0	837,438
2,195,463	0	2,195,463
534,765	0	534,765
717,533	0	717,533
139,056	325,135	464,191
<u>165,427</u>	<u>539,674</u>	<u>705,101</u>
5,114,198	864,809	5,979,007
<u>(837,438)</u>	<u>837,438</u>	<u>0</u>
<u>4,276,760</u>	<u>1,702,247</u>	<u>5,979,007</u>
551,941	1,880,540	2,432,481
<u>46,626,063</u>	<u>48,487,125</u>	<u>95,113,188</u>
<u>\$47,178,004</u>	<u>\$50,367,665</u>	<u>\$97,545,669</u>

City of Orrville, Ohio

Balance Sheet

Governmental Funds

December 31, 2005

	<u>General</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$1,044,602	\$1,868,533	\$852,691	\$3,765,826
Materials and Supplies Inventory	126,399	0	0	126,399
Accrued Interest Receivable	23,298	0	2,154	25,452
Accounts Receivable	17,922	0	49,965	67,887
Intergovernmental Receivable	364,372	0	413,492	777,864
Prepaid Items	17,917	0	0	17,917
Income Taxes Receivable	652,119	163,030	0	815,149
Property Taxes Receivable	514,906	0	0	514,906
Special Assessments Receivable	0	0	129,376	129,376
<i>Total Assets</i>	<u>\$2,761,535</u>	<u>\$2,031,563</u>	<u>\$1,447,678</u>	<u>\$6,240,776</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$27,472	\$10,267	\$372,540	\$410,279
Accrued Wages	114,068	0	11,733	125,801
Intergovernmental Payable	106,426	0	10,730	117,156
Deferred Revenue	803,397	41,432	469,286	1,314,115
<i>Total Liabilities</i>	<u>1,051,363</u>	<u>51,699</u>	<u>864,289</u>	<u>1,967,351</u>
Fund Balances				
Reserved for Encumbrances	56,479	50,324	358,451	465,254
Unreserved, Undesignated, Reported in:				
General Fund	1,653,693	0	0	1,653,693
Special Revenue Funds	0	0	474,957	474,957
Debt Service Funds	0	0	117,076	117,076
Capital Projects Funds (Deficit)	0	1,929,540	(367,095)	1,562,445
<i>Total Fund Balances</i>	<u>1,710,172</u>	<u>1,979,864</u>	<u>583,389</u>	<u>4,273,425</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,761,535</u>	<u>\$2,031,563</u>	<u>\$1,447,678</u>	<u>\$6,240,776</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$4,273,425
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	42,180,685
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	52,189
Income Taxes	207,162
Grants	460,771
Special Assessments	129,376
Charges for Services	1,901

Total	851,399
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The accumulated overpayments to the internal service fund.	223,536
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Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(65,676)
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Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(722)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Special Assessment Bonds	(127,119)
Compensated Absences	(157,524)

Total	(284,643)
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<i>Net Assets of Governmental Activities</i>	<u><u>\$47,178,004</u></u>
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See accompanying notes to the basic financial statements

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

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$485,085	\$0	\$0	\$485,085
Income Taxes	2,171,796	528,849	0	2,700,645
Other Local Taxes	837,438	0	0	837,438
Special Assessments	0	0	12,518	12,518
Intergovernmental	740,676	0	618,982	1,359,658
Interest	118,378	0	20,678	139,056
Fines, Licenses and Permits	127,606	0	3,081	130,687
Rentals	31,600	0	0	31,600
Charges for Services	160,511	1,165	322,774	484,450
Contributions and Donations	0	0	10,290	10,290
Other	47,172	113,833	4,422	165,427
<i>Total Revenues</i>	<u>4,720,262</u>	<u>643,847</u>	<u>992,745</u>	<u>6,356,854</u>
Expenditures				
Current:				
General Government	904,349	0	95,944	1,000,293
Security of Persons and Property:				
Police	1,372,973	0	5,915	1,378,888
Fire	374,293	0	0	374,293
Transportation	426,622	0	800,335	1,226,957
Public Health and Welfare	115,876	0	2,610	118,486
Leisure Time Activities	207,714	0	10,319	218,033
Basic Utility Service	0	0	282,403	282,403
Capital Outlay	0	382,689	318,558	701,247
Debt Service:				
Principal Retirement	0	0	12,518	12,518
Interest and Fiscal Charges	0	0	9,785	9,785
<i>Total Expenditures</i>	<u>3,401,827</u>	<u>382,689</u>	<u>1,538,387</u>	<u>5,322,903</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,318,435</u>	<u>261,158</u>	<u>(545,642)</u>	<u>1,033,951</u>
Other Financing Sources (Uses)				
Transfers In	0	0	213,564	213,564
Transfers Out	(1,051,002)	0	0	(1,051,002)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,051,002)</u>	<u>0</u>	<u>213,564</u>	<u>(837,438)</u>
<i>Net Change in Fund Balances</i>	267,433	261,158	(332,078)	196,513
<i>Fund Balances Beginning of Year</i>	<u>1,442,739</u>	<u>1,718,706</u>	<u>915,467</u>	<u>4,076,912</u>
<i>Fund Balances End of Year</i>	<u>\$1,710,172</u>	<u>\$1,979,864</u>	<u>\$583,389</u>	<u>\$4,273,425</u>

City of Orrville, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds \$196,513

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	1,312,380	
Current Year Depreciation	<u>(1,201,838)</u>	
 Total		 110,542

Governmental Funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (87,430)

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

Property Taxes	39,431	
Income Taxes	29,583	
Grants	197,438	
Special Assessments	(12,014)	
Charges for Services	<u>(621)</u>	
 Total		 253,817

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 12,518

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 79

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 governmental funds.

Compensated Absences	40,773	
Vacation Benefits Payable	<u>1,377</u>	
 Total		 42,150

The change in the accumulated overpayments to the internal service fund for governmental funds is reported for the year. 23,752

Change in Net Assets of Governmental Activities \$551,941

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$476,300	\$476,300	\$485,085	\$8,785
Income Taxes	2,050,000	2,050,000	2,193,278	143,278
Other Local Taxes	800,000	800,000	837,438	37,438
Intergovernmental	579,399	579,399	633,790	54,391
Interest	82,700	82,700	106,653	23,953
Fines, Licenses and Permits	72,350	72,350	127,392	55,042
Rentals	30,000	30,000	31,600	1,600
Charges for Services	157,750	157,750	171,840	14,090
Other	6,000	6,000	47,172	41,172
<i>Total Revenues</i>	<u>4,254,499</u>	<u>4,254,499</u>	<u>4,634,248</u>	<u>379,749</u>
Expenditures				
Current:				
General Government	1,197,645	1,197,645	950,139	247,506
Security of Persons and Property:				
Police	1,433,806	1,433,806	1,380,641	53,165
Fire	412,462	412,462	384,461	28,001
Transportation	508,107	508,107	492,945	15,162
Public Health and Welfare	159,033	159,033	120,949	38,084
Leisure Time Activities	264,564	264,564	212,367	52,197
<i>Total Expenditures</i>	<u>3,975,617</u>	<u>3,975,617</u>	<u>3,541,502</u>	<u>434,115</u>
<i>Excess of Revenues Over Expenditures</i>	278,882	278,882	1,092,746	813,864
Other Financing Uses				
Transfers Out	(1,153,000)	(1,153,000)	(1,051,002)	101,998
<i>Net Change in Fund Balance</i>	(874,118)	(874,118)	41,744	915,862
<i>Fund Balance Beginning of Year</i>	851,228	851,228	851,228	0
Prior Year Encumbrances Appropriated	67,679	67,679	67,679	0
<i>Fund Balance End of Year</i>	<u>\$44,789</u>	<u>\$44,789</u>	<u>\$960,651</u>	<u>\$915,862</u>

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2005

	Business-Type Activities				Business-Type Activity - Internal Service Fund
	Sewer	Electric	Water	Total	
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$4,300,011	\$5,932,370	\$1,131,611	\$11,363,992	\$789,181
Restricted Assets:					
Held by Trustee:					
Cash Equivalents in Segregated Accounts	0	2,252	1,303	3,555	0
Investments in Segregated Accounts	0	1,532,322	437,322	1,969,644	0
Receivables:					
Accounts	280,857	3,388,337	258,659	3,927,853	0
Accrued Interest	26,431	46,735	13,544	86,710	5,008
Materials and Supplies Inventory	178,010	3,034,622	245,839	3,458,471	0
Prepaid Items	7,296	47,140	7,951	62,387	0
<i>Total Current Assets</i>	<u>4,792,605</u>	<u>13,983,778</u>	<u>2,096,229</u>	<u>20,872,612</u>	<u>794,189</u>
<i>Non-Current Assets:</i>					
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents					
Held by Trustee:	0	1,500,000	800,000	2,300,000	0
Investments in Segregated Accounts	0	601,870	379,582	981,452	0
Deferred Charges	26,860	357,769	161,111	545,740	0
Land	120,897	153,936	403,370	678,203	0
Depreciable Capital Assets, Net	7,599,606	25,526,084	13,876,502	47,002,192	0
<i>Total Non-Current Assets</i>	<u>7,747,363</u>	<u>28,139,659</u>	<u>15,620,565</u>	<u>51,507,587</u>	<u>0</u>
<i>Total Assets</i>	<u>12,539,968</u>	<u>42,123,437</u>	<u>17,716,794</u>	<u>72,380,199</u>	<u>794,189</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	36,742	818,066	30,856	885,664	300
Accrued Wages	24,282	153,001	26,614	203,897	0
Intergovernmental Payable	22,001	137,870	24,949	184,820	0
Compensated Absences Payable	11,027	118,566	36,637	166,230	0
Accrued Interest Payable	60,529	46,851	23,625	131,005	0
Loans Payable	426,918	0	60,443	487,361	0
Vacation Benefits Payable	26,478	103,092	21,925	151,495	0
Revenue Bonds Payable	0	1,495,000	415,000	1,910,000	0
Notes Payable	0	800,000	0	800,000	0
Claims Payable	0	0	0	0	48,770
<i>Total Current Liabilities</i>	<u>607,977</u>	<u>3,672,446</u>	<u>640,049</u>	<u>4,920,472</u>	<u>49,070</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable (net of current portion)	109,812	190,962	65,079	365,853	0
Loans Payable (net of current portion)	2,604,091	0	725,311	3,329,402	0
Revenue Bonds Payable (net of current portion)	0	8,068,576	5,849,814	13,918,390	0
<i>Total Long-Term Liabilities</i>	<u>2,713,903</u>	<u>8,259,538</u>	<u>6,640,204</u>	<u>17,613,645</u>	<u>0</u>
<i>Total Liabilities</i>	<u>3,321,880</u>	<u>11,931,984</u>	<u>7,280,253</u>	<u>22,534,117</u>	<u>49,070</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	4,716,354	15,674,213	7,390,415	27,780,982	0
Restricted for					
Replacement and Improvement	0	1,500,000	800,000	2,300,000	0
Debt Service	0	2,096,870	794,582	2,891,452	0
Unrestricted	4,501,734	10,920,370	1,451,544	16,873,648	745,119
<i>Total Net Assets</i>	<u>\$9,218,088</u>	<u>\$30,191,453</u>	<u>\$10,436,541</u>	<u>49,846,082</u>	<u>\$745,119</u>

Some amounts reported for business-type activities in the statement of net assets are different because internal service fund assets and liabilities are included with business-type activities.

Net assets of business-type activities	521,583
	\$50,367,665

See accompanying notes to the basic financial statements

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

	Business-Type	
	Sewer	Electric
Operating Revenues		
Charges for Services	\$1,980,067	\$22,167,439
Electric/Water Charges Pledged as Security for Revenue Bonds	0	3,053,452
Other	1,321	529,414
<i>Total Operating Revenues</i>	<u>1,981,388</u>	<u>25,750,305</u>
Operating Expenses		
Personal Services	808,575	5,371,860
Purchased Services	260,007	2,793,052
Materials and Supplies	6,560	13,853,220
Utilities	100,530	785,408
Depreciation	569,937	2,029,640
Claims	0	0
<i>Total Operating Expenses</i>	<u>1,745,609</u>	<u>24,833,180</u>
<i>Operating Income</i>	<u>235,779</u>	<u>917,125</u>
Non-Operating Revenues (Expenses)		
Interest and Fiscal Charges	(190,527)	(434,438)
Loss on Disposal of Capital Assets	(10,450)	(1,429)
Interest	133,043	106,687
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(67,934)</u>	<u>(329,180)</u>
Transfers In	0	837,438
<i>Change in Net Assets</i>	167,845	1,425,383
<i>Net Assets Beginning of Year</i>	<u>9,050,243</u>	<u>28,766,070</u>
<i>Net Assets End of Year</i>	<u><u>\$9,218,088</u></u>	<u><u>\$30,191,453</u></u>

Some amounts reported for business-type activities in the statement of activities are different because the net expense of the internal service fund is reported with business-type activities.

