

CITY OF MORAINE, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006



Prepared by:
Department of Finance

James V. Kimmel
Finance Director



Mary Taylor, CPA
Auditor of State

Honorable Mayor and City Council
City of Moraine
4200 Dryden Road
Moraine, Ohio 45439

We have reviewed the *Independent Auditors' Report* of the City of Moraine, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 26, 2007

This Page is Intentionally Left Blank.



This Page is Intentionally Left Blank.

CITY OF MORAIN, OHIO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	3
City Officials.....	7
Department of Finance Staff.....	8
City Organizational Chart.....	9
Certificate of Achievement for Excellence in Financial Reporting.....	10
FINANCIAL SECTION	
Independent Auditors' Report	12
Management's Discussion and Analysis	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	21
Statement of Activities.....	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	24
Statement of Net Assets – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds.....	27
Statement of Fiduciary Net Assets – Fiduciary Funds	28
Notes to the Basic Financial Statements.....	29
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – General Fund	54
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Parks and Recreation Fund.....	58
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Economic Development Fund	59
Notes to Required Supplementary Information	60

CITY OF MORAIN, OHIO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006**

TABLE OF CONTENTS – CONTINUED

	Page
COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS	
Non-major Governmental Funds:	
Combining Balance Sheet.....	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	65
Non-major Special Revenue Funds:	
Combining Balance Sheet.....	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	67
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Basis)	
- Street Construction and Maintenance Fund.....	68
- State Highway Improvement Fund.....	69
- Cemetery Fund.....	70
- Motor Vehicle License Tax Fund.....	71
- Enforcement and Education Fund.....	72
- T.I.F Fund.....	73
- Police Pension Fund.....	74
- Fire Pension Fund.....	75
- Federal Law Enforcement Fund.....	76
- State Law Enforcement Fund.....	77
- Drug Law Enforcement Fund.....	78
- F. E. M. A. Fund.....	79
Debt Service Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis).....	80
Capital Improvement Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Basis).....	81
Internal Service Funds:	
Combining Statement of Net Assets.....	82
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	83
Combining Statement of Cash Flows.....	84
Agency Funds:	
Statement of Changes in Assets and Liabilities.....	85

CITY OF MORAIN, OHIO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006**

TABLE OF CONTENTS – CONCLUDED

STATISTICAL SECTION	Table	Page
Net Assets By Component	1.....	89
Change in Net Assets	2.....	90
Governmental Fund Balances	3.....	92
Changes in Governmental Fund Balances	4.....	93
General Governmental Tax Revenues by Source	5.....	94
Income Tax Rates and Principal Income Tax Payers	6.....	95
Assessed Value and Estimated Actual Value of Property	7.....	96
Property Tax Rates- Direct and Overlapping Governments	8.....	97
Principal Property Taxpayers.....	9.....	98
Property Taxes Levied and Collected.....	10.....	99
Ratios of Outstanding Debt by Type-	11.....	100
Computation of Direct and Overlapping Debt	12.....	101
Legal Debt Margin Information.....	13.....	102
Demographic and Economic Statistics	14.....	103
Principal Employers	15.....	104
Full-time Equivalent City Government Employees by Function	16.....	105
Operating Indicators by Function	17.....	106
Capital Assets by Function	18.....	107



CITY OF MORAINE, OHIO

INTRODUCTORY SECTION







City of Moraine

Finance Department

June 29, 2007

Honorable Mayor, Chairman of the Finance Committee, Council Members and Citizens of the City of Moraine, Ohio:

The Comprehensive Annual Financial Report of the City of Moraine, Ohio, for the fiscal year ended December 31, 2006, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This Comprehensive Annual Financial Report incorporates GASB Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Statement No. 34 was developed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information. This report reflects our continuing effort to disseminate clear and useful financial information to our users with the implementation of Statement No. 34.

The City provides the following services: public safety (police and fire), highways and streets, sanitation (refuse collection on a contractual basis), parks and recreation, public improvements, planning and zoning, and general administrative services. This report includes all the funds of the City of Moraine and all of its component units, which make up the financial reporting entity for the City. Component units are legally separate entities for which the City is financially responsible. At December 31, 2006 the City had no component units.

Six other local governmental entities overlap the City's boundaries: Montgomery County, West Carrollton City School District, Kettering City School District, Jefferson Township Local School District, and Miami Valley Regional Transit Authority. These organizations do not meet the reporting entity criteria of governmental generally accepted accounting principles and, therefore, are not included in the City's financial report.

HISTORY AND BACKGROUND

The area now known as the City of Moraine was so named because of the vast amounts of sand and gravel deposited over the terrain by the pre-historic Wisconsin glacier. Many of the hills and valleys in various parts of the City contain layers of the sand and gravel.

In February 1953, residents voted to detach from the Village of Kettering and form the Township of Moraine. The Township grew to Village status in July 1957. On May 12, 1965 Moraine became a City. The original City Charter was presented in 1966. The City adopted the Council-Manager form of city government. This form of government unifies the authority and political responsibility in an elected council and also centralizes the administrative responsibility. The Council is the governing body of the City and the City Manager is responsible for proper administration of the municipal government.

ECONOMIC CONDITION AND OUTLOOK

Contributions from several businesses, coupled with the diligence of our proactive and business-friendly City Council, assisted the City with retention of nearly five hundred jobs and creation of another two-hundred seventy-five, once all investments are completed in early 2007. Programs utilized to assist with retention and attraction during 2006 encourages an expected capital investment of over \$36 million.

The dedication of our new and existing businesses has allowed the City of Moraine to continue to build upon several of its economic development strategic goals, which include supporting our existing industrial base, strengthening the City's development resource base, and diversifying the City's overall business portfolio.

The City of Moraine worked collaboratively with the Cities of Dayton, Kettering, and Vandalia to create a regional Tax Sharing Agreement for the Delphi Corporation. This agreement allows Delphi to relocate current jobs and investment to any community facility while leaving each City whole in respect to income tax percentage and collection.

A Tax Increment Financing (TIF) Incentive District encompassing the proposed Oak Point development on Lamme Road was established by the City. The creation of this TIF Incentive District provides funding to proceed with the development of a single-family residential subdivision.

During the year, there were two new single-family home permits and no new multi-family apartment permits issued. In total, there were 183 building permits issued during the year with a total construction value of over \$8 million. Of the building permits issued there were 126 commercial permits and 57 residential permits.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

Budgetary control is maintained by a yearly appropriation and the encumbrance of appropriate balances with purchase orders before their release to vendors. Purchase orders that exceed appropriated balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at year-end. Activities of the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Improvement Fund are included in the annual appropriated budget. For more detailed budget information, please see the Notes to the Required Supplementary Information included in 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 Moraine for its comprehensive annual financial report for the year ended December 31, 2005. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an informative and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is applicable to one year only. The City of Moraine has received a Certificate of Achievement for the last 20 consecutive years (fiscal years ended 1986-2005). We believe our current report will also conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another Certificate.

Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We should like to express our appreciation to all members of the Finance Department.