Change in net assets of business-type activities

See accompanying notes to the basic financial statements

Activities		Business-Type Activity - Internal Service Fund
Water	Total	
\$1,288,070	\$25,435,576	\$1,246,593
1,303,836	4,357,288	0
8,939	539,674	0
<u>2,600,845</u>	<u>30,332,538</u>	<u>1,246,593</u>
930,070	7,110,505	0
189,910	3,242,969	130,300
132,267	13,992,047	0
138,513	1,024,451	0
727,220	3,326,797	0
0	0	1,061,563
<u>2,117,980</u>	<u>28,696,769</u>	<u>1,191,863</u>
482,865	1,635,769	54,730
(311,936)	(936,901)	0
0	(11,879)	0
60,963	300,693	24,442
<u>(250,973)</u>	<u>(648,087)</u>	<u>24,442</u>
0	837,438	0
231,892	1,825,120	79,172
<u>10,204,649</u>		<u>665,947</u>
<u>\$10,436,541</u>		<u>\$745,119</u>
	<u>55,420</u>	
	<u>\$1,880,540</u>	

City of Orrville, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities				Business-Type Activities - Internal Service Fund
	Sewer	Electric	Water	Total	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$1,962,717	\$24,629,089	\$2,617,217	\$29,209,023	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	1,246,593
Other Cash Receipts	1,321	529,414	8,939	539,674	0
Cash Payments to Employees for Services	(835,835)	(5,428,151)	(929,167)	(7,193,153)	0
Cash Payments for Goods and Services	(414,950)	(17,502,487)	(499,640)	(18,417,077)	(130,000)
Cash Payments for Claims	0	0	0	0	(1,111,119)
<i>Net Cash Provided by Operating Activities</i>	<u>713,253</u>	<u>2,227,865</u>	<u>1,197,349</u>	<u>4,138,467</u>	<u>5,474</u>
Cash Flows from Noncapital Financing Activities					
Transfers In	0	837,438	0	837,438	0
Cash Flows from Capital and Related Financing Activities					
Proceeds from Sale of Notes	0	800,000	0	800,000	0
Principal Paid on Revenue Bonds	0	(1,440,000)	(400,000)	(1,840,000)	0
Interest Paid on Revenue Bonds	0	(327,995)	(259,292)	(587,287)	0
Principal Paid on OWDA Loans	(412,081)	0	0	(412,081)	0
Interest Paid on OWDA Loans	(130,685)	0	0	(130,685)	0
Principal Paid on OPWC Loan	0	0	(60,443)	(60,443)	0
Principal Paid on Notes	0	(900,000)	0	(900,000)	0
Interest Paid on Notes	0	(18,450)	0	(18,450)	0
Sale of Capital Assets	0	2,025	0	2,025	0
Payments for Capital Acquisitions	(312,625)	(1,349,779)	(478,070)	(2,140,474)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(855,391)</u>	<u>(3,234,199)</u>	<u>(1,197,805)</u>	<u>(5,287,395)</u>	<u>0</u>
Cash Flows from Investing Activities					
Purchase of Investments	0	(836)	(270)	(1,106)	0
Interest on Investments	119,625	211,659	55,531	386,815	21,869
<i>Net Cash Flows Provided by Investing Activities</i>	<u>119,625</u>	<u>210,823</u>	<u>55,261</u>	<u>385,709</u>	<u>21,869</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(22,513)	41,927	54,805	74,219	27,343
<i>Cash and Cash Equivalents Beginning of Year</i>	4,322,524	7,392,695	1,878,109	13,593,328	761,838
<i>Cash and Cash Equivalents End of Year</i>	<u>\$4,300,011</u>	<u>\$7,434,622</u>	<u>\$1,932,914</u>	<u>\$13,667,547</u>	<u>\$789,181</u>

(continued)

City of Orrville, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2005

	Business-Type Activities				Business-Type Activities - Internal Service Fund
	Sewer	Electric	Water	Total	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	\$235,779	\$917,125	\$482,865	\$1,635,769	\$54,730
Adjustments:					
Depreciation	569,937	2,029,640	727,220	3,326,797	0
(Increase) Decrease in Assets:					
Accounts Receivable	(17,350)	(591,802)	25,311	(583,841)	0
Prepaid Items	2,416	19,800	2,661	24,877	0
Materials and Supplies Inventory	(31,716)	1,753	18,911	(11,052)	0
Increase (Decrease) in Liabilities:					
Accounts Payable	(18,471)	(91,971)	(60,457)	(170,899)	300
Accrued Wages	(29,223)	(15,165)	198	(44,190)	0
Compensated Absences Payable	(880)	(51,273)	(1,969)	(54,122)	0
Intergovernmental Payable	2,761	9,758	2,609	15,128	0
Claims Payable	0	0	0	0	(49,556)
<i>Net Cash Provided by Operating Activities</i>	<u>\$713,253</u>	<u>\$2,227,865</u>	<u>\$1,197,349</u>	<u>\$4,138,467</u>	<u>\$5,474</u>

Non Cash Transactions:

During 2005, the electric and water enterprise funds had a change in fair value of investments of \$3,087 and \$8,953, respectively.

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Private Purpose Trust	
	Cemetery Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,128	\$68,346
Accrued Interest Receivable	25	0
<i>Total Assets</i>	4,153	\$68,346
Liabilities		
Deposits Held and Due to Others	0	\$68,346
Net Assets		
Held in Trust for Cemetery	126	
Endowments	4,027	
<i>Total Net Assets</i>	\$4,153	

See accompanying notes to the basic financial statements

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

	Private-Purpose Trust
	Cemetery Memorial
Additions	
Interest	\$78
Deductions	0
<i>Change in Net Assets</i>	78
<i>Net Assets Beginning of Year</i>	4,075
<i>Net Assets End of Year</i>	<u>\$4,153</u>

See accompanying notes to the basic financial statements

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

Note 1 - Description of the City and Reporting Entity

The City of Orrville (the City) is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under its own Charter made effective January 1, 1976. The Charter, as amended, provides for a Council-Mayor form of government. Four council members are elected from wards for four year terms. The Mayor, President of Council and three council members are elected by separate ballot from the municipality at large for four-year terms. The Mayor may veto any legislation passed by the Council. In addition to establishing City policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operating of the City and for appointing the heads of the various City departments.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, electric, sewer and refuse collection. Council has direct responsibility for these activities.

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

The City is associated with one jointly governed organization, the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program, an insurance purchasing pool. This organization is presented in Note 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless these pronouncements 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. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

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 activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

B. Fund Accounting

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

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

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

Capital Improvements Fund The capital improvement fund accounts for that portion of municipal income tax designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

Sewer Fund The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Electric Fund The electric fund accounts for the provision of electric power service to the residents and commercial users located within the City.

Water Fund The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust fund established to account for funds given by individuals with the interest specifically designated to be used for the decoration of individually named graves. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for utility line installation deposits and deposits held for the use of recreation facilities.

C. Measurement Focus

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

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

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost.

Following the Charter and Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the general fund, gasoline tax motor vehicle license, state highway and performing arts special revenue funds, the special assessment bond retirement debt service fund, the employee self-insurance internal service fund, the cemetery private-purpose trust fund, and the sewer, electric, and water enterprise funds. Interest revenue credited to the general fund during 2005 amounted to \$118,378 which includes \$24,401 assigned from other City funds.

The City utilizes a fiscal agent to hold monies set aside for current and future debt service payments under the provisions of the bond indenture. The balances in these accounts are presented on the statement of fund net assets as, “restricted assets – investments in segregated accounts” or “restricted assets – cash equivalents in segregated accounts.”

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

F. Prepaid Items

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

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent amounts set aside to satisfy bond indenture requirements for current and future debt payments and the replacement and improvement of capital assets originally acquired with bond proceeds.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not

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

reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15-40 years	20-45 years
Equipment	5-10 years	6-20 years
Vehicles	10 years	5 years
Electric - Generation/Transmission/Distribution	-	30-65 years
Infrastructure	60 years	30-65 years

The City's reported infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines and includes infrastructure acquired prior to December 31, 1980.

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net assets rather than as a long-term liability.

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments within the next ten years). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

Reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances.

N. 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 borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$8,282,640 of restricted net assets, of which \$2,460,632 is restricted by enabling legislation.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, sewer treatment and water services and self-insurance programs. Operating expenses are necessary costs that have been incurred in order 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 non-operating.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

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

Q. Interfund Activity

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

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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

S. Estimates

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

T. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services and other object level within each fund. For the personal service object level the Finance Director has been authorized to allocate and maintain appropriations within each department. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services. Budgetary statements are presented beyond that legal level of control for informational purposes only.

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

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

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

Note 3 – Change in Accounting Principles

For 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 new disclosure requirements for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the City.

Note 4 – Accountability

At December 31, 2005 the North Main Street Widening capital projects fund had an individual fund deficit in the amount of \$186,662. The deficit is caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for any deficits in this fund and provides operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

Net Change in Fund Balance	
GAAP Basis	\$267,433
Net Adjustment for Revenue Accruals	(86,014)
Net Adjustment for Expenditure Accruals	(55,724)
Encumbrances	(83,951)
Budget Basis	<u>\$41,744</u>

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

Note 6 - Deposits and Investments

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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,
6. The State Treasurer's investment pool (STAROhio); and,
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless

City of Orrville, Ohio
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matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds deposited with the financial institution, or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys eligible securities of aggregate market value equal to the required values.

At year-end, the carrying amount of the City's deposits was \$11,989,067 and the bank balance was \$12,229,035. Of the bank balance \$200,000 was covered by Federal depository insurance and \$12,029,035 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of December 31, 2005, the City had the following investments:

	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	3-10
Federal Home Loan Bank Bonds	\$1,000,000	\$0	\$1,000,000	\$0
Federal Home Loan Mortgage Corporation Bonds	1,979,313	1,979,313	0	0
Federal National Mortgage Association Bonds	2,956,869	2,956,869	0	0
US Treasury Bills	2,951,096	2,951,096	0	0
Manuscript Bonds	127,119	0	0	127,119
STAROhio	242,660	242,660	0	0
Total Portfolio	<u>\$9,257,057</u>	<u>\$8,129,938</u>	<u>\$1,000,000</u>	<u>\$127,119</u>

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. To minimize this risk the City purchases all investments with the intention to hold until maturity. The City also generally limits security purchases to those that mature within five years of the settlement date.

Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All investments of the City carry a rating of AAA by Standard & Poor's, except for STAROhio which carries a rating of AAAM by Standard & Poor's.

City of Orrville, Ohio
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For the Year Ended December 31, 2005

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but only states that the investments should be distributed as evenly as possible among the various instruments and institutions. The following is the City's allocation as of December 31, 2005:

Investment Issuer	Percentage of Investments
Federal Home Loan Bank Bonds	10.95%
Federal Home Loan Mortgage Corporation Bonds	21.68
Federal National Mortgage Association Bonds	32.39
US Treasury Bills	32.32
STAROhio	2.66

Note 7 - Receivables

Receivables at December 31, 2005, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts (billings for utility service). All allowances for uncollectibles represent estimates of uncollectible receivables in the accounts receivable classification. Taxes, intergovernmental, special assessments and interest receivable are deemed collectible in full.

	Accounts Receivable	Allowance for Uncollectibles	Net Accounts Receivable
Governmental	\$70,674	\$2,787	\$67,887
Business-Type	4,123,988	196,135	3,927,853

Special assessments expected to be collected in more than one year amount to \$113,178 in the Special Assessment Bond Retirement Fund. The amount of delinquent special assessments outstanding at year-end is \$2,257.

A. Property Taxes

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes which became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2005, was \$2.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$144,461,790
Tangible Personal Property	33,446,230
Public Utility Property	<u>1,960,770</u>
Total	<u><u>\$179,868,790</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Orrville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005 and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified basis the revenue is deferred.

B. Income Taxes

The City levies a one percent income tax on substantially all income earned within the City. In addition, City residents employed in municipalities having an income tax less than one percent must pay the difference to the City of Orrville. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

The City's income tax ordinance requires twenty percent of the income tax revenues to be used to finance governmental and business-type capital improvements. As a result, this portion of the revenue is allocated to the capital improvement capital projects fund each year. The remaining income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2005, the proceeds were allocated to the general fund and the capital improvements fund.

City of Orrville, Ohio
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For the Year Ended December 31, 2005

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amount
Governmental Activities	
Estate Tax	\$252,349
Gasoline Tax	222,171
Ohio Department Of Transportation Grant	186,662
Local Government	89,409
Homestead and Rollback	22,042
Permissive Motor Vehicle License Tax	4,659
Immobilization Fees	572
Total	\$777,864

Note 8 - 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. During 2005, the City contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Deductible	Coverage
EMC Insurance	Commercial Property	\$50,000	\$131,109,619
	Auto Liability	250	1,000,000
	Auto Liability	500	1,000,000
	General Liability	0	1,000,000
	Umbrella Liability	10,000	1,000,000
	Public Officials Liability	3,000	2,000,000
	Boiler and Machinery	200,000	93,448,490
Scottsdale Insurance	Police Professional Liability	5,000	1,000,000
	Public Officials Liability	3,500	2,000,000
Selective Insurance	Commercial Property	500	11,465,000

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The City participates in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the state based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the

City of Orrville, Ohio
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“Equity Pooling Fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML’s selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic health and dental coverage through AultCare, the third party administrator of the program, which reviews and pays the claims. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$50,000 per employee, per year. The family/employee plus one/single premiums were \$739.98/\$494.29/\$260.57 for medical and \$38.00/\$24.00/\$13.00 for dental, respectively. AultCare charges the City a medical administration fee of \$24.85 per employee per month and a dental administration fee of \$1.90 per employee per month.

The claims liability of \$48,770 reported in the self-insurance fund at December 31, 2005, is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the internal services funds’ claims liability amounts in the last two years follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2004	\$46,646	\$1,433,343	\$1,381,663	\$98,326
2005	98,326	1,061,563	1,111,119	48,770

Note 9 - Compensated Absences

City employees earn vacation leave at varying rates based upon length of service, from two to five weeks per year. Vacation is required to be taken within one year of the date it is earned. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave. Outstanding unused vacation is reflected as vacation benefits payable on the statement of net assets.

City employees earn sick leave at the rate of eight hours per each month worked. Sick leave accrual is continuous, without limit. In the case of death or retirement, employees (or the employees’ estates) are paid a maximum of 960 hours of accumulated, unused sick leave.

From time to time, employees may need, with prior approval from their supervisors, to work overtime. These overtime hours will usually be paid at the appropriate overtime rate; however, with permission of the supervisor, an employee may have the option of taking the overtime in compensatory time at one and one half times the amount of hours worked. In the event of termination of employment, death, or retirement, employees (or their estates) are paid for unused compensatory time.

City of Orrville, Ohio
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For the Year Ended December 31, 2005

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/04	Additions	Deductions	Balance 12/31/05
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,552,322	\$0	(\$73,059)	\$1,479,263
Capital Assets, being Depreciated				
Buildings and Improvements	6,427,789	22,544	0	6,450,333
Equipment	1,782,176	41,261	(58,346)	1,765,091
Vehicles	2,399,183	95,810	(68,485)	2,426,508
Infrastructure	47,423,428	1,152,765	0	48,576,193
Total Capital Assets, being Depreciated	<u>58,032,576</u>	<u>1,312,380</u>	<u>(126,831)</u>	<u>59,218,125</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,691,034)	(180,525)	0	(2,871,559)
Equipment	(1,282,346)	(81,634)	55,596	(1,308,384)
Vehicles	(1,336,974)	(164,466)	56,864	(1,444,576)
Infrastructure	(12,116,971)	(775,213)	0	(12,892,184)
Total Accumulated Depreciation	<u>(17,427,325)</u>	<u>(1,201,838) *</u>	<u>112,460</u>	<u>(18,516,703)</u>
Total Capital Assets, being Depreciated, net	<u>40,605,251</u>	<u>110,542</u>	<u>(14,371)</u>	<u>40,701,422</u>
Governmental Activities Capital Assets, Net	<u>\$42,157,573</u>	<u>\$110,542</u>	<u>(\$87,430)</u>	<u>\$42,180,685</u>
Business-Type Activities				
Capital Assets, not being depreciated:				
Land	\$613,668	\$64,535	\$0	\$678,203
Capital Assets, being Depreciated				
Buildings and Improvements	19,867,525	492,362	0	20,359,887
Equipment	6,384,564	353,366	(47,487)	6,690,443
Vehicles	1,675,904	96,752	(73,830)	1,698,826
Electric - Generation/Transmission/Distribution	59,696,388	779,319	0	60,475,707
Infrastructure	22,851,456	354,140	0	23,205,596
Total Capital Assets, being Depreciated	<u>110,475,837</u>	<u>2,075,939</u>	<u>(121,317)</u>	<u>112,430,459</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,906,215)	(685,301)	0	(7,591,516)
Equipment	(3,296,572)	(451,277)	33,583	(3,714,266)
Vehicles	(1,363,295)	(45,925)	73,830	(1,335,390)
Electric - Generation/Transmission/Distribution	(38,618,355)	(1,519,916)	0	(40,138,271)
Infrastructure	(12,024,446)	(624,378)	0	(12,648,824)
Total Accumulated Depreciation	<u>(62,208,883)</u>	<u>(3,326,797)</u>	<u>107,413</u>	<u>(65,428,267)</u>
Total Capital Assets, being Depreciated, net	<u>48,266,954</u>	<u>(1,250,858)</u>	<u>(13,904)</u>	<u>47,002,192</u>
Business-Type Activities Capital Assets, Net	<u>\$48,880,622</u>	<u>(\$1,186,323)</u>	<u>(\$13,904)</u>	<u>\$47,680,395</u>

City of Orrville, Ohio
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For the Year Ended December 31, 2005

* Depreciation expense was charged to governmental activities as follows:

General Government	\$82,511
Security of Persons and Property:	
Police	2,617
Fire	177,131
Transportation	851,877
Public Health and Welfare	21,142
Leisure Time Activities	66,560
Total Depreciation Expense	\$1,201,838

Note 11 - Notes Payable

A summary of the note transactions for the year ended December 31, 2005, follows:

	Outstanding 12/31/04	Issued	Retired	Outstanding 12/31/05
Enterprise Funds:				
2.05% Electric Improvement Notes	\$900,000	\$0	(\$900,000)	\$0
3.32% Electric Improvement Notes	0	800,000	0	800,000
Total	\$900,000	\$800,000	(\$900,000)	\$800,000

In 2005, the City rolled over \$800,000 in Electric Improvement Notes to refinance the precipitator improvement project, which was completed in 2002.

All of the notes are bond anticipation notes, are backed by the full faith and credit of the City, and mature September 22, 2006. The note liability is reflected in the fund which received the proceeds and will repay the debt.

Note 12 - Long-Term Debt

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities			
Street Improvement Special Assessment - 1996	5.60%	\$93,242	December 1, 2011
Street Improvement Special Assessment - 2000	6.75	95,170	December 1, 2015
Sidewalk Installation Special Assessment - 2003	5.50	7,976	October 1, 2008
Business-Type Activities			
OPWC Water System Improvement Loan - 1998	0.00	1,208,853	July 1, 2018
OWDA Water Pollution Control Loan - 1993	3.54	7,185,000	July 1, 2012
OWDA Sewer Improvement Loan - 1972	5.50	157,361	July 1, 2013
Water System Refunding Revenue Bonds - 2002	1.90-4.75	8,135,000	December 1, 2018
Electric System Mortgage Revenue Refunding and Improvement Bonds - 1997	3.75-5.10	15,230,000	December 1, 2017

City of Orrville, Ohio
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A schedule of changes in bonds and other long-term obligations of the City during 2005 follows:

	Amount Outstanding 12/31/04	Additions	Deletions	Amount Outstanding 12/31/05	Amounts Due in One Year
Governmental Activities					
<u>Special Assessment Bonds</u>					
<u>with Governmental Commitment</u>					
1996 Street Improvement	\$55,000	\$0	\$6,000	\$49,000	\$7,000
2000 Street Improvement	78,090	0	5,010	73,080	5,350
2003 Sidewalk Installation	6,547	0	1,508	5,039	1,591
Total Special Assessment Bonds	139,637	0	12,518	127,119	13,941
Compensated Absences	198,297	13,155	53,928	157,524	118,718
Total Governmental Activities	<u>\$337,934</u>	<u>\$13,155</u>	<u>\$66,446</u>	<u>\$284,643</u>	<u>\$132,659</u>
Business-Type Activities					
OPWC Water System					
Improvement Loan	\$846,197	\$0	\$60,443	\$785,754	\$60,443
OWDA Water Pollution Control Loan	3,682,873	0	405,825	3,277,048	420,318
Unamortized Accounting Loss	(372,246)	0	(62,041)	(310,205)	0
Net OWDA Water Pollution Control Loan	3,310,627	0	343,784	2,966,843	420,318
OWDA Sewer Improvement Loan	70,422	0	6,256	64,166	6,600
<u>Mortgage Revenue Bonds</u>					
Water System Refunding Bonds	7,200,000	0	400,000	6,800,000	415,000
Unamortized Accounting Loss	(576,354)	0	(41,168)	(535,186)	0
Net Water System Refunding Revenue Bonds	6,623,646	0	358,832	6,264,814	415,000
Electric System Mortgage Revenue					
Refunding and Improvement Bonds	11,220,000	0	1,440,000	9,780,000	1,495,000
Unamortized Discount	(44,802)	0	(3,381)	(41,421)	0
Unamortized Accounting Loss	(233,336)	0	(58,333)	(175,003)	0
Net Electric System Mortgage Revenue	10,941,862	0	1,378,286	9,563,576	1,495,000
Compensated Absences	588,725	31,788	88,430	532,083	166,230
Total Business-Type Activities	<u>\$22,381,479</u>	<u>\$31,788</u>	<u>\$2,236,031</u>	<u>\$20,177,236</u>	<u>\$2,563,591</u>

The Special Assessment Street Improvement Bonds will be paid with special assessment revenue. The Special Assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt.

Compensated absences will be paid from the general fund, the gas tax special revenue fund, and the sewer, electric and water enterprise funds.

City of Orrville, Ohio
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For the Year Ended December 31, 2005

Mortgage Revenue Bonds

Mortgage Revenue Bonds are special obligations of the City secured by a mortgage upon all assets of the respective system. These bonds are payable solely from the gross revenues of the electric systems after provisions for reasonable operating and maintenance expenses. The bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers be in sufficient amounts to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemptions of principal, and maintenance of properties.

In 1997, the City issued \$15,230,000 in Electric System Mortgage Revenue Refunding and Improvement Bonds with a discount of \$71,850 to advance refund \$11,805,000 of outstanding electric system mortgage revenue bonds. The \$11,805,000 bonds have been completely repaid. The bonds include serial and term bonds. The term bonds mature on December 1, 2013 and December 1, 2017 in the amounts of \$500,000 and \$1,060,000, respectively, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The serial bonds maturing after December 1, 2010 are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2007, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2007 through November 30, 2008	101 percent
December 1, 2008 through November 30, 2009	100 ½ percent
December 1, 2009 and thereafter	100 percent

Restricted assets relating to the electric mortgage revenue bonds at December 31, 2005, were as follows:

Restricted Assets Held by City	
Replacement and Improvement	\$1,500,000
Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$2,136,444

Revenue Bonds

In 2002, the City issued \$8,135,000 in Water System Refunding Revenue Bonds. The serial bonds were issued with interest rates varying from 1.90 percent to 4.75 percent. The bonds maturing after December 1, 2013 are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2012, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2012 through November 30, 2013	101 percent
December 1, 2013 and thereafter	100 percent

Proceeds from the water system refunding revenue bonds, series 2002, were used to advance refund \$7,575,000 of outstanding Water System Improvement Revenue Bonds, series 1994, with interest rates varying from 3.50 to 4.35 percent. The net proceeds of \$7,924,317 (after payment of \$210,683 in issuance costs) were used to purchase U.S Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1994

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bonds. As a result, the Series 1994 bonds are considered to be defeased and the liability for those bonds has been removed from the water system fund.