We should also like to thank the Mayor, members of City Council, the City Manager and Department and Division heads for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



James V. Kimmel
Finance Director

CITY OF MORAINE, OHIO

CITY COUNCIL

Robert Rosencrans, Mayor

Elaine Allison, Council Member (At Large)

Regina Matheny, Council Member (At Large)

Jacqueline Cole, Council Member (Ward 1)

John Shady, Council Member (Ward 2)

Thomas Watts, Council Member (Ward 3)

Bryon Blake, Council Member (Ward 4)

APPOINTED OFFICIALS

David Hicks, City Manager

Robert Portune, Law Director

James V. Kimmel, Finance Director

Mandy Fernandez, Clerk of Council

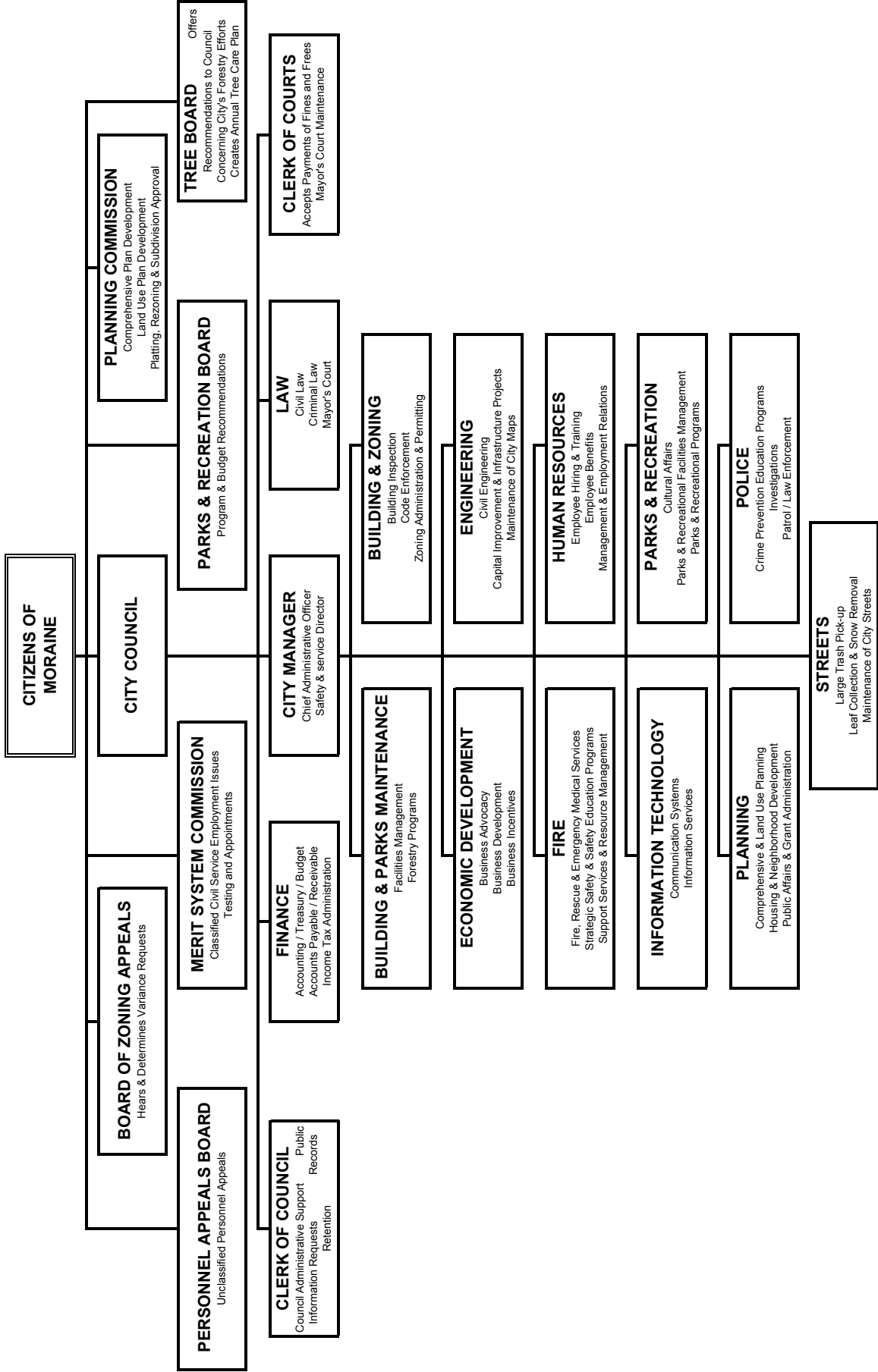
CITY OF MORaine, OHIO

DEPARTMENT OF FINANCE

STAFF

James V. Kimmel	Finance Director
Jennifer A. Arp	Deputy Finance Director
Lora L. Marlett	Tax Administrator
Sherry L. Marcum	Financial Assistant
Paula G. Cox	Financial Assistant
Penny C. Tincher	Financial Assistant
Elizabeth G. Ward	Financial Assistant
Amanda M. Haraldson	Finance Clerk

Organization of the City of Moraine



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Moraine
Ohio

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

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



President

Executive Director

CITY OF MORAINE, OHIO

FINANCIAL SECTION





Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Independent Auditors' Report

Honorable Mayor, City Council
and City Manager
City of Moraine, Ohio

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

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

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

As described on page 52 of the notes to the basic financial statements, the City of Moraine, Ohio has implemented for the year ended December 31, 2006, GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, and GASB Statement No. 46, *Net Assets restricted by Enabling Legislation*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2007, on our consideration of the City of Moraine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 15 through 20 and budgetary comparison information on pages 54 through 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 28, 2007



CITY OF MORAINE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Our discussion and analysis of the City of Moraine's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2006.

FINANCIAL HIGHLIGHTS

1. The City's total net assets increased by over \$3,015,000. Net assets of governmental activities increased by nearly \$3,001,000 and net assets of business-type activities increased by \$14,000.
2. The Capital Improvement Fund issued a \$3.7 million bond anticipation note during 2006. This note will be due in March of 2008.
3. The City created a new fund in 2006 to account for Tax Increment Financing (T.I.F.) within the City. A \$1.3 Million bond anticipation note was issued during the year and will be due in March 2008.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

These two statements report the City's net assets and changes to those assets. This change informs the reader whether the City's financial position, as a whole, has improved

or diminished. In evaluating the overall financial health, the reader of these financial statements need to take into account non-financial factors that also impact the City's financial well being. Some of these factors include the City's tax base and the condition of capital assets.

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

- **Governmental Activities** – Most of the City's services are reported here including: public safety (police and fire), highways and streets, sanitation (refuse collection on a contractual basis), parks and recreation, public improvements, planning and zoning, and general administrative services. Income taxes, property taxes, state shared taxes and charges for services finance most of these activities.
- **Business-type Activities** – These services include the Moraine Home Improvement Loan Program. Interest on the principal loaned makes up the charges for this service. The intent of this operation is to have return of principal and interest to cover cost of the program.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the City's major funds is presented later in the Management's Discussion and Analysis section. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with approval of City Council, to help control, manage and report money received for a particular purpose or to show that the City is meeting legal responsibilities for use of grants. The City's major funds are the General, Parks & Recreation, Economic Development and Capital Improvement funds.

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

Proprietary Funds – When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type

activities; therefore, these statements will essentially match. Internal service funds are used to report activities that provide services to the City's other funds and departments.

Fiduciary Funds – The City's fiduciary funds are used to account for undistributed receipts of the Moraine Mayor's Court and miscellaneous deposits received by the City. All of the City's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The following two tables present condensed information on Net Assets and Changes in Net Assets for the year.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2006	2005 As Restated	2006	2005	2006	2005 As Restated
Assets:						
Current and Other Assets	\$29,873,107	\$25,225,106	\$475,058	\$460,586	\$30,348,165	\$25,685,692
Capital Assets (Net)	<u>28,464,381</u>	<u>28,572,608</u>			<u>28,464,381</u>	<u>28,572,608</u>
Total Assets	58,337,488	53,797,714	475,058	460,586	58,812,546	54,258,300
Liabilities:						
Current and Other Liabilities	3,032,461	2,820,381			3,032,461	2,820,381
Long-term Liabilities:						
Due within One Year	459,348	711,619			459,348	711,619
Due in More Than One Year	<u>7,809,326</u>	<u>6,230,348</u>			<u>7,809,326</u>	<u>6,230,348</u>
Total Liabilities	11,301,135	9,762,348			11,301,135	9,762,348
Net Assets:						
Invested in Capital Assets Net of Debt	23,019,538	23,959,142			23,019,538	23,959,142
Restricted:						
Debt Service	124,291	120,701			124,291	120,701
Special Revenue	1,976,426	763,584			1,976,426	763,584
Capital Projects	4,054,168	3,491,093			4,054,168	3,491,093
Unrestricted	<u>17,861,930</u>	<u>15,700,846</u>	<u>475,058</u>	<u>460,586</u>	<u>18,336,988</u>	<u>16,161,432</u>
Total Net Assets	<u>\$47,036,353</u>	<u>\$44,035,366</u>	<u>\$475,058</u>	<u>\$460,586</u>	<u>\$47,511,411</u>	<u>\$44,495,952</u>