Restricted assets relating to the water revenue bonds at December 31, 2005, were as follows:

Restricted Assets Held by City	
Replacement and Improvement	\$800,000
Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$818,207

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$18,086,223 and the unvoted legal debt margin was \$9,092,783. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2005 are as follows:

Year Ending December 31	Governmental Activities				
	Special				
	Assessment Bonds				
	Principal		Interest		
2006	\$13,941		\$8,885		
2007	14,388		7,912		
2008	15,870		6,909		
2009	14,510		5,800		
2010	15,950		4,760		
2011-2015	52,460		9,722		
Total	\$127,119		\$43,988		
Year Ending December 31	Business-Type Activities				
	Ohio Public Works Commission	OWDA Water Pollution Control		OWDA Sewer Improvement Loan	
	Principal	Principal	Interest	Principal	Interest
2006	\$60,443	\$420,318	\$112,320	\$6,600	\$3,531
2007	60,443	435,329	97,310	6,962	3,166
2008	60,443	450,876	81,762	7,346	2,783
2009	60,443	466,978	65,660	7,750	2,379
2010	60,443	483,655	49,003	8,176	1,953
2011-2015	302,210	1,019,892	45,387	27,332	3,053
2016-2018	181,329	0	0	0	0
Total	\$785,754	\$3,277,048	\$451,442	\$64,166	\$16,865

City of Orrville, Ohio
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For the Year Ended December 31, 2005

Year Ending December 31	Business-Type Activities			
	Water System Refunding		Electric System	
	Revenue Bonds		Mortgage Revenue Refunding and Improvement Bonds	
	Principal	Interest	Principal	Interest
2006	\$415,000	\$283,500	\$1,495,000	\$474,885
2007	425,000	271,050	1,560,000	406,830
2008	440,000	256,175	1,635,000	335,004
2009	455,000	239,675	1,725,000	249,824
2010	475,000	221,930	1,805,000	166,940
2011-2015	2,680,000	800,448	1,055,000	294,775
2016-2018	1,910,000	180,867	505,000	39,015
Total	\$6,800,000	\$2,253,645	\$9,780,000	\$1,967,273

Industrial Revenue Bonds

The City authorized the issuance of industrial development revenue bonds for four commercial entities. The aggregate outstanding principal amount was \$1,508,917 at December 31, 2005. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

Note 13 - Contractual Commitments

As of December 31, 2005, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Karvo Paving Company	North Main Street Resurfacing	\$313,052
GE Baker Construction	Schrock Road Sanitary Sewer Project	100,949

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$647,212, \$654,485 and \$600,100, respectively; 87.15 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$12,747 made by the City and \$7,996 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$85,936 and \$9,803 for the year ended December 31, 2005, \$84,157 and \$12,357 for the year ended December 31, 2004 and \$84,833 and \$9,384 for the year ended December 31, 2003, equal to the required contributions for each year. The full amount has been contributed for 2004 and 2003. 76.76 percent and 76.88 percent, respectively, have been contributed for 2005 with the remainder being reported as a liability.

Note 15 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is

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

available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$271,083. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005. 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.

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

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$56,681 for police and \$4,675 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 16 - Contingent Liabilities

A. Litigation

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

B. Federal and State Grants

The City participates in several federal and state assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2005, the audits of certain of these programs have not been completed. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

Note 17 - Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

	<u>Transfer From</u>
<u>Transfer to</u>	<u>General</u>
Nonmajor funds	\$213,564
Electric fund	837,438
	<u>\$1,051,002</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

\$200,000 was transferred from the general fund to the gas tax motor vehicle license fund to supplement the funds available for maintaining City streets. \$13,564 was transferred from the general fund to the solid waste service fund to provide a discount on sanitation service for the City's senior citizens. \$837,438 was transferred from the general fund, giving the electric fund the kilowatt per hour taxes.

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

Note 18 - Insurance Purchasing Pool

Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program The City is a participant in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program, an insurance purchasing pool. The OML's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

Note 19 – Donor Restricted Endowments

The City's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$4,027, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the City is \$126 and is included as held in trust for cemetery. State law permits the City to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used for the decoration of specifically named graves.

**Combining Statements and
Individual Fund Schedules**

Fund Descriptions – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

Gas Tax Motor Vehicle License Fund - Required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

State Highway Fund - Required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of State highways within the City.

Permissive Motor Vehicle License Fund - To account for the City's share of the motor vehicle license tax levied by the City.

Parking Meter Fund - To account for parking fees collected from City parking meters.

Solid Waste Fund - To account for revenues received from citizens for the City's solid waste collection service.

Law Enforcement Fund - To account for monies received from the sale or disposition of seized contraband. Expenditures from this fund are made for law enforcement purposes.

Enforcement and Education Fund - To account for fines imposed under Section 4511.99 (A) of the Ohio Revised Code. These monies are used to pay costs incurred in enforcing Section 4511.19 of the Ohio Revised Code, and to educate the public about the laws against and the dangers of operating a motor vehicle while under the influence of alcohol.

Cemetery Maintenance Fund - To account for monies received for cemetery services and used for the upkeep and beautification of the cemetery.

Permissive Fund - To account for the permissive tax revenue collected by the City.

Emergency Medical Service Equipment Fund - To account for revenue received from EMS transportation services and used for the purchase of EMS equipment.

Performing Arts Fund - To account for donations to be used for performing arts activities in the City.

FEMA Grant Fund – To account for federal grant monies which are used for emergency management services.

Fund Descriptions – Nonmajor Governmental Funds (continued)

Nonmajor Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment principal, interest, and related costs.

General Obligation Bond Retirement Fund - To account for tax levies that are utilized for the repayment of general obligation bonds of the City.

Special Assessment Bond Retirement Fund - To account for the collection of special assessments levied against benefited properties for the payment of special assessment bonds and related interest.

Nonmajor Capital Projects Funds

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

North Main Street Widening Fund - To account for the monies used to widen a section of North Main Street located within the City.

Park Improvement Fund - To account for monies designated for the purpose of improving existing park and recreation facilities.

Recreation and Park Fund - To account for monies used for new capital facilities built within the City's parks and recreation facilities.

Grants Fund - To account for grant monies received from the Ohio Public Works Commission plus City matching funds. Expenditures are restricted to specific street projects within the City.

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

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$707,632	\$116,332	\$28,727	\$852,691
Accrued Interest Receivable	1,398	744	12	2,154
Accounts Receivable	49,965	0	0	49,965
Intergovernmental Receivable	226,830	0	186,662	413,492
Special Assessments Receivable	0	129,376	0	129,376
<i>Total Assets</i>	<u>\$985,825</u>	<u>\$246,452</u>	<u>\$215,401</u>	<u>\$1,447,678</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$185,878	\$0	\$186,662	\$372,540
Accrued Wages	11,733	0	0	11,733
Intergovernmental Payable	10,730	0	0	10,730
Deferred Revenue	153,248	129,376	186,662	469,286
<i>Total Liabilities</i>	<u>361,589</u>	<u>129,376</u>	<u>373,324</u>	<u>864,289</u>
Fund Balances				
Reserved for Encumbrances	149,279	0	209,172	358,451
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	474,957	0	0	474,957
Debt Service Funds	0	117,076	0	117,076
Capital Projects Funds (Deficit)	0	0	(367,095)	(367,095)
<i>Total Fund Balances (Deficit)</i>	<u>624,236</u>	<u>117,076</u>	<u>(157,923)</u>	<u>583,389</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$985,825</u>	<u>\$246,452</u>	<u>\$215,401</u>	<u>\$1,447,678</u>

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

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Special Assessments	\$0	\$12,518	\$0	\$12,518
Intergovernmental	618,982	0	0	618,982
Interest	7,123	13,512	43	20,678
Fines, Licenses and Permits	2,081	0	1,000	3,081
Charges for Services	322,774	0	0	322,774
Contributions and Donations	10,290	0	0	10,290
Other	4,422	0	0	4,422
<i>Total Revenues</i>	<u>965,672</u>	<u>26,030</u>	<u>1,043</u>	<u>992,745</u>
Expenditures				
Current:				
General Government	95,944	0	0	95,944
Security of Persons and Property:				
Police	5,915	0	0	5,915
Transportation	800,335	0	0	800,335
Public Health and Welfare	2,610	0	0	2,610
Leisure Time Activities	10,319	0	0	10,319
Basic Utility Service	282,403	0	0	282,403
Capital Outlay	0	0	318,558	318,558
Debt Service:				
Principal Retirement	0	12,518	0	12,518
Interest and Fiscal Charges	0	9,785	0	9,785
<i>Total Expenditures</i>	<u>1,197,526</u>	<u>22,303</u>	<u>318,558</u>	<u>1,538,387</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(231,854)	3,727	(317,515)	(545,642)
Other Financing Sources				
Transfers In	213,564	0	0	213,564
<i>Net Change in Fund Balances</i>	(18,290)	3,727	(317,515)	(332,078)
<i>Fund Balances Beginning of Year</i>	<u>642,526</u>	<u>113,349</u>	<u>159,592</u>	<u>915,467</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$624,236</u>	<u>\$117,076</u>	<u>(\$157,923)</u>	<u>\$583,389</u>

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

	Gas Tax Motor Vehicle License	State Highway	Permissive Motor Vehicle License
Assets			
Equity in Pooled Cash and			
Cash Equivalents	\$31,139	\$194,075	\$32,901
Accrued Interest Receivable	171	1,181	0
Accounts Receivable	0	0	0
Intergovernmental Receivable	205,508	16,663	0
<i>Total Assets</i>	<u>\$236,818</u>	<u>\$211,919</u>	<u>\$32,901</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$9,321	\$150,371	\$0
Accrued Wages	11,733	0	0
Intergovernmental Payable	10,730	0	0
Deferred Revenue	141,493	11,472	0
<i>Total Liabilities</i>	<u>173,277</u>	<u>161,843</u>	<u>0</u>
 Fund Balances			
Reserved for Encumbrances	1,729	139,808	4,607
Unreserved, Undesignated (Deficit)	61,812	(89,732)	28,294
<i>Total Fund Balances</i>	<u>63,541</u>	<u>50,076</u>	<u>32,901</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$236,818</u>	<u>\$211,919</u>	<u>\$32,901</u>

Parking Meter	Solid Waste	Law Enforcement	Enforcement and Education
\$20,812	\$21,780	\$10,548	\$8,775
0	0	0	0
0	45,123	0	0
0	0	0	0
<u>\$20,812</u>	<u>\$66,903</u>	<u>\$10,548</u>	<u>\$8,775</u>
\$0	\$23,803	\$0	\$0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>23,803</u>	<u>0</u>	<u>0</u>
0	0	264	0
<u>20,812</u>	<u>43,100</u>	<u>10,284</u>	<u>8,775</u>
<u>20,812</u>	<u>43,100</u>	<u>10,548</u>	<u>8,775</u>
<u>\$20,812</u>	<u>\$66,903</u>	<u>\$10,548</u>	<u>\$8,775</u>

(continued)

City of Orrville, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2005

	Cemetery Maintenance	Permissive	Emergency Medical Service Equipment
Assets			
Equity in Pooled Cash and Cash Equivalents	\$219,887	\$57,255	\$103,031
Accrued Interest Receivable	0	0	0
Accounts Receivable	833	0	4,009
Intergovernmental Receivable	0	4,659	0
<i>Total Assets</i>	<u>\$220,720</u>	<u>\$61,914</u>	<u>\$107,040</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$0	\$2,383	\$0
Accrued Wages	0	0	0
Intergovernmental Payable	0	0	0
Deferred Revenue	283	0	0
<i>Total Liabilities</i>	<u>283</u>	<u>2,383</u>	<u>0</u>
Fund Balances			
Reserved for Encumbrances	0	2,871	0
Unreserved, Undesignated	220,437	56,660	107,040
<i>Total Fund Balances</i>	<u>220,437</u>	<u>59,531</u>	<u>107,040</u>
 <i>Total Liabilities and Fund Balances</i>	 <u>\$220,720</u>	 <u>\$61,914</u>	 <u>\$107,040</u>

Performing Arts	Total Nonmajor Special Revenue Funds
\$7,429	\$707,632
46	1,398
0	49,965
0	226,830
<u>\$7,475</u>	<u>\$985,825</u>
\$0	\$185,878
0	11,733
0	10,730
0	153,248
<u>0</u>	<u>361,589</u>
0	149,279
<u>7,475</u>	<u>474,957</u>
<u>7,475</u>	<u>624,236</u>
<u>\$7,475</u>	<u>\$985,825</u>

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

	Gas Tax Motor Vehicle License	State Highway	Permissive Motor Vehicle License
Revenues			
Intergovernmental	\$386,639	\$31,114	\$42,992
Interest	952	5,862	0
Fines, Licenses and Permits	0	0	0
Charges for Services	0	0	0
Contributions and Donations	0	0	0
Other	2,774	1,648	0
<i>Total Revenues</i>	<u>390,365</u>	<u>38,624</u>	<u>42,992</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property:			
Police	0	0	0
Transportation	552,607	171,375	39,263
Public Health and Welfare	0	0	0
Leisure Time Activities	0	0	0
Basic Utility Service	0	0	0
<i>Total Expenditures</i>	<u>552,607</u>	<u>171,375</u>	<u>39,263</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(162,242)	(132,751)	3,729
Other Financing Sources			
Transfers In	200,000	0	0
<i>Net Change in Fund Balances</i>	37,758	(132,751)	3,729
<i>Fund Balances Beginning of Year</i>	<u>25,783</u>	<u>182,827</u>	<u>29,172</u>
<i>Fund Balances End of Year</i>	<u><u>\$63,541</u></u>	<u><u>\$50,076</u></u>	<u><u>\$32,901</u></u>

Parking Meter	Solid Waste	Law Enforcement	Enforcement and Education
\$0	\$0	\$0	\$0
0	0	0	0
0	0	1,291	790
0	269,752	0	0
0	0	0	0
0	0	0	0
0	269,752	1,291	790
0	0	0	0
0	0	5,720	195
2,500	0	0	0
0	0	0	0
0	0	0	0
0	282,403	0	0
2,500	282,403	5,720	195
(2,500)	(12,651)	(4,429)	595
0	13,564	0	0
(2,500)	913	(4,429)	595
23,312	42,187	14,977	8,180
<u>\$20,812</u>	<u>\$43,100</u>	<u>\$10,548</u>	<u>\$8,775</u>

(continued)

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

	Cemetery Maintenance	Permissive	Emergency Medical Service Equipment
Revenues			
Intergovernmental	\$0	\$62,293	\$0
Interest	0	0	0
Fines, Licenses and Permits	0	0	0
Charges for Services	18,012	0	35,010
Contributions and Donations	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>18,012</u>	<u>62,293</u>	<u>35,010</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property:			
Police	0	0	0
Transportation	0	34,590	0
Public Health and Welfare	0	0	2,610
Leisure Time Activities	0	0	0
Basic Utility Service	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>34,590</u>	<u>2,610</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	18,012	27,703	32,400
Other Financing Sources			
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	18,012	27,703	32,400
<i>Fund Balances Beginning of Year</i>	<u>202,425</u>	<u>31,828</u>	<u>74,640</u>
<i>Fund Balances End of Year</i>	<u><u>\$220,437</u></u>	<u><u>\$59,531</u></u>	<u><u>\$107,040</u></u>

Performing Arts	FEMA Grant	Total Nonmajor Special Revenue Funds
\$0	\$95,944	\$618,982
309	0	7,123
0	0	2,081
0	0	322,774
10,290	0	10,290
0	0	4,422
<u>10,599</u>	<u>95,944</u>	<u>965,672</u>
0	95,944	95,944
0	0	5,915
0	0	800,335
0	0	2,610
10,319	0	10,319
0	0	282,403
<u>10,319</u>	<u>95,944</u>	<u>1,197,526</u>
280	0	(231,854)
<u>0</u>	<u>0</u>	<u>213,564</u>
280	0	(18,290)
<u>7,195</u>	<u>0</u>	<u>642,526</u>
<u>\$7,475</u>	<u>\$0</u>	<u>\$624,236</u>

City of Orrville, Ohio
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2005

	General Obligation Bond Retirement	Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,152	\$112,180	\$116,332
Accrued Interest Receivable	0	744	744
Special Assessments Receivable	0	129,376	129,376
<i>Total Assets</i>	<u>\$4,152</u>	<u>\$242,300</u>	<u>\$246,452</u>
Liabilities and Fund Balances			
Liabilities			
Deferred Revenue	\$0	\$129,376	\$129,376
Fund Balances			
Unreserved, Undesignated	4,152	112,924	117,076
<i>Total Liabilities and Fund Balances</i>	<u>\$4,152</u>	<u>\$242,300</u>	<u>\$246,452</u>

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

	General Obligation Bond Retirement	Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Revenues			
Special Assessments	\$0	\$12,518	\$12,518
Interest	0	13,512	13,512
<i>Total Revenues</i>	<u>0</u>	<u>26,030</u>	<u>26,030</u>
Expenditures			
Debt Service:			
Principal Retirement	0	12,518	12,518
Interest and Fiscal Charges	0	9,785	9,785
<i>Total Expenditures</i>	<u>0</u>	<u>22,303</u>	<u>22,303</u>
<i>Net Change in Fund Balances</i>	0	3,727	3,727
<i>Fund Balances Beginning of Year</i>	<u>4,152</u>	<u>109,197</u>	<u>113,349</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,152</u></u>	<u><u>\$112,924</u></u>	<u><u>\$117,076</u></u>

City of Orrville, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	North Main Street Widening	Park Improvement	Recreation and Park	Grants	Total Nonmajor Capital Projects Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,914	\$21,935	\$4,878	\$28,727
Accrued Interest Receivable	0	12	0	0	12
Intergovernmental Receivable	186,662	0	0	0	186,662
<i>Total Assets</i>	<u>\$186,662</u>	<u>\$1,926</u>	<u>\$21,935</u>	<u>\$4,878</u>	<u>\$215,401</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$186,662	\$0	\$0	\$0	186,662
Deferred Revenue	186,662	0	0	0	186,662
<i>Total Liabilities</i>	<u>373,324</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>373,324</u>
Fund Balances					
Reserved for Encumbrances	209,172	0	0	0	209,172
Unreserved, Undesignated (Deficit)	(395,834)	1,926	21,935	4,878	(367,095)
<i>Total Fund Balances</i>	<u>(186,662)</u>	<u>1,926</u>	<u>21,935</u>	<u>4,878</u>	<u>(157,923)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$186,662</u>	<u>\$1,926</u>	<u>\$21,935</u>	<u>\$4,878</u>	<u>\$215,401</u>

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

	North Main Street Widening	Park Improvement	Recreation and Park	Grants	Total Nonmajor Capital Projects Funds
Revenues					
Interest	\$0	\$43	\$0	\$0	\$43
Fines, Licenses and Permits	0	0	1,000	0	1,000
<i>Total Revenues</i>	0	43	1,000	0	1,043
Expenditures					
Capital Outlay	318,558	0	0	0	318,558
<i>Net Change in Fund Balances</i>	(318,558)	43	1,000	0	(317,515)
<i>Fund Balances Beginning of Year</i>	131,896	1,883	20,935	4,878	159,592
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$186,662)</u>	<u>\$1,926</u>	<u>\$21,935</u>	<u>\$4,878</u>	<u>(\$157,923)</u>

Fund Descriptions - Fiduciary Funds

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is the cemetery memorial private-purpose trust. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Private-Purpose Trust Fund

Cemetery Memorial Fund - This fund accounts for resources given by individuals with the interest specifically designated to be used for the decoration of individually named graves.

Agency Fund

Deposits in Escrow Fund - To account for deposits from businesses or individuals for the estimated cost of additional utility line installation. When work is completed, any money not used to cover the cost of the project is returned. This fund also accounts for deposits collected for the use of the City's recreational facilities. If there is no damage to the facilities, the money is returned.

City of Orrville, Ohio
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended December 31, 2005

	<u>Beginning Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 12/31/05</u>
Deposits in Escrow				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$61,647	\$11,075	\$4,376	\$68,346
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Deposits Held and Due to Others	\$61,647	\$11,075	\$4,376	\$68,346
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Fund Equity - Budget (Non-GAAP Basis) and Actual**

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$476,300	\$476,300	\$485,085	\$8,785
Income Taxes	2,050,000	2,050,000	2,193,278	143,278
Other Local Taxes	800,000	800,000	837,438	37,438
Intergovernmental	579,399	579,399	633,790	54,391
Interest	82,700	82,700	106,653	23,953
Fines, Licenses and Permits	72,350	72,350	127,392	55,042
Rentals	30,000	30,000	31,600	1,600
Charges for Services	157,750	157,750	171,840	14,090
Other	6,000	6,000	47,172	41,172
<i>Total Revenues</i>	4,254,499	4,254,499	4,634,248	379,749
Expenditures				
Current:				
General Government:				
City Council:				
Personal Services	31,125	31,125	31,090	35
City Hall:				
Personal Services	126,740	126,740	128,046	(1,306)
Purchased Services	19,650	19,650	17,412	2,238
Materials and Supplies	10,031	10,031	8,733	1,298
Total City Hall	156,421	156,421	154,191	2,230
Employee Benefits:				
Personal Services	85,280	85,280	79,992	5,288
Purchased Services	8,700	8,700	4,695	4,005
Materials and Supplies	3,550	3,550	3,482	68
Total Employee Benefits	97,530	97,530	88,169	9,361
Finance Department:				
Personal Services	64,550	64,550	64,186	364
Purchased Services	32,888	32,888	28,068	4,820
Materials and Supplies	2,449	2,449	1,508	941
Total Finance Department	99,887	99,887	93,762	6,125
Data Processing:				
Personal Services	19,497	19,497	21,643	(2,146)
Purchased Services	27,116	27,116	29,093	(1,977)
Materials and Supplies	6,960	6,960	6,940	20
Total Data Processing	\$53,573	\$53,573	\$57,676	(\$4,103)

(continued)

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Income Tax:				
Personal Services	\$52,900	\$52,900	\$52,126	\$774
Purchased Services	181,080	181,080	1,339	179,741
Materials and Supplies	5,589	5,589	3,610	1,979
Total Income Tax	239,569	239,569	57,075	182,494
Law Department:				
Personal Services	24,130	24,130	23,471	659
Purchased Services	25,391	25,391	14,045	11,346
Total Law Department	49,521	49,521	37,516	12,005
Mayor's Office:				
Personal Services	17,160	17,160	17,392	(232)
Materials and Supplies	50	50	0	50
Total Mayor's Office	17,210	17,210	17,392	(182)
Administrative:				
Personal Services	178,319	178,319	179,238	(919)
Purchased Services	256,757	256,757	221,208	35,549
Materials and Supplies	17,733	17,733	12,822	4,911
Total Administrative	452,809	452,809	413,268	39,541
Total General Government	1,197,645	1,197,645	950,139	247,506
Security of Persons and Property:				
Police:				
Law Enforcement:				
Personal Services	1,313,550	1,313,550	1,269,451	44,099
Purchased Services	71,230	71,230	58,565	12,665
Materials and Supplies	49,026	49,026	52,625	(3,599)
Total Police	1,433,806	1,433,806	1,380,641	53,165
Fire:				
Fire Department:				
Personal Services	319,775	319,775	302,628	17,147
Purchased Services	54,695	54,695	46,084	8,611
Materials and Supplies	37,992	37,992	35,749	2,243
Total Fire	412,462	412,462	384,461	28,001
Total Security of Persons and Property	\$1,846,268	\$1,846,268	\$1,765,102	\$81,166

(continued)

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Transportation:				
Street:				
Personal Services	\$412,200	\$412,200	\$377,762	\$34,438
Purchased Services	16,624	16,624	38,137	(21,513)
Materials and Supplies	79,283	79,283	77,046	2,237
Total Transportation	508,107	508,107	492,945	15,162
Public Health and Welfare:				
Animal Control:				
Purchased Services	1,400	1,400	210	1,190
Materials and Supplies	15,400	15,400	12,221	3,179
Total Animal Control	16,800	16,800	12,431	4,369
Cemetery:				
Personal Services	119,260	119,260	89,739	29,521
Purchased Services	8,800	8,800	6,722	2,078
Materials and Supplies	14,173	14,173	12,057	2,116
Total Cemetery	142,233	142,233	108,518	33,715
Total Public Health and Welfare	159,033	159,033	120,949	38,084
Leisure Time Activities:				
Park:				
Personal Services	123,200	123,200	104,740	18,460
Purchased Services	11,598	11,598	10,105	1,493
Materials and Supplies	22,276	22,276	16,565	5,711
Total Park	157,074	157,074	131,410	25,664
Pool:				
Personal Services	70,000	70,000	63,281	6,719
Purchased Services	13,980	13,980	6,970	7,010
Materials and Supplies	20,710	20,710	8,644	12,066
Total Pool	104,690	104,690	78,895	25,795
Recreation:				
Materials and Supplies	2,800	2,800	2,062	738
Total Leisure Time Activities	264,564	264,564	212,367	52,197
<i>Total Expenditures</i>	<i>\$3,975,617</i>	<i>\$3,975,617</i>	<i>\$3,541,502</i>	<i>\$434,115</i>

(continued)

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over Expenditures</i>	\$278,882	\$278,882	\$1,092,746	\$813,864
Other Financing Uses				
Transfers Out	(1,153,000)	(1,153,000)	(1,051,002)	101,998
<i>Net Change in Fund Balance</i>	(874,118)	(874,118)	41,744	915,862
<i>Fund Balance Beginning of Year</i>	851,228	851,228	851,228	0
Prior Year Encumbrances Appropriated	67,679	67,679	67,679	0
<i>Fund Balance End of Year</i>	\$44,789	\$44,789	\$960,651	\$915,862