Cash and investments increased by nearly \$5.4 million while receivables decreased by nearly \$.8 million resulting in a current assets increasing by over \$4.6 million. Total liabilities increased by over \$1.5 million do mainly to a new bond anticipation note issued in 2006. Thus resulting in a just over \$3 million increase in the City's net assets.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program Revenues:						
Charges for Services	\$1,206,989	\$1,293,007	\$1,169	\$1,530	\$1,208,158	\$1,294,537
Operating Grants	233,051	247,216			233,051	247,216
Capital Grants	<u>1,487,036</u>	<u>448,528</u>			<u>1,487,036</u>	<u>448,528</u>
Total Program Revenues	<u>2,927,076</u>	<u>1,988,751</u>	<u>1,169</u>	<u>1,530</u>	<u>2,890,330</u>	<u>1,990,281</u>
General Revenues:						
Income Taxes	19,866,552	18,711,202			19,866,552	18,711,202
Property Taxes	708,048	681,661			708,048	681,661
Other Taxes	102,360	98,203			102,360	98,203
Shared Revenues	775,190	774,274			775,190	774,274
Special Assessments						
Rents and Royalties		35,125				35,125
Misc. Receipts & Reimb.	231,481	261,281			231,481	261,281
Investment Earnings	493,774	187,798	13,359	3,480	507,133	191,278
Gain – Sale of Capital	<u>137,105</u>	<u>29,282</u>			<u>137,105</u>	<u>29,282</u>
Total General Revenues	<u>22,352,425</u>	<u>20,778,826</u>	<u>13,359</u>	<u>3,480</u>	<u>22,365,784</u>	<u>20,782,306</u>
Total Revenues	<u>25,241,586</u>	<u>22,767,577</u>	<u>14,528</u>	<u>5,010</u>	<u>25,256,114</u>	<u>22,772,587</u>
Program Expenses:						
General Government	4,952,956	4,844,844	56	113	4,952,956	4,844,957
Public Safety	9,463,115	9,521,258			9,463,115	9,521,258
Highways & Streets	3,345,029	3,391,198			3,345,029	3,391,198
Sanitation	304,760	256,098			304,760	256,098
Culture & Recreation	2,881,780	3,187,996			2,881,780	3,187,996
Economic Development	1,159,431	540,541			1,159,431	540,541
Health and Welfare	133,528	158,934			133,528	158,934
Debt Service		2,000				2,000
Total Expenses	<u>22,240,599</u>	<u>21,902,869</u>	<u>56</u>	<u>113</u>	<u>22,240,655</u>	<u>21,902,982</u>
Increase (Decrease) in Net Assets	<u>\$3,000,987</u>	<u>\$864,708</u>	<u>\$14,472</u>	<u>\$4,897</u>	<u>\$3,015,459</u>	<u>\$869,605</u>

The following table presents the cost of each of the City's four largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	Governmental Activities Total Cost Of Services	Net Cost Of Services
Public Safety	9,460,322	\$9,431,163
General Government	4,952,956	4,291,544
Highways & Streets	3,345,029	2,344,669
Culture and Recreation	2,881,780	2,017,109
All Others	1,600,512	1,229,038

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the Balance Sheet – Governmental Funds page 23) reported a combined fund balance of \$24.55 million, which is 22.7% higher than last year's total of \$20.01 million.

The City's General Fund experienced over a \$1,041,000 or 5.4% increase in revenues for 2006. The majority of this increase was due to the income tax that was collected from a one time employee contract buy out by one of the City's larger employers. Revenues exceeded expenditures by \$6.6 million prior to transfers to other funds. Transfers to other funds totaling \$4.35 million resulted in the \$2.3 million or 15.4% increase to the General Fund balance.

The Economic Development Fund received one grant of \$300,000 during 2006. Total expenditures in 2006 were \$332,547, which caused a decrease in fund balance of \$32,547 (see statement on page 24).

The Capital Improvement Fund had an increase in revenues over \$1.1 million or a 58% increase over 2005. Most of this increase was do to a \$500,000 state grant and a \$500,000 county grant to build a road to open up 80 acres of land for industrial development. Total expenditures decreased by over \$2.1 million or over 24%. The majority of the decrease was due to the majority of the road being done in 2005.

Budgeting Highlights

The City's budget is adopted on a fund basis. Before the budget is adopted the City Manager and Finance Director review the work papers of each department within the General Fund with City Council. City Council then adopts the budget on a fund basis.

The yearly City budget for 2006 was \$38,641,722 which included an original appropriation of \$34,222,437, carry-over encumbrances of \$1,482,129 and supplemental appropriations of \$2,939,546. At the end of the year \$2,734,246 remained encumbered and was added to the 2007 budget. The City expenditures were \$3,183,359 less than its budget in 2006. Nearly \$2 million of the carry-over encumbrance was from the Capital Improvement Fund for projects that were not completed by years end and another \$424,000 was in the T.I.F. Fund. Of the \$3 million returned over \$1 million was from the General Fund, \$545,000 from the Capital Improvement Fund, \$693,800 from the T.I.F. Fund.

During 2006, there were no revisions to the General Fund budget. There was approximately \$305,000 of carryover encumbrances that affected the final budget of the General Fund.

At years end the general fund had encumbrances of \$246,536 to carry over to the 2007 budget and had expenditures that were \$1,047,575 less than its budget in 2006. Over half of the savings was related to personal costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The increase in governmental activities capital assets was minimal because the depreciation expense for 2006 was almost the same as the newly added assets.

Debt Administration

The City has \$5 million in bond anticipation notes outstanding at year-end. The City also has \$338,249 of promissory notes payable and over \$107,000 of capital leases payable at year-end.

The City's overall legal debt margin was \$26,669,027 at year-end.

Detailed information relating to capital assets (note 5 page 42) and debt (starting with note 8 on page 44) is presented in the notes to the financial statements.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, City of Moraine, 4200 Dryden Road, Moraine, Ohio 45439.

CITY OF MORaine, OHIO
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$26,282,410	\$465,794	\$26,748,204
Receivables			
Income Tax	1,792,647		1,792,647
Property Tax	673,651		673,651
Accounts	106,939	102	107,041
Intergovernmental	385,892		385,892
Loans (net of Allowance for uncollectible)	312,525	9,162	321,687
Inventories	194,161		194,161
Prepays	124,882		124,882
Total Current Assets	29,873,107	475,058	30,348,165
CAPITAL ASSETS (net of accumulated depreciation)			
Non depreciable Assets:			
Land	12,532,475		12,532,475
Construction in Progress	583,404		583,404
Depreciable Assets:			
Infrastructure	5,883,654		5,883,654
Buildings and Improvements	7,024,461		7,024,461
Machinery and Equipment	2,440,387		2,440,387
Total Capital Assets	28,464,381		28,464,381
Total Assets	58,337,488	475,058	58,812,546
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	1,245,889		1,245,889
Salaries and Benefits Payable	1,022,673		1,022,673
Insurance Claims Payable	90,248		90,248
Unearned Revenue	673,651		673,651
Total Current Liabilities	3,032,461		3,032,461
LONG TERM LIABILITIES			
Due within one year	459,348		459,348
Due in more than 1 year	7,809,326		7,809,326
Total Long Term Liabilities	8,268,674		8,268,674
Total Liabilities	11,301,135		11,301,135
NET ASSETS			
Invested in Capital Assets Net of Related Debt	23,019,538		23,019,538
Restricted for:			
Debt service	124,291		124,291
Special Revenue	1,976,426		1,976,426
Capital Projects	4,054,168		4,054,168
Unrestricted	17,861,930	475,058	18,336,988
Total Net Assets	\$47,036,353	\$475,058	\$47,511,411