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$520,000	\$520,000	\$534,219	\$14,219
Charges for Services	0	0	1,165	1,165
Other	0	0	113,833	113,833
<i>Total Revenues</i>	520,000	520,000	649,217	129,217
Expenditures				
Capital Outlay	1,667,054	1,667,054	1,005,975	661,079
<i>Net Change in Fund Balance</i>	(1,147,054)	(1,147,054)	(356,758)	790,296
<i>Fund Balance Beginning of Year</i>	1,472,096	1,472,096	1,472,096	0
Prior Year Encumbrances Appropriated	692,604	692,604	692,604	0
<i>Fund Balance End of Year</i>	<u>\$1,017,646</u>	<u>\$1,017,646</u>	<u>\$1,807,942</u>	<u>\$790,296</u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$34,850	\$34,850	\$119,625	\$84,775
Charges for Services	1,878,300	1,878,300	1,962,717	84,417
Other	3,100	3,100	1,321	(1,779)
<i>Total Revenues</i>	<u>1,916,250</u>	<u>1,916,250</u>	<u>2,083,663</u>	<u>167,413</u>
Expenses				
Personal Services	965,770	965,770	836,284	129,486
Purchased Services	327,651	327,651	285,255	42,396
Materials and Supplies	251,107	251,107	93,689	157,418
Utilities	117,900	117,900	109,698	8,202
Capital Outlay	514,668	514,668	451,469	63,199
Debt Service:				
Principal Retirement	412,100	412,100	412,081	19
Interest and Fiscal Charges	130,700	130,700	130,685	15
<i>Total Expenses</i>	<u>2,719,896</u>	<u>2,719,896</u>	<u>2,319,161</u>	<u>400,735</u>
<i>Net Change in Fund Equity</i>	(803,646)	(803,646)	(235,498)	568,148
<i>Fund Equity Beginning of Year</i>	4,190,696	4,190,696	4,190,696	0
Prior Year Encumbrances Appropriated	131,828	131,828	131,828	0
<i>Fund Equity End of Year</i>	<u>\$3,518,878</u>	<u>\$3,518,878</u>	<u>\$4,087,026</u>	<u>\$568,148</u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Electric Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$148,600	\$148,600	\$211,659	\$63,059
Charges for Services	22,057,500	23,557,500	24,629,089	1,071,589
Sale of Capital Assets	1,000	1,000	2,025	1,025
Notes Issued	800,000	800,000	800,000	0
Other	359,000	359,000	529,414	170,414
<i>Total Revenues</i>	<u>23,366,100</u>	<u>24,866,100</u>	<u>26,172,187</u>	<u>1,306,087</u>
Expenses				
Personal Services	5,796,600	5,796,600	5,430,743	365,857
Purchased Services	3,078,718	3,093,718	2,928,872	164,846
Materials and Supplies	14,213,842	15,213,842	14,922,694	291,148
Utilities	840,145	1,240,145	855,248	384,897
Capital Outlay	1,024,500	1,124,500	1,562,233	(437,733)
Debt Service:				
Principal Retirement	2,100,000	2,100,000	2,340,000	(240,000)
Interest and Fiscal Charges	650,000	650,000	346,445	303,555
<i>Total Expenses</i>	<u>27,703,805</u>	<u>29,218,805</u>	<u>28,386,235</u>	<u>832,570</u>
<i>Excess of Revenues Under Expenses</i>	(4,337,705)	(4,352,705)	(2,214,048)	2,138,657
Transfers In	815,000	815,000	837,438	22,438
<i>Net Change in Fund Equity</i>	(3,522,705)	(3,537,705)	(1,376,610)	2,161,095
<i>Fund Equity Beginning of Year</i>	6,286,503	6,286,503	6,286,503	0
Prior Year Encumbrances Appropriated	1,103,104	1,103,104	1,103,104	0
<i>Fund Equity End of Year</i>	<u>\$3,866,902</u>	<u>\$3,851,902</u>	<u>\$6,012,997</u>	<u>\$2,161,095</u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$29,804	\$29,804	\$55,531	\$25,727
Charges for Services	2,636,220	2,636,220	2,617,217	(19,003)
Other	7,224	7,224	8,939	1,715
<i>Total Revenues</i>	<u>2,673,248</u>	<u>2,673,248</u>	<u>2,681,687</u>	<u>8,439</u>
Expenses				
Personal Services	1,146,216	1,146,216	929,599	216,617
Purchased Services	347,186	347,186	260,683	86,503
Materials and Supplies	509,251	509,251	201,117	308,134
Utilities	146,100	146,100	149,569	(3,469)
Capital Outlay	387,000	387,000	520,948	(133,948)
Debt Service:				
Principal Retirement	441,000	441,000	460,443	(19,443)
Interest and Fiscal Charges	284,000	284,000	259,292	24,708
<i>Total Expenses</i>	<u>3,260,753</u>	<u>3,260,753</u>	<u>2,781,651</u>	<u>479,102</u>
<i>Net Change in Fund Equity</i>	(587,505)	(587,505)	(99,964)	487,541
<i>Fund Equity Beginning of Year</i>	1,678,483	1,678,483	1,678,483	0
Prior Year Encumbrances Appropriated	198,053	198,053	198,053	0
<i>Fund Equity End of Year</i>	<u>\$1,289,031</u>	<u>\$1,289,031</u>	<u>\$1,776,572</u>	<u>\$487,541</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Gas Tax Motor Vehicle License Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$300,000	\$300,000	\$378,914	\$78,914
Interest	550	550	781	231
Other	0	0	2,774	2,774
<i>Total Revenues</i>	<u>300,550</u>	<u>300,550</u>	<u>382,469</u>	<u>81,919</u>
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Personal Services	535,000	535,000	478,125	56,875
Purchased Services	30,966	30,966	23,077	7,889
Materials and Supplies	70,802	70,802	64,739	6,063
<i>Total Expenditures</i>	<u>636,768</u>	<u>636,768</u>	<u>565,941</u>	<u>70,827</u>
<i>Excess of Revenues Under Expenditures</i>	(336,218)	(336,218)	(183,472)	152,746
Other Financing Sources				
Transfers In	350,000	350,000	200,000	(150,000)
<i>Net Change in Fund Balance</i>	13,782	13,782	16,528	2,746
<i>Fund Balance (Deficit) Beginning of Year</i>	(3,448)	(3,448)	(3,448)	0
Prior Year Encumbrances Appropriated	7,009	7,009	7,009	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$17,343</u>	<u>\$17,343</u>	<u>\$20,089</u>	<u>\$2,746</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$22,000	\$22,000	\$30,487	\$8,487
Interest	2,550	2,550	5,221	2,671
Other	0	0	1,648	1,648
<i>Total Revenues</i>	<u>24,550</u>	<u>24,550</u>	<u>37,356</u>	<u>12,806</u>
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	143,500	176,500	138,248	38,252
Materials and Supplies	16,823	16,823	25,130	(8,307)
<i>Total Expenditures</i>	<u>160,323</u>	<u>193,323</u>	<u>163,378</u>	<u>29,945</u>
<i>Net Change in Fund Balance</i>	(135,773)	(168,773)	(126,022)	42,751
<i>Fund Balance Beginning of Year</i>	174,400	174,400	174,400	0
Prior Year Encumbrances Appropriated	<u>3,323</u>	<u>3,323</u>	<u>3,323</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$41,950</u></u>	<u><u>\$8,950</u></u>	<u><u>\$51,701</u></u>	<u><u>\$42,751</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Motor Vehicle License Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$45,000	\$45,000	\$44,992	(\$8)
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	5,000	5,000	4,000	1,000
Materials and Supplies	42,544	42,544	39,869	2,675
<i>Total Expenditures</i>	<u>47,544</u>	<u>47,544</u>	<u>43,869</u>	<u>3,675</u>
<i>Net Change in Fund Balance</i>	(2,544)	(2,544)	1,123	3,667
<i>Fund Balance Beginning of Year</i>	24,627	24,627	24,627	0
Prior Year Encumbrances Appropriated	<u>2,544</u>	<u>2,544</u>	<u>2,544</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$24,627</u>	<u>\$24,627</u>	<u>\$28,294</u>	<u>\$3,667</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Parking Meter Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,500)	(2,500)	(2,500)	0
<i>Fund Balance Beginning of Year</i>	<u>23,312</u>	<u>23,312</u>	<u>23,312</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$20,812</u></u>	<u><u>\$20,812</u></u>	<u><u>\$20,812</u></u>	<u><u>\$0</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Solid Waste Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$272,000	\$272,000	\$262,574	(\$9,426)
Expenditures				
Current:				
Basic Utility Service:				
Solid Waste Services:				
Purchased Services	<u>285,000</u>	<u>285,000</u>	<u>282,403</u>	<u>2,597</u>
<i>Excess of Revenues Under Expenditures</i>	(13,000)	(13,000)	(19,829)	(6,829)
Other Financing Sources				
Transfers In	<u>18,000</u>	<u>18,000</u>	<u>13,564</u>	<u>(4,436)</u>
<i>Net Change in Fund Balance</i>	5,000	5,000	(6,265)	(11,265)
<i>Fund Balance Beginning of Year</i>	<u>4,242</u>	<u>4,242</u>	<u>4,242</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>\$9,242</u></u>	<u><u>\$9,242</u></u>	<u><u>(\$2,023)</u></u>	<u><u>(\$11,265)</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Fines, Licenses and Permits	<u>\$4,000</u>	<u>\$4,000</u>	<u>\$1,391</u>	<u>(\$2,609)</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Law Enforcement:				
Personal Services	2,470	2,470	0	2,470
Materials and Supplies	<u>9,000</u>	<u>9,000</u>	<u>5,984</u>	<u>3,016</u>
<i>Total Expenditures</i>	<u>11,470</u>	<u>11,470</u>	<u>5,984</u>	<u>5,486</u>
<i>Net Change in Fund Balance</i>	(7,470)	(7,470)	(4,593)	2,877
<i>Fund Balance Beginning of Year</i>	<u>14,877</u>	<u>14,877</u>	<u>14,877</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,407</u></u>	<u><u>\$7,407</u></u>	<u><u>\$10,284</u></u>	<u><u>\$2,877</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Enforcement and Education Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Fines, Licenses and Permits	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$815</u>	<u>(\$185)</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Law Enforcement:				
Personal Services	1,000	1,000	0	1,000
Materials and Supplies	<u>1,500</u>	<u>1,500</u>	<u>195</u>	<u>1,305</u>
<i>Total Expenditures</i>	<u>2,500</u>	<u>2,500</u>	<u>195</u>	<u>2,305</u>
<i>Net Change in Fund Balance</i>	(1,500)	(1,500)	620	2,120
<i>Fund Balance Beginning of Year</i>	<u>8,155</u>	<u>8,155</u>	<u>8,155</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,655</u></u>	<u><u>\$6,655</u></u>	<u><u>\$8,775</u></u>	<u><u>\$2,120</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Cemetery Maintenance Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$20,000	\$20,000	\$19,912	(\$88)
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	20,000	20,000	19,912	(88)
<i>Fund Balance Beginning of Year</i>	<u>199,975</u>	<u>199,975</u>	<u>199,975</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$219,975</u></u>	<u><u>\$219,975</u></u>	<u><u>\$219,887</u></u>	<u><u>(\$88)</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	<u>\$72,000</u>	<u>\$72,000</u>	<u>\$60,010</u>	<u>(\$11,990)</u>
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	35,000	35,000	20,348	14,652
Materials and Supplies	<u>40,590</u>	<u>40,590</u>	<u>17,308</u>	<u>23,282</u>
<i>Total Expenditures</i>	<u>75,590</u>	<u>75,590</u>	<u>37,656</u>	<u>37,934</u>
<i>Net Change in Fund Balance</i>	(3,590)	(3,590)	22,354	25,944
<i>Fund Balance Beginning of Year</i>	29,057	29,057	29,057	0
Prior Year Encumbrances Appropriated	<u>590</u>	<u>590</u>	<u>590</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$26,057</u>	<u>\$26,057</u>	<u>\$52,001</u>	<u>\$25,944</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Emergency Medical Service Equipment Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$20,000	\$20,000	\$38,601	\$18,601
Expenditures				
Current:				
Public Health and Welfare:				
Emergency Medical Service:				
Materials and Supplies	<u>129,000</u>	<u>129,000</u>	<u>116,610</u>	<u>12,390</u>
<i>Net Change in Fund Balance</i>	(109,000)	(109,000)	(78,009)	30,991
<i>Fund Balance Beginning of Year</i>	67,040	67,040	67,040	0
Prior Year Encumbrances Appropriated	<u>114,000</u>	<u>114,000</u>	<u>114,000</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$72,040</u></u>	<u><u>\$72,040</u></u>	<u><u>\$103,031</u></u>	<u><u>\$30,991</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Performing Arts Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$250	\$250	\$285	\$35
Contributions and Donations	8,000	8,000	10,290	2,290
<i>Total Revenues</i>	<u>8,250</u>	<u>8,250</u>	<u>10,575</u>	<u>2,325</u>
Expenditures				
Current:				
Leisure Time Activities:				
Performing Arts:				
Purchased Services	11,000	11,000	9,700	1,300
Materials and Supplies	1,000	1,000	619	381
<i>Total Expenditures</i>	<u>12,000</u>	<u>12,000</u>	<u>10,319</u>	<u>1,681</u>
<i>Net Change in Fund Balance</i>	(3,750)	(3,750)	256	4,006
<i>Fund Balance Beginning of Year</i>	<u>7,173</u>	<u>7,173</u>	<u>7,173</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,423</u></u>	<u><u>\$3,423</u></u>	<u><u>\$7,429</u></u>	<u><u>\$4,006</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
FEMA Grant Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$0	\$100,000	\$95,944	(\$4,056)
Expenditures				
Current:				
Public Health and Welfare:				
Federal Emergency Management:				
Purchased Services	<u>0</u>	<u>100,000</u>	<u>95,944</u>	<u>4,056</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Obligation Bond Retirement Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$0	\$0	\$0	\$0
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>4,152</u>	<u>4,152</u>	<u>4,152</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,152</u></u>	<u><u>\$4,152</u></u>	<u><u>\$4,152</u></u>	<u><u>\$0</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Assessment Bond Retirement Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$21,200	\$21,200	\$22,253	\$1,053
Interest	1,550	1,550	3,393	1,843
<i>Total Revenues</i>	<u>22,750</u>	<u>22,750</u>	<u>25,646</u>	<u>2,896</u>
Expenditures				
Debt Service:				
Principal Retirement	12,600	12,600	12,518	82
Interest and Fiscal Charges	10,100	10,100	9,785	315
<i>Total Expenditures</i>	<u>22,700</u>	<u>22,700</u>	<u>22,303</u>	<u>397</u>
<i>Net Change in Fund Balance</i>	50	50	3,343	3,293
<i>Fund Balance Beginning of Year</i>	<u>108,837</u>	<u>108,837</u>	<u>108,837</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$108,887</u></u>	<u><u>\$108,887</u></u>	<u><u>\$112,180</u></u>	<u><u>\$3,293</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
North Main Street Widening Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$343,956	\$343,956	\$131,896	(\$212,060)
Expenditures				
Capital Outlay	<u>343,956</u>	<u>343,956</u>	<u>341,068</u>	<u>2,888</u>
<i>Net Change in Fund Balance</i>	0	0	(209,172)	(209,172)
<i>Fund Balance (Deficit) Beginning of Year</i>	(131,896)	(131,896)	(131,896)	0
Prior Year Encumbrances Appropriated	<u>131,896</u>	<u>131,896</u>	<u>131,896</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>(\$209,172)</u>	<u>(\$209,172)</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Park Improvement Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$0	\$0	\$31	\$31
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	31	31
<i>Fund Balance Beginning of Year</i>	<u>1,883</u>	<u>1,883</u>	<u>1,883</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,883</u></u>	<u><u>\$1,883</u></u>	<u><u>\$1,914</u></u>	<u><u>\$31</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation and Park Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Fines, Licenses and Permits	\$1,200	\$1,200	\$1,000	(\$200)
Expenditures				
Capital Outlay	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
<i>Net Change in Fund Balance</i>	700	700	1,000	300
<i>Fund Balance Beginning of Year</i>	<u>20,935</u>	<u>20,935</u>	<u>20,935</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$21,635</u></u>	<u><u>\$21,635</u></u>	<u><u>\$21,935</u></u>	<u><u>\$300</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Grants Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$424,500	\$424,500	\$0	(\$424,500)
Expenditures				
Capital Outlay	<u>424,500</u>	<u>424,500</u>	<u>0</u>	<u>424,500</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>4,878</u>	<u>4,878</u>	<u>4,878</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,878</u></u>	<u><u>\$4,878</u></u>	<u><u>\$4,878</u></u>	<u><u>\$0</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Employee Health Insurance Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$21,000	\$21,000	\$21,869	\$869
Charges for Services	<u>1,362,000</u>	<u>1,362,000</u>	<u>1,246,593</u>	<u>(\$115,407)</u>
<i>Total Revenues</i>	1,383,000	1,383,000	1,268,462	(114,538)
Expenses				
Contractual Services	<u>1,757,100</u>	<u>1,757,100</u>	<u>1,241,419</u>	<u>515,681</u>
<i>Net Change in Fund Equity</i>	(374,100)	(374,100)	27,043	401,143
<i>Fund Equity Beginning of Year</i>	<u>761,838</u>	<u>761,838</u>	<u>761,838</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$387,738</u></u>	<u><u>\$387,738</u></u>	<u><u>\$788,881</u></u>	<u><u>\$401,143</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Cemetery Memorial Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$50	\$50	\$115	\$65
Expenses				
Current:				
Cemetery:				
Other	<u>75</u>	<u>75</u>	<u>50</u>	<u>25</u>
<i>Net Change in Fund Equity</i>	(25)	(25)	65	90
<i>Fund Equity Beginning of Year</i>	<u>4,063</u>	<u>4,063</u>	<u>4,063</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$4,038</u></u>	<u><u>\$4,038</u></u>	<u><u>\$4,128</u></u>	<u><u>\$90</u></u>

Statistical Section

City of Orrville, Ohio
*Governmental Activities Revenues by Source
and Expenses by Function
Last Five Years (1)*

	2005	2004	2003	2002	2001
Program Revenues					
Charges for Services	\$646,620	\$624,575	\$537,764	\$621,451	\$529,690
Operating Grants and Contributions	567,247	471,167	428,590	454,556	367,877
Capital Grants and Contributions	282,606	819,983	678,138	420,132	171,351
General Revenues					
Property Taxes	524,516	536,388	476,914	446,237	483,588
Income Taxes	2,730,228	2,378,792	2,960,636	2,448,284	2,588,695
Other Local Taxes	837,438	802,505	782,502	767,505	470,708
Intergovernmental	717,533	497,937	631,092	620,248	752,755
Interest	139,056	80,061	81,948	107,127	282,992
Other	165,427	112,812	127,254	201,520	70,965
Total	\$6,610,671	\$6,324,220	\$6,704,838	\$6,087,060	\$5,718,621
Expenses					
General Government	\$1,075,509	\$970,814	\$968,370	\$945,989	\$849,687
Security of Persons and Property:					
Police	1,360,423	1,425,870	1,421,121	1,224,678	1,264,380
Fire	531,847	357,766	541,831	525,596	471,736
Transportation	1,590,642	2,478,398	2,007,903	2,672,156	1,999,708
Public Health and Welfare	118,376	179,941	192,459	170,233	129,335
Leisure Time Activities	252,386	308,917	357,372	389,710	356,011
Basic Utility Services	282,403	279,895	274,386	272,076	237,049
Debt Service					
Interest and Fiscal Charges	9,706	10,726	11,013	11,557	12,175
Total	\$5,221,292	\$6,012,327	\$5,774,455	\$6,211,995	\$5,320,081

Source: City financial records

(1) The City first began reporting on a full accrual basis in 2001.

City of Orrville, Ohio
*Governmental Fund Revenues by Source
and Expenditures by Function
Last Ten Years*

	2005	2004	2003	2002
Revenues				
Property Taxes	\$485,085	\$580,710	\$442,911	\$466,911
Income Taxes	2,700,645	2,575,080	2,910,735	2,526,099
Other Local Taxes	837,438	802,505	782,502	767,505
Special Assessments	12,518	12,129	21,186	16,977
Intergovernmental	1,359,658	1,708,192	1,733,338	1,530,312
Interest	139,056	81,999	69,723	107,127
Fines, Licenses, and Permits	130,687	40,277	27,812	53,817
Rentals	31,600	31,500	0	31,700
Charges for Services	484,450	553,287	499,551	544,303
Contributions and Donations	10,290	9,900	8,062	9,546
Other	165,427	112,812	127,254	201,020
Total	\$6,356,854	\$6,508,391	\$6,623,074	\$6,255,317
Expenditures				
General Government	\$1,000,293	\$859,525	\$877,044	\$838,937
Security of Persons and Property:				
Police	1,378,888	1,370,432	1,366,492	1,344,277
Fire	374,293	393,870	381,581	386,818
Transportation	1,226,957	1,167,448	1,139,246	1,220,558
Public Health and Welfare	118,486	255,971	205,711	153,395
Community Development	0	0	0	0
Leisure Time Activities	218,033	214,635	273,331	318,917
Basic Utility Service	282,403	279,895	274,386	272,076
Capital Outlay	701,247	1,963,528	1,247,979	1,347,873
Debt Service				
Principal Retirement	12,518	12,129	10,400	9,120
Interest and Fiscal Charges	9,785	10,801	10,956	11,616
Total	\$5,322,903	\$6,528,234	\$5,787,126	\$5,903,587

Source: City financial records

2001	2000	1999	1998	1997	1996
\$471,047	\$431,700	\$1,070,738	\$1,053,839	\$827,876	\$797,928
2,594,930	2,637,057	2,626,006	2,667,839	2,464,708	2,460,140
470,708	0	0	0	0	0
8,860	78,968	70,328	22,449	32,205	0
1,208,110	1,317,306	600,413	745,648	819,624	440,284
282,992	363,909	213,160	259,664	188,666	145,479
22,623	16,760	41,074	30,071	36,697	51,071
32,828	0	0	0	0	0
479,129	503,888	476,046	424,050	386,799	316,294
13,510	17,810	0	0	0	0
70,965	405,497	109,971	265,947	141,581	277,185
<u>\$5,655,702</u>	<u>\$5,772,895</u>	<u>\$5,207,736</u>	<u>\$5,469,507</u>	<u>\$4,898,156</u>	<u>\$4,488,381</u>
\$844,855	\$1,480,689	\$1,532,689	\$1,411,851	\$1,385,603	\$1,592,922
	1,359,979	1,125,793	1,439,599	1,084,348	1,122,375
1,213,840	N/A	N/A	N/A	N/A	N/A
383,512	N/A	N/A	N/A	N/A	N/A
1,129,278	1,109,183	975,683	1,383,089	1,209,195	781,303
146,672	124,620	113,483	200	102,386	125,526
0	0	84,683	20,412	37,976	11,815
296,834	248,407	180,858	182,038	165,168	175,732
237,049	247,849	184,866	326,764	272,951	241,415
1,254,462	1,421,262	649,360	484,479	228,259	1,569,546
8,860	255,000	265,000	21,000	19,242	316,000
12,221	24,538	20,738	8,866	12,617	20,998
<u>\$5,527,583</u>	<u>\$6,271,527</u>	<u>\$5,133,153</u>	<u>\$5,278,298</u>	<u>\$4,517,745</u>	<u>\$5,957,632</u>

City of Orrville, Ohio
Property Tax Levies and Collections - Real and Public Utility Taxes
Last Ten Years

Year	Total Tax Levy (1) (2)	Current Tax Collections	Percentage of Current Tax Collections to Total Tax Levy	Delinquent Tax Collections	Total Tax Collections
2005	\$430,004	\$369,975	86.04%	\$13,041	\$383,016
2004	404,593	362,890	89.69	15,519	378,409
2003	403,460	361,460	89.59	7,432	368,892
2002	384,801	342,266	88.95	18,662	360,928
2001	351,743	335,214	95.30	9,840	345,054
2000	347,639	333,723	96.00	10,850	344,573
1999	332,783	310,792	93.39	5,654	316,446
1998	330,279	306,915	92.93	6,936	313,851
1997	310,660	299,638	96.45	6,554	306,192
1996	251,370	N/A	N/A	N/A	N/A

Source: Wayne County Auditor

(1) State Reimbursement of Rollback and Homestead Exemptions are included.

(2) Amounts listed include penalties and interest.

<u>Percentage of Total Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes (2)</u>	<u>Percentage of Outstanding Delinquent Taxes to Total Tax Levy</u>
89.07%	\$52,189	12.14%
93.53	22,344	5.52
91.43	18,612	4.61
93.80	26,873	6.98
98.10	6,689	1.90
99.12	2,186	0.63
95.09	6,719	2.02
95.03	8,976	2.72
98.56	8,102	2.61
N/A	4,725	1.88

City of Orrville, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 Assessed Value)
Last Ten Years

Year	City of Orrville	Wayne County	Orrville City Schools	Wayne County Joint Vocational School	Townships	Other (a)	Total
2005	\$2.80	\$9.65	\$54.30	\$4.10	\$0.40	\$1.75	\$73.00
2004	2.80	9.65	54.30	4.10	0.40	1.75	73.00
2003	2.80	9.65	54.30	4.10	0.40	1.75	73.00
2002	2.80	8.75	46.60	4.10	0.40	1.75	64.40
2001	2.80	8.75	46.60	4.10	0.40	1.75	64.40
2000	2.80	8.75	46.60	4.10	0.40	1.75	64.40
1999	2.80	8.75	46.60	4.10	0.40	1.75	64.40
1998	2.80	8.35	46.66	4.10	0.40	1.75	64.06
1997	2.80	8.35	48.06	4.10	0.40	1.75	65.46
1996	2.80	8.35	46.80	4.10	0.40	1.75	64.20

(a) Includes Wayne Holmes Mental Health 1 mill levy and Orrville Library .75 mill levy.