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

CITY OF MORAINE, OHIO
Statement of Activities
For the Year Ended December 31, 2006

FUNCTIONS/PROGRAMS Primary Government:	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
General government	\$4,952,956	\$327,936	\$146,440	\$187,036	(\$4,291,544)		(\$4,291,544)
Public safety	9,460,322	17,711	11,448		(9,431,163)		(9,431,163)
Highways and streets	3,345,029	360		1,000,000	(2,344,669)		(2,344,669)
Sanitation	304,760				(304,760)		(304,760)
Culture and recreation	2,881,780	789,508	75,163		(2,017,109)		(2,017,109)
Economic development	997,631			300,000	(697,631)		(697,631)
Health and welfare	133,528	71,474			(62,054)		(62,054)
Debt service							
Interest Expense	164,593				(164,593)		(164,593)
Total Governmental Activities	22,240,599	1,206,989	233,051	1,487,036	(19,313,523)		(19,313,523)
Business Type Activities							
Loan Program	56	1,169				\$1,113	1,113
Total Business Type Activities	56	1,169				1,113	1,113
Total Primary Government	\$22,240,655	\$1,208,158	\$233,051	\$1,487,036	(\$19,313,523)	\$1,113	(\$19,312,410)
General Revenues							
Income tax					19,866,552		19,866,552
Property tax levied for							
General purposes					545,182		545,182
Police pensions					81,433		81,433
Fire pensions					81,433		81,433
Other taxes					102,360		102,360
Shared revenues (unrestricted)					775,190		775,190
Miscellaneous receipts & reimbursements					231,481		231,481
Investment earnings					493,774	13,359	507,133
Gain on the sale of capital assets					137,105		137,105
Total General Revenues					22,314,510	13,359	22,327,869
Change in Net Assets					3,000,987	14,472	3,015,459
Net Assets - Beginning (as restated)					44,035,366	460,586	44,495,952
Net Assets - Ending					\$47,036,353	\$475,058	\$47,511,411

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

CITY OF MORaine, OHIO
Balance Sheet - Governmental Funds
December 31, 2006

	<u>GENERAL FUND</u>	<u>PARKS & RECREATION</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>CAPITAL IMPROVEMENT</u>	<u>NON-MAJOR GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL</u>
ASSETS						
Cash and Investments	\$15,589,130	\$744,185	\$1,259,317	\$4,492,881	\$2,452,879	\$24,538,392
Receivables						
Income Tax	1,613,382			179,265		1,792,647
Property Tax	510,785				162,866	673,651
Accounts	104,771	321		1,797	50	106,939
Intergovernmental	198,235				187,657	385,892
Loans (net of Allowance for uncollectible)			312,525			312,525
Due from Other Funds	1,145,000				25,000	1,170,000
Inventories	5,247	2,415			54,157	61,819
Prepays	122,987	1,440			371	124,798
Total Assets	<u>19,289,537</u>	<u>748,361</u>	<u>1,571,842</u>	<u>4,673,943</u>	<u>2,882,980</u>	<u>29,166,663</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	266,636	13,686		594,940	327,245	1,202,507
Salaries and Benefits Payable	592,325	72,224			341,815	1,006,364
Compensated Absences Payable	27,354	1,020			2,303	30,677
Due to Other Funds	25,000		1,145,000			1,170,000
Deferred Revenue	863,762			24,835	318,335	1,206,932
Total Liabilities	<u>1,775,077</u>	<u>86,930</u>	<u>1,145,000</u>	<u>619,775</u>	<u>989,698</u>	<u>4,616,480</u>
FUND BALANCES:						
Reserved for:						
Encumbrances	246,536	23,980		1,951,438	485,950	2,707,904
Prepays	122,987	1,440			371	124,798
Inventories	5,247	2,415			54,157	61,819
Loans			312,525			312,525
Unreserved, Undesignated, Reported in:						
General Fund	17,139,690					17,139,690
Special Revenue Funds		633,596	114,317		1,228,513	1,976,426
Debt Service Fund					124,291	124,291
Capital Projects Fund				2,102,730		2,102,730
Total Fund Balance	<u>17,514,460</u>	<u>661,431</u>	<u>426,842</u>	<u>4,054,168</u>	<u>1,893,282</u>	<u>24,550,183</u>
Total Liabilities and Fund Balances	<u>\$19,289,537</u>	<u>\$748,361</u>	<u>\$1,571,842</u>	<u>\$4,673,943</u>	<u>\$2,882,980</u>	

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: 28,431,750

 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

 Income tax receivable 337,635
 Shared taxes receivable 195,646

 Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets. 1,642,438

 The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

 Vacation, sick leave and compensatory time benefits (2,676,455)
 Notes payable (5,418,250)
 Capital lease obligations payable (26,594)

Net Assets of Governmental Activities

\$47,036,353

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

CITY OF MORAIN, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	<u>GENERAL FUND</u>	<u>PARKS & RECREATION</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>CAPITAL IMPROVEMENT</u>	<u>NON-MAJOR GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL</u>
REVENUES						
Taxes:						
Income	\$18,245,132			\$2,083,190		\$20,328,322
Property	552,490				\$171,149	723,639
Other	81,845				4,924	86,769
Shared Revenues	474,615				454,161	928,776
Licenses and Permits	33,445				1,844	35,289
Charges for Services	66,647	\$780,982			7,200	854,829
Fines	265,168			13,788		278,956
Investment Earnings	449,082	4,284			40,408	493,774
Contribution and Donations		25,565				25,565
Rents and Royalties	37,915					37,915
Intergovernmental	91,261	49,598	\$300,000	1,000,000	119,934	1,560,793
Miscellaneous Receipts & Reimbursements	130,096	18,885			82,550	231,531
Total Revenues	<u>20,427,696</u>	<u>879,314</u>	<u>300,000</u>	<u>3,096,978</u>	<u>882,170</u>	<u>25,586,158</u>
EXPENDITURES						
Current:						
General government	4,565,352					4,565,352
Public Safety	7,999,988				1,063,753	9,063,741
Highways and streets	473,279				2,274,585	2,747,864
Sanitation	304,760					304,760
Economic development	178,292		332,547			510,839
Health and welfare	132,886					132,886
Culture and recreation	100,082	2,288,960				2,389,042
Debt service						
Principal				4,248,623		4,248,623
Interest				164,593		164,593
Capital Outlays:						
General government				420,426		420,426
Public Safety				215,823		215,823
Highways and streets				1,181,320		1,181,320
Culture and recreation				327,604		327,604
Total Expenditures	<u>13,754,639</u>	<u>2,288,960</u>	<u>332,547</u>	<u>6,558,389</u>	<u>3,338,338</u>	<u>26,272,873</u>
Excess (deficiency) of Revenues Over (under) Expenditures	<u>6,673,057</u>	<u>(1,409,646)</u>	<u>(32,547)</u>	<u>(3,461,411)</u>	<u>(2,456,168)</u>	<u>(686,715)</u>
OTHER FINANCING SOURCES (USES)						
Sale of bond anticipation notes				3,700,000	1,300,000	5,000,000
Transfers in	0	2,000,000		111,986	2,350,000	4,461,986
Transfers out	(4,350,000)				(111,986)	(4,461,986)
Loan proceeds - long-term				80,000		80,000
Proceeds from the sale of capital assets	13,914			132,500		146,414
Total Other Financing Sources (Uses)	<u>(4,336,086)</u>	<u>2,000,000</u>		<u>4,024,486</u>	<u>3,538,014</u>	<u>5,226,414</u>
Net Change in Fund Balance	<u>2,336,971</u>	<u>590,354</u>	<u>(32,547)</u>	<u>563,075</u>	<u>1,081,846</u>	<u>4,539,699</u>
Fund Balance - Beginning	15,177,489	71,077	459,389	3,491,093	811,436	20,010,484
Fund Balance - Ending	<u>\$17,514,460</u>	<u>\$661,431</u>	<u>\$426,842</u>	<u>\$4,054,168</u>	<u>\$1,893,282</u>	<u>24,550,183</u>

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

Net change in fund balances - total governmental funds	4,539,699
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of assets:	
Capital outlays	1,510,059
Depreciation expense	(1,560,610)
In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differ from the change in fund balance by the net book value of the asset sold.	(45,083)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Income taxes receivable and Shared taxes receivable	(481,677)
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(5,080,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	4,248,623
Some expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Vacation, sick leave and compensatory time benefits	(445,219)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net Revenue (expense) of the internal funds is reported with governmental activities	315,195
Change in net assets of governmental activities	<u>\$3,000,987</u>

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

CITY OF MORaine, OHIO
Statement of Net Assets
Proprietary Funds
December 31, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES
	MORaine LOAN PROGRAM	INTERNAL SERVICE FUNDS
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$465,794	\$1,744,018
Receivables	102	
Loans (net of Allowance for uncollectible)	9,162	
Inventories		132,342
Prepays		84
Total Current Assets	<u>475,058</u>	<u>1,876,444</u>
CAPITAL ASSETS (net of accumulated depreciation)		
Machinery and Equipment		32,631
Total Capital Assets		<u>32,631</u>
Total Assets	<u>475,058</u>	<u>1,909,075</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		43,382
Salaries and Benefits Payable		16,309
Compensated Absences Payable		116,698
Insurance Claims Payable		90,248
Total Current Liabilities		<u>266,637</u>
Total Liabilities		<u>266,637</u>
NET ASSETS		
Invested in Capital Assets		32,631
Unrestricted	475,058	1,609,807
Total Net Assets	<u>\$475,058</u>	<u>\$1,642,438</u>

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

CITY OF MORaine, OHIO
Statement of Revenues, Expenses and Changes in Net Assets
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS MORaine LOAN PROGRAM	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
Operating Revenues		
Charges for Services	\$1,169	\$2,517,026
Miscellaneous Receipts & Reimbursements		41,241
Total Operating Revenues	<u>1,169</u>	<u>2,558,267</u>
Operating Expenses		
Current:		
Cost of Services	56	2,270,934
Depreciation		16,073
Total Operating Expenses	<u>56</u>	<u>2,287,007</u>
Operating Income	<u>1,113</u>	<u>271,260</u>
Non-operating revenues		
Investment earnings	13,359	43,935
Total non-operating revenues	<u>13,359</u>	<u>43,935</u>
Change in Net Assets	14,472	315,195
Total Net Assets - Beginning	460,586	1,327,243
Total Net Assets - Ending	<u>\$475,058</u>	<u>\$1,642,438</u>

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

CITY OF MORaine, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES
	MORaine LOAN PROGRAM	INTERNAL SERVICE FUNDS
Cash Flows From Operating Activities		
Cash received for services	\$3,282	\$2,517,026
Miscellaneous receipts & reimbursements		41,241
Cash paid to suppliers for goods or services	(56)	(2,293,754)
Cash paid to employees for services		(249,929)
Net cash provided by operating activities	<u>3,226</u>	<u>14,584</u>
Cash Flows From Capital Assets and Related Financing Activities		
Acquisition of capital assets		(3,480)
Net cash used by capital assets and related financing activities		<u>(3,480)</u>
Cash Flows From Investing Activities		
Investment earnings	13,359	43,935
Net Cash provided by investing activities	<u>13,359</u>	<u>43,935</u>
Net Increase in Cash	16,585	55,039
Cash and Investments at Beginning of Year	449,209	1,688,979
Cash and Investments at End of Year	<u>\$465,794</u>	<u>\$1,744,018</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	<u>\$1,113</u>	<u>\$271,260</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		16,073
(Increase) decrease in inventories		(23,035)
Increase (decrease) in accounts payable		(11,892)
Increase (decrease) in salaries and benefits payable		13,265
Increase (decrease) in compensated absences payable		55,774
Increase (decrease) in insurance claims payable		(306,861)
(Increase) decrease in receivable	2,113	
Net cash provided by operating activities	<u>\$3,226</u>	<u>\$14,584</u>

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

CITY OF MORAIN, OHIO
Statement of Fiduciary Net Assets
FIDUCIARY FUNDS
December 31, 2006

	Agency Funds
ASSETS	
Cash and Investments	\$65,203
Total Assets	\$65,203
LIABILITIES	
Deposits	\$38,997
Due to Other Governments	3,412
Escrow Bonds and Deposits	22,794
Total Liabilities	\$65,203

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

CITY OF MORAINE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Moraine, Ohio, (the “City”) is a home rule municipal corporation under the laws of the State of Ohio and operates under its own Charter. The current Charter was adopted in 1966 and has subsequently been amended. As provided in the Charter, the City operates under a Council-Manager form of government. The City was incorporated in 1958 and gained city status in 1965.

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

The primary government for the City includes the departments that provide the following services: public safety (police and fire), highways and streets, sanitation (refuse collection on a contractual basis), parks and recreation, public improvements, planning and zoning, and general administrative services.

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

B. Basis of Presentation

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 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 propriety funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

Government-wide Statements

The statement of net assets and the statement of activities display information about the primary government. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. This is done by adjusting the expenses in the government activities to eliminate the change in net assets for all the service funds. This does not eliminate the expenses or revenues used by the general government. These statements distinguish between those activities of the City that are governmental and those that are considered business type activities. Fiduciary Funds are not included as a part of the Government-wide Statements.

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 that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column

on the face of the proprietary fund statements. Fiduciary funds are reported by type.

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 typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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 and/or the general laws of the State of Ohio.

Parks & Recreation Fund – This fund accounts for money received and expended for the Parks & Recreation department programs and activities.

Economic Development Grant Fund - This fund accounts for economic development projects that the City operates. These are funded with grant funds and general City funds.

Capital Improvement Fund – This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds).

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

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 City has one enterprise fund, the Moraine Improvement Loan Fund, which accounts for home improvement and business loans offered to residents and businesses located within the City.

Internal Service Funds – An 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 has three internal service funds. They are the City Garage Fund used to account for the cost of servicing the vehicles and maintenance equipment of City departments, the Health Insurance Program Fund used to accumulate and account for monies for the payment of health insurance costs for the employees of City departments and the Insurance Reserve Fund used to account for monies to cover legal services related to law suits and other expenditures where reimbursement is received from our general insurance carrier.

Fiduciary Funds

Fiduciary fund use the economic resources measurement focus. 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 currently has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not have a measurement focus. The City's agency funds account for undistributed receipts of the Moraine Mayor's Court and miscellaneous deposits receive by the City.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of

Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., 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 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 net assets. The statement of changes in 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.

Fiduciary funds are reported using economic resources measurement focus. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records 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 Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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 thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes are recognized in the year for which the taxes are levied. 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 fiscal 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned / Deferred Revenue

Unearned/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 the current year-end, but which were levied to finance future operations, have been recorded as unearned revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue to indicate they are not available for appropriations.

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.

E. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, except the Health Insurance Program Fund, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as “Cash and Investments” on the financial statements.

Investments are reported at fair value, which is based on quoted market prices. For investments in open-end money market funds, fair value is determined by the fund’s share price.

The City of Moraine has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2006. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2006.