Source: Wayne County, Ohio; County Auditor

City of Orrville, Ohio
Special Assessment Collections (1)
Last Ten Years

Year	Total Assessments Due	Current Collections (2)	Ratio of Collections to Amount Due
2005	\$26,421	\$22,253	84 %
2004	29,770	26,693	90
2003	25,505	21,186	83
2002	24,663	16,977	69
2001	8,860	8,860	100
2000	12,728	11,785	93
1999	24,570	23,409	95
1998	24,910	23,140	93
1997	33,064	32,205	97
1996	21,380	20,389	95

Source: Wayne County, Ohio; County Auditor

- (1) Represents special assessments collected by the County for the retirement of debt.
- (2) Includes the amounts billed and collected for City special assessments for recent tax collection years. "Billed" includes current charges, including interest. "Collected" includes collections of current "billed" and delinquencies.

City of Orrville, Ohio
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Year (1)	Real Property		Public Utility Property	
	Assessed Value	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value (2)
2005	\$144,461,790	\$412,747,971	\$1,960,770	\$2,228,148
2004	135,478,430	387,081,229	2,077,010	2,360,239
2003	131,864,180	376,754,800	2,099,430	2,385,716
2002	132,460,900	378,459,714	2,168,600	2,464,318
2001	121,989,850	348,542,429	3,632,920	4,128,318
2000	121,356,540	346,732,971	2,811,990	3,195,443
1999	116,613,000	333,180,000	3,319,780	3,772,477
1998	112,608,720	321,739,200	3,437,800	3,906,591
1997	107,586,730	307,390,657	3,438,850	3,907,784
1996	87,671,500	250,490,000	3,404,320	3,868,545

Source: Wayne County, Ohio; County Auditor

- (1) The year represents collection year.
- (2) This amount is calculated based on the following percentages:
 - Real estate is assessed at 35 percent of actual value.
 - Public utility personal is assessed at various rates from 25 to 88 percent of actual value.
 - Capital assets for tangible personal property are assessed at 25 percent of actual value.
 - Inventory for tangible personal property is assessed at 23 percent of actual value.

Tangible Personal Property		Total		
Assessed Value	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value	Ratio
\$33,446,230	\$133,784,920	\$179,868,790	\$548,761,040	32.78%
37,227,546	148,910,184	174,782,986	538,351,652	32.47
41,427,628	165,710,512	175,391,238	544,851,028	32.19
51,504,020	206,016,080	186,133,520	586,940,112	31.71
47,813,902	191,255,608	173,436,672	543,926,355	31.89
45,578,894	182,315,576	169,747,424	532,243,990	31.89
41,889,730	167,558,920	161,822,510	504,511,397	32.08
45,293,320	181,173,280	161,339,840	506,819,071	31.83
39,044,288	156,177,152	150,069,868	467,475,593	32.10
34,653,755	138,615,020	125,729,575	392,973,565	31.99

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

Year	Principal	Interest	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service To Total Governmental Expenditures
1997-2005 (1)	N/A	N/A	N/A	N/A	N/A
1996	\$25,000	\$1,469	\$26,469	\$5,957,632	0.44 %

Source: City financial records

(1) General obligation debt was retired in 1996.

City of Orrville, Ohio
Revenue Bond Coverage
Last Ten Years

Fund/Year	Operating Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
Electric Fund:							
1996	\$16,188,414	\$12,437,163	\$3,751,251	\$670,000	\$1,291,278	\$1,961,278	1.91
1997	16,554,437	12,036,514	4,517,923	930,000	1,156,644	2,086,644	2.17
1998	17,689,972	12,533,335	5,156,637	1,020,000	1,069,939	2,089,939	2.47
1999	17,636,132	13,995,474	3,640,658	1,130,000	871,517	2,001,517	1.82
2000	17,574,117	14,533,866	3,040,251	1,165,000	808,294	1,973,294	1.54
2001	19,705,834	15,781,278	3,924,556	1,215,000	761,289	1,976,289	1.99
2002	19,538,733	17,566,833	1,971,900	1,260,000	740,121	2,000,121	0.99
2003	20,852,917	19,022,457	1,830,460	1,310,000	544,252	1,854,252	0.99
2004	23,254,909	20,148,363	3,106,546	1,375,000	640,384	2,015,384	1.54
2005	26,694,430	22,803,540	3,890,890	1,440,000	327,995	1,767,995	2.20
Water Fund:							
1996	\$2,179,181	\$1,179,560	\$999,621	\$210,000	\$515,204	\$725,204	1.38
1997	2,535,039	1,230,510	1,304,529	220,000	506,279	726,279	1.80
1998	2,564,567	1,113,054	1,451,513	230,000	496,379	726,379	2.00
1999	2,543,489	1,207,619	1,335,870	240,000	485,684	725,684	1.84
2000	2,480,785	1,335,435	1,145,350	250,000	474,284	724,284	1.58
2001	2,674,119	1,536,782	1,137,337	265,000	492,380	757,380	1.50
2002	2,454,413	1,931,137	523,276	263,294	272,061	535,355	0.98
2003	2,459,971	1,484,096	975,875	385,000	298,947	683,947	1.43
2004	2,590,025	1,619,417	970,608	395,000	304,307	699,307	1.39
2005	2,694,596	1,390,760	1,303,836	400,000	259,292	659,292	1.98

Source: City Financial Records

(1) Total operating revenues include transfers in and interest revenue, in accordance with the bond indenture agreements.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

City of Orrville, Ohio
Computation of Direct and Overlapping General Obligation Bonded Debt
December 31, 2005

	General Obligation Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Orrville
City of Orrville	\$0	100.00 %	\$0
Wayne County	11,227,000	8.74	981,240
Orrville City Schools	2,760,000	80.39	2,218,764
Total Overlapping Debt	13,987,000		3,200,004
Total Direct and Overlapping Debt	\$13,987,000		\$3,200,004

Source: Wayne County, Ohio; County Auditor

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the assessed valuation of the political subdivision.

City of Orrville, Ohio
*Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita
Last Ten Years*

The City of Orrville does not have any general bonded debt.

City of Orrville, Ohio
Computation of Legal Debt Margin
December 31, 2005

Assessed Value		\$179,868,790
Legal Debt Margin:		
Debt Limitation - 10.5% of Assessed Value		18,886,223
Debt Applicable to Limitation:		
Special Assessment Bonds	\$127,119	
Notes	800,000	
OPWC Loan	785,754	
OWDA Loans	3,341,214	
Revenue Bonds	6,800,000	
Mortgage Revenue Bonds	<u>9,780,000</u>	
Gross Indebtedness (Total Voted and Unvoted Debt)	<u>21,634,087</u>	
Less: Debt Outside Limitations:		
Special Assessments Bonds	127,119	
OPWC Loan	785,754	
OWDA Loans	3,341,214	
Revenue Bonds	6,800,000	
Mortgage Revenue Bonds	<u>9,780,000</u>	
Total Debt Outside Limitations	<u>20,834,087</u>	
Total Debt Applicable to Limitation - Within 10.5% Limitations	800,000	
Less: Amount Available in Debt Service Fund to pay debt applicable to limitation	<u>0</u>	
Net Debt Within 10.5% Limitation		<u>800,000</u>
Overall Debt Margin Within 10.5% Limitation		<u><u>\$18,086,223</u></u>

Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$9,892,783
Gross Indebtedness Authorized by Council	\$21,634,087	
Less: Debt Outside Limitations:		
Total Debt Outside Limitations	<u>20,834,087</u>	
Debt Within 5.5% Limitations	800,000	
Less Amount Available in Debt Service Fund	<u>0</u>	
Net Debt Within 5.5% Limitation		<u>800,000</u>
Unvoted Debt Margin Within 5.5% Limitation		<u><u>\$9,092,783</u></u>

Source: City Financial Records

City of Orrville, Ohio
Demographic Statistics
Last Five Censuses

<u>Year</u>	<u>Population</u>
2000	8,551
1990	7,712
1980	7,511
1970	7,408
1960	6,511

2000 Census Information:

Sex:	
Male	4,143
Female	4,408
Median Age	35.50
Total Households	3,305
Persons per Household	2.55
Median Income	\$36,500
Median Dollar Value of Housing Units	\$99,500

Source: U.S. Bureau of the Census

City of Orrville, Ohio
Property Value, Construction and Bank Deposits
Last Ten Years

Year	Property Value (2)	Residential		Commercial (1)		Industrial (1)		Domestic Bank Deposits in the County (in thousands)
		Number of Units	Value	Number of Units	Value	Number of Units	Value	
2005	\$179,868,790	18	\$3,217,100	1	\$400,000	0	\$0	\$539,643
2004	174,782,986	17	2,133,200	2	\$1,218,500	0	0	522,783 (3)
2003	175,391,238	16	1,753,500	0	\$0	4	7,794,999	1,177,332
2002	186,133,520	21	1,832,500	5	1,207,000	0	0	1,188,627
2001	173,436,672	21	2,758,768	2	490,000	1	18,000	1,027,953
2000	169,747,424	23	4,199,766	2	1,000,000	1	800,000	916,326
1999	161,822,510	18	2,950,793	2	3,300,000	1	1,500,000	1,598,818
1998	161,339,840	26	4,167,556	0	0	1	150,000	1,833,954
1997	150,069,868	29	4,942,274	1	752,000	0	0	1,785,711
1996	125,729,575	29	5,270,594	4	716,000	0	0	856,765

Sources: City building permits reports
Federal Reserve Bank of Cleveland

- (1) Number of units include new construction only
- (2) Represents total assessed value
- (3) Large decrease from prior year caused by National City Bank purchasing Wayne County National Bank.

City of Orrville, Ohio

Principal Employers

December 31, 2005

<u>Employer</u>	<u>Nature of Business or Activity</u>	<u>Approximate Number of Employees</u>
J.M. Smucker Company	Processing of Jams, Jellies and Preserves	1,000
Smith Dairy Products Company	Processing of Dairy Products	320
Quality Castings Company	Manufacturer of Castings	300
Will-Burt Company, Incorporated	Manufacturer of Heating Equipment	275
Buehlers	Food Stores	220
University of Akron/Wayne College	Higher Education	200
Dunlap Hospital	Health Care	175
Orrville City Schools	Education	170
Contours, Incorporated	Fabrication of Formed Wire Products	160
City of Orrville/Orrville Utilities	Local Government/Public Utilities	133
Schantz Organ Company	Manufacturer of Pipe Organs	101

Source: Wayne County, Ohio; County Auditor

City of Orrville, Ohio

Principal Taxpayers

December 31, 2005

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
J.M. Smucker Company	\$6,156,720	3.42 %
Orrvilla Inc	1,981,980	1.10
Smith Dairy Products Company	1,776,910	0.99
Contours, Incorporated	1,758,890	0.98
Orrville Hospital Foundation	1,671,780	0.93
TS Acquisition	1,578,360	0.88
Elden Properties	1,283,190	0.71
Will-Burt Company, Incorporated	1,197,700	0.67
Wayne Orrville Investments LLC	795,630	0.44
Jeanne Stepfield	<u>779,710</u>	<u>0.43</u>
Totals	<u>\$18,980,870</u>	<u>10.55 %</u>
Total Assessed Valuation	<u>\$179,868,790</u>	

Source: Wayne County, Ohio; County Auditor

City of Orrville, Ohio
Miscellaneous Statistics
 December 31, 2005

Date of Incorporation	October 5, 1951
Form of Government	Charter (Mayor/Council)
Area	3,844 acres
Miles of Streets	46
Miles of Storm Sewers	150
Number of Traffic Lights	11
Hospital	1
Employees:	
(Not including Police and Fire)	
Full-Time	138
Part-Time	3
Fire Protection:	
Number of Stations	2
Number of Firefighters and Officers	41
Police Protection:	
Number of Stations	1
Number of Police Officers	
Full-Time	14
Part-Time	1
Building Permits Issued:	
(Including Additions to	
Previously Constructed Buildings)	182
Recreation and Culture:	
Number of Parks	6
Number of Libraries	1
Number of Swimming Pools	1
Number of Tennis Courts	6
Number of Baseball and Softball Diamonds	7
Municipal Utilities:	
Miles of Water Mains	57
Miles of Electric Lines	260
Miles of Sanitary Sewer	42
Number of Consumers:	
Water	
Residential	3,091
Commercial	361
Electric	
Residential	5,872
Commercial	780
Industrial	11
Sewer	
Residential	2,947
Commercial	298

Source: City Records

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**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF ORRVILLE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 06, 2006**