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

F. Inventory

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are valued at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined using the first-in/first-out method. The proprietary fund inventories are recorded as expenses when used. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are used.

G. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

H. Capital Assets

Assets are classified as a capital asset if their acquisition cost is over \$5,000 for all asset classes except improvements to infrastructure. Improvements to infrastructure over \$50,000 are capitalized. Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets 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 proprietary funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers and streets. 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.

All reported capital assets are depreciated except for land and construction in progress. 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:

<u>Class</u>	<u>Estimated Useful Life</u>
Land improvements	20 to 25 years
Buildings and improvements	20 to 40 years
Machinery & Equipment	2 to 25 years
Infrastructure	20 to 50 years

The City adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" for 2003. One of the requirements under this statement is to account for infrastructure assets. The City has capitalized infrastructure assets that have been added during 2003, 2004 and 2005. Infrastructure assets placed into service prior to 2003 were added to the financial statements in 2005. In 2006, the value of the land under the roads was added.

I. Reserves and Designations

Reserves are portions of fund equity not appropriable for expenditures/expenses or are legally segregated for a specific future use, or both. The City recognizes reserves of fund balances for outstanding encumbrances, prepaid expenses, inventories and long-term loans.

Designations are tentative plans for financial resources used in a future period. Such plans or intent are subject to change. They may never be legally authorized or result in expenditure/expenses.

J. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation 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.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City's personnel manual.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In proprietary funds the entire amount of compensated absences is reported as a fund liability.

K. 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, and compensated absences 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, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any 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 the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City had no restricted net assets at December 31, 2006.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

N. 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 as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. 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.

P. Estimates

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

2. PRIOR PERIOD ADJUSTMENTS

The City has completed the requirements of GASB 34 in capitalizing its infrastructure. The results of the adjustments are as follows:

Statement Of Net Assets 2005 – Governmental Activities

	As Reported 12/31/2005	As Adjusted 12/31/2005
Total Current Assets	\$25,225,106	\$25,225,106
Capital Assets		
Land	\$7,079,930	\$12,362,330
Infrastructure	4,573,860	4,573,860
Buildings and Improvements	7,293,075	7,293,075
Machinery and Equipment	2,843,044	2,843,044
Construction in Progress	<u>1,500,299</u>	<u>1,500,299</u>
Total Capital Assets	\$23,290,208	\$28,572,608
Total Assets	48,515,314	53,797,714
Total Liabilities	9,762,348	9,762,348
Net Assets		
Invested in Capital Assets Net of Related Debt	\$18,676,742	\$23,959,142
Total Net Assets	\$38,752,966	\$44,035,366

Net change in the total net assets for the restatement of the 2005 is a \$5,282,400 increase. To comply with GASB 34 regulations, the city added \$5,282,400 of land value under the roadways land acquired prior to 1/1/2006.

3. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits: At year-end, the carrying amount of the City's deposits was \$4,428,660 and the bank balance was \$4,316,377. Of the bank balance, \$311,399 was covered by Federal depository insurance. The remaining \$4,004,978 was uninsured and uncollateralized. GASB Statement No. 40 defines this entire amount as being collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. The City requires at a minimum that the depository provide collateral with a single pool of securities pledged toward all deposits of public funds held by the depository. The City also maintains \$6,505 of petty cash in the various departments.

Investments: The City's investment policy authorizes investment in fully collateralized repurchase agreements, United States Treasury Bonds and Notes, United States Treasury Bills, bankers' acceptances, commercial paper of the highest rating and such other investment instruments as permitted by the *Ohio Revised Code*. Financial institutions and agencies in which the City places its investments must be located within the United States. Funds invested by fiscal agents are maintained under the same criteria as those investments maintained by the City as stated above. Investments are carried at fair value.

At year-end, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturing</u>			<u>Percent</u>
		<u>Less than One Year</u>	<u>One to Two Years</u>	<u>More than Two Years</u>	
Fannie Mae	\$15,052,396	\$288,887	\$79,739	\$14,683,770	65.1%
Fannie Mae Discount Notes	148,988	148,988			0.6%
Fed Home Loan Back	2,123,547	279,274	1,345,833	498,440	9.2%
Fed Home Loan Mtg Corp	515,939			515,939	2.2%
Freddie Mac	394,716	309,783	84,933		1.7%
Fed Natl MTG Assn	515,128			515,128	2.2%
Fed Farm Credit Bank	55,002		55,002		0.2%
Ginni Mae	409	409			0.0%
Us Treasury N/B	154,540	154,540			0.7%
STAR Ohio	<u>3,424,082</u>	<u>3,424,082</u>			14.8%
Total Investments	<u>\$22,384,747</u>	<u>\$4,605,963</u>	<u>\$1,565,507</u>	<u>\$16,213,277</u>	

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from fluctuating interest rates and in accordance with the ORC, the City's investment policy limits investments in the portfolio to having an average life of five years or less. The investment policy also require sufficient liquidity to be maintained in the portfolio, and that investments be scheduled to mature concurrently with ongoing cash requirements so that the City's obligations can be met without selling securities.

	<u>Moody's/Standard & Poors Ratings</u>
Fannie Mae	Aaa/AAA
Fannie Mae Discount Notes	Aaa/AAA
Fed Home Loan Back	Aaa/AAA
Fed Home Loan Bank Discount Notes	Aaa/AAA
Fed Home Loan Mtg Corp	Aaa/AAA
Freddie Mac	Aaa/AAA
Ginni Mae	Aaa/AAA
Money Markets	unrated/unrated
Us Treasury N/B	Aaa/AAA
STAR Ohio	Unrated/AAAm

The city's investment policy authorized investment in the following securities and diversification limits:

<u>Diversification of Instrument</u>	<u>Maximum Percent Allowed</u>
U.S. Treasury Obligations	100%
Authorized U.S. Federal Agency Securities and U.S. Government-sponsored Corporations	100%
Nonnegotiable Certificates of Deposit	50%
Authorized Bankers Acceptance	20%
State of Ohio Treasurer's Investment Pool (STAR Ohio)	25%
Prime Commercial Paper	20%

4. **LOANS RECEIVABLE**

The City operates a long-term loan program as an enterprise fund. Loans receivable at December 31, 2006 were:

Loans Receivable	\$12,994
Less Allowance for bad debts	<u>3,832</u>
Net Loans Receivable	<u>\$ 9,162</u>

There are no outstanding loan commitments at December 31, 2006.

During 2001, as an economic development tool, the City began offering business loans that would be forgiven if the business met certain employment and financial conditions over the life of the loan. The first such loan was made during 2001. The loans receivable in the Economic Fund at December 31, 2006 is as follows:

Loans Receivable 1/1/2006	\$ 292,072
New Loans	128,000
Forgiven Loans	102,547
Loans Written Off	5,000
Less allowance for bad debts	<u>0</u>
Loans Receivable 12/31/2006	<u>\$ 312,525</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance (As Restated)	Additions	Deletions	Ending Balance
Capital assets not being Depreciated:				
Land	\$ 12,362,330	\$179,454	\$9,309	\$12,532,475
Construction in progress	<u>1,500,299</u>	<u>368,135</u>	<u>1,285,030</u>	<u>583,404</u>
Subtotal	<u>13,862,629</u>	<u>547,589</u>	<u>1,294,339</u>	<u>13,115,879</u>
Capital assets being Depreciated:				
Buildings and improvements	12,304,504	147,626	52,290	12,399,840
Machinery and equipment	8,798,114	292,660	114,017	8,976,757
Infrastructure	<u>13,636,109</u>	<u>1,810,694</u>		<u>15,446,803</u>
Subtotal	<u>34,738,727</u>	<u>2,250,980</u>	<u>166,307</u>	<u>36,823,400</u>
Accumulated depreciation:				
Buildings and improvements	(5,011,429)	(383,559)	(19,609)	(5,375,379)
Machinery and equipment	(5,955,070)	(692,224)	(110,924)	(6,536,370)
Infrastructure	<u>(9,062,249)</u>	<u>(500,900)</u>		<u>(9,563,149)</u>
Subtotal	<u>(20,028,748)</u>	<u>(1,576,683)</u>	<u>(130,533)</u>	<u>(21,474,898)</u>
Net capital assets being Depreciated	<u>14,709,979</u>	<u>674,297</u>	<u>35,744</u>	<u>15,348,502</u>
Net capital assets	<u>\$ 28,572,608</u>	<u>\$1,221,886</u>	<u>\$1,330,113</u>	<u>\$28,464,381</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 225,617
Public Safety	416,506
Highways and Streets	640,543
Culture & Recreation	267,652
Garage	16,073
Economic Development	<u>10,292</u>
Total Annual Depreciation	<u>\$1,576,683</u>

Capital assets of the Internal Service City Garage Fund include machinery and equipment with a cost of \$159,256 and accumulated depreciation of \$126,625 or Net Capital Assets of \$32,631.

6. **PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each January 1 on the assessed value listed as of the prior January. Assessed values are established for real and public utility property at 35% of true value, and for tangible property at 25% of true value (excluding the first \$10,000 of value). Property values are required to be updated every three years and revalued every six years. A revaluation was completed in 2002 and another is scheduled for January 2008.

The property tax calendar is as follows:

Levy date	January 1, 2005
Lien date	January 1, 2006
Tax bill mailed	January 20, 2006
First installment payment due	February 15, 2006
Second installment payment due	July 15, 2006

The assessed values for the City at the lien date of January 1, 2005, were as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$147,103,350
Public Utility Real	201,070
Tangible Personal	62,848,358
Public Utility Personal	43,837,960
Total	<u>\$253,990,738</u>

The County Treasurer collects property taxes on behalf of all taxing districts, including the City of Moraine. The County Auditor periodically remits to the City its portion of taxes collected. Property taxes may be paid in full on either an annual or semiannual basis.

Ohio law prohibits taxation of property from all taxing authorities in excess of \$10.00 (10.0 mills) per \$1,000 of assessed value without a vote of the citizens. The City's share is currently \$2.50 (2.5 mills) of assessed value.

7. **INCOME TAXES**

The City levies a two percent income tax on substantially all income earned within the City. In addition, City residents pay City tax on income earned outside the City; however, a credit is allowed for income taxes paid to another municipality.

Employers within the City withhold income tax on employee compensation and remit monthly. Corporations and individual taxpayers pay estimated taxes quarterly and file an annual declaration.

Council has designated that 10% of all income taxes are to be recorded in the Capital Projects Fund to help fund annual capital improvements.

8. **LONG-TERM OBLIGATIONS**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bond Anticipation Note	\$3,700,000	\$5,000,000	\$3,700,000	\$5,000,000	
Accrued vacation, sick leave And comp time benefits	2,328,500	\$1,349,508	854,178	2,823,830	\$290,044
Ohio Public Works Commission Long-term Promissory Notes, 0.0%	290,960		27,710	263,250	27,710
National City Bank Capital Equipment Lease, 2.13%, 2.43% and 3.00%	127,507		100,913	26,594	26,594
Narayan, Inc. Long-term Promissory Note, 0.0%	125,000		50,000	75,000	75,000
Boxwood Properties, Inc Promissory Note, 0.0%	370,000		370,000		
City of Dayton Promissory Note, 0.0%		80,000		80,000	40,000
Total long-term liabilities	<u>\$6,941,967</u>	<u>\$6,429,508</u>	<u>\$5,102,801</u>	<u>\$8,268,674</u>	<u>\$459,348</u>

The compensated absences are liquidated from the General Fund, Parks and Recreation Fund and the Street Construction and Maintenance Fund. \$1,300,000 of the Bond Anticipation Note will be paid from the T.I.F. Fund and remaining debt of \$4,144,844 will be paid from the Capital Improvement Fund.

9. **LEASES AND COMMITMENTS**

The City entered into no additional capital leases during 2006. The leases are for the purchase of computer equipment and software for the Police and Fire Divisions, Mayor’s Court, and Finance. The lease periods are three years with semi-annual interest payments and annual principal payments and the interest rate are 2.13%, 2.43% and 3.00%

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments:

<u>Year Ending</u> <u>December 31</u> 2007	<u>Amount</u> 27,111
Less: Amount representing interest	(517)
Present value of minimum lease payments	<u>\$26,594</u>

As of December 31, 2006, the City had the following significant construction and other contractual commitments outstanding:

<u>Vendor</u>	<u>Outstanding Commitment</u>
Brumbaugh Construction Company	\$606,702
Armrel Byrnes Company	297,825
Kinnison Excavating, Inc.	218,396
John R. Jurgenson Company	134,975
EMH & T Inc	67,766
Creative Impressions	40,000
ATC Associates	13,829
Norfleet, Brown & Petkewicz	9,441
Cornett Trucking Company	6,361
Barge, Waggoner, Summer & Cannon, Inc.	<u>5,302</u>
Total	<u>\$1,400,597</u>

10. **BOND ANTICIPATION NOTES**

During the year the City rolled notes of \$3,700,000 along with issuing another \$1,300,000 into a \$5,000,000 bond anticipation note with a new interest rate of 4.1% with semi annual interest payments of \$102,500 due March 2008.

11. **OTHER LONG-TERM OBLIGATIONS**

Ohio Public Works Commission Long-term Promissory Notes

The following is a summary of debt transactions for the year ended December 31, 2006:

Loans payable, January 1, 2006	\$290,960
Loan payments	<u>27,710</u>
Loans payable December 31, 2006	<u>\$263,250</u>

The loan was an interest free loan for street improvements from the Ohio Public Works Commission issued in 1996 with the first payment due July 1, 1996. Semi-annual payments are due January 1st and July 1st each year.

Annual principal payments required on the Dryden Road Loan are:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>
2007	\$27,710	2012	\$27,710
2008	27,710	2013	27,710
2009	27,710	2014	27,710
2010	27,710	2015	27,710
2011	27,710	2016	13,860
			<u>\$263,250</u>

Narayan, Inc. Long-term Promissory Note

This loan is an interest free loan for the purchase of property from Narayan, Inc. Annual payments are due on the 3rd day of February. Annual principal payments required are:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>
2007	<u>\$75,000</u>
Totals	<u>\$75,000</u>

City of Dayton Long-term Promissory Note

This loan is an interest free loan for the purchase of property from City of Dayton. Annual payments are due in March. Payments required are:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>
2007	\$40,000
2008	40,000
	<u>\$80,000</u>

12. **PENSION PLAN OBLIGATIONS**

Substantially all City employees are covered by one of two pension plans, the Ohio Public Employees Retirement System (OPERS) or the Ohio Police and Fire Pension Fund (OP&F).

Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; 2) The Member-directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO. Members of the MD do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans (TP, MD and CO). In 2006, OPERS raised these rates; plan members are required to contribute 9.0% of their annual covered salary and the City is required to contribute 13.7%. The City's contributions for the years ending December 31, 2004, 2005 and 2006, were \$673,514, \$691,459 and \$695,894, respectively, equal to the required contributions for the year.

Ohio Police and Fire Pension Fund (OP&F)

OP&F is a cost-sharing multiple-employer defined pension plan, which provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164, or by calling (614) 228-2975.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10.0% of their annual covered salary and the City is required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. The City's contributions to the plan for the years ending December 31, 2004, 2005 and 2006, were \$911,864, \$965,274 and \$959,207, respectively, equal to the required contributions for each year.

13. **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to the pension benefits described in Note 12, both the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F) provide postretirement health care coverage, commonly referred to as OPEB (other post employment benefits). For both systems, the Ohio Revised Code provides the authority for public employers to fund postretirement health care through their contributions

Ohio Public Employees Retirement System OPEB

OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO), all of which are described in Note 12. OPERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit for members of both the TP and CO plans. Members of the MD plan do not qualify for post-employment health care coverage. Health care coverage for disability recipients and primary survivor recipients is available.

The 2006 employer contribution rate was 13.70%, of which 4.5% was used to fund health care. The City's contribution for the year ended December 31, 2006, was \$228,578 to fund post-employment benefits.

OPEB are advance-funded on an actuarially determined basis. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2004 was 8.0%. Individual base pay was assumed to increase 4.0% compounded annually with no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1.0% to 6.0% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

The number of active contributing participants to the TP and CO plans was 358,804 as of December 31, 2005; the date the latest actuarial review was performed. OPERS actuarially determined accrued liability for OPEB's at December 31, 2005, are \$31.3 billion with net assets available for OPEB of \$11.1 billion, leaving an unfunded actuarial liability of \$20.2 billion.

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 skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Ohio Police and Fire Pension Fund OPEB

OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22, if attending school full-time or on a 2/3 basis.

Health care funding and accounting is on a pay-as-you-go basis. The Ohio Revised Code provides that health care costs paid shall be included in the employer's contribution rate. In addition, all retirees and survivors are required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The 2004 employer contribution rate was 19.5% of covered payroll for Police and 24.0% for Fire of which 7.75% was used to fund health insurance. The City's contribution for the year ended December 31, 2006 was \$180,353 for Police and \$163,207 for Fire to pay post-employment benefits.

The number of participants eligible to receive health care benefits was 13,922 for Police and 10,537 for Fire, as of December 31, 2005. OP&F's total health care expense for the year ended December 31, 2005 was \$108,039,449, which was net of member contributions of \$55,271,881.

14. **INTERFUND TRANSACTIONS**

Interfund receivables and payables at December 31, 2006 were:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$1,145,000	\$25,000
Economic Development Fund		1,145,000
Non-Major Funds	<u>25,000</u>	
Total	<u>\$1,170,000</u>	<u>\$1,170,000</u>

The outstanding balance between funds result from a working capital loan. None of the balance is scheduled to be collected in the subsequent year.

Interfund transfers for 2006 were

<u>Fund</u>	<u>From Other Funds</u>	<u>To Other Funds</u>
General Fund		\$4,350,000
Parks & Rec.	2,000,000	
Capital Improvement Fund	111,986	111,986
Non-Major Funds	<u>2,350,000</u>	
Total	<u>\$4,461,986</u>	<u>\$4,461,986</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations.

15. **CONTINGENT LIABILITIES**

The City is a defendant in various lawsuits and subject to various claims over which litigation has not yet commenced. Although the outcome of these matters is not presently determinable, in the opinion of management and the law director, the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

16. **RISK MANAGEMENT**

Property and Liability Coverage

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In 1995 the City joined the Public Entities Pool of Ohio (PEP) for coverage of these risks. The risk of loss is transferred to the pool.

The following is a summary of insurance coverage through the pool at year-end:

General Liability	\$5,000,000 per occurrence
Automobile Liability	\$5,000,000 per occurrence
Real and Personal Property	\$19,294,413 per occurrence
Police Professional Liability	\$5,000,000 per occurrence
Public Officials Liability	\$5,000,000 per occurrence

Over the past three years the insurance coverages carried by the City have been substantially higher than the settlements made by our insurance carrier.

Health Insurance Coverage

The City provides health insurance coverage for its employees. This program is accounted for in the Internal Service Fund, Health Insurance Program Fund. This coverage is provided by the City self-funding a portion of the program with the balance of coverage provided by stop loss coverage through Phoenix Excess Risk Insurance Company. The stop loss carrier provides coverage as follows:

The City pays all claims up to \$60,000 per individual or \$2,028,758 in aggregate during the contract year, which runs from August 1 through July 31 of each year.

Stop loss reimbursements for the past three years:

<u>2004</u>	<u>2005</u>	<u>2006</u>
\$383,103	\$267,100	\$56,992

Below is a claim history for the past three years:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Claims liability at January 1	\$201,888	\$388,596	\$397,109
Claims incurred	2,119,040	2,105,984	1,167,699
Claims paid	<u>(1,932,332)</u>	<u>(2,097,471)</u>	<u>(1,474,560)</u>
Claims liability at December 31	<u>\$388,596</u>	<u>\$397,109</u>	<u>\$90,248</u>

17. **CONDUIT DEBT OBLIGATIONS**

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

As of December 31, 1997, there were eleven series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the eleven series issued prior to January 1, 1997 could not be determined; however, their original issue amounts totaled \$32.9 million. There were no series issued after January 1, 1997.

18. CHANGES IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2006, the City of Moraine has implemented GASB Statement No. 44 Economic Condition Reporting: The Statistical Section and GASB Statement No. 46 Net Assets Restricted by Enabling Legislation. GASB Statement No. 44 establishes and modifies requirements related to the supplementary information presented in the statistical section. GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the City's financial statements for the year ended December 31, 2006.

CITY OF MORAINE, OHIO

**REQUIRED
SUPPLEMENTARY
INFORMATION**



CITY OF MORAIN, OHIO
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Taxes				
Income	\$15,126,972	\$15,126,972	\$18,518,543	\$3,391,571
Property	516,270	516,270	552,490	36,220
Other	75,070	75,070	79,884	4,814
Shared Revenues	439,830	439,830	474,998	35,168
License and Permits	54,820	54,820	33,445	(21,375)
Charges for Services	33,360	33,360	63,319	29,959
Fines	231,440	231,440	250,777	19,337
Investment Earnings	420,630	420,630	167,165	(253,465)
Rents and Royalties	32,450	32,450	37,915	5,465
Intergovernmental	10,000	10,000	16,261	6,261
Miscellaneous Receipts & Reimbursements	51,660	51,660	130,096	78,436
Total Revenues	<u>16,992,502</u>	<u>16,992,502</u>	<u>20,324,893</u>	<u>3,332,391</u>
EXPENDITURES				
GENERAL GOVERNMENT:				
Council:				
Personnel services	20,615	20,615	14,598	6,017
General operating expenses	97,340	113,581	80,212	33,369
Total Council	<u>117,955</u>	<u>134,196</u>	<u>94,810</u>	<u>39,386</u>
Clerk of Council:				
Personnel services	82,590	82,590	65,963	16,627
General operating expenses	6,482	6,160	2,125	4,035
Total Clerk Council	<u>89,072</u>	<u>88,750</u>	<u>68,088</u>	<u>20,662</u>
City Manager's office:				
Personnel services	287,820	287,820	259,076	28,744
General operating expenses	68,892	66,753	58,136	8,617
Total City Manager's office	<u>356,712</u>	<u>354,573</u>	<u>317,212</u>	<u>37,361</u>
Clerk of Courts:				
Personnel services	122,880	124,880	120,307	4,573
General operating expenses	65,569	55,899	26,476	29,423
Total Clerk of Courts	<u>188,449</u>	<u>180,779</u>	<u>146,783</u>	<u>33,996</u>
Law Director:				
Personnel services				
General operating expenses	227,164	282,626	279,101	3,525
Total Law Director	<u>227,164</u>	<u>282,626</u>	<u>279,101</u>	<u>3,525</u>
Merit Service				
Personnel services				
General operating expenses	12,486	10,250	1,525	8,725
Total Merit Service	<u>12,486</u>	<u>10,250</u>	<u>1,525</u>	<u>8,725</u>
Mayor:				
Personnel services	12,895	12,895	12,385	510
General operating expenses	44,025	31,914	13,635	18,279
Total Mayor	<u>56,920</u>	<u>44,809</u>	<u>26,020</u>	<u>18,789</u>

(continued)

**CITY OF MORAINE, OHIO
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006**

(continued)

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
Finance:				
Personnel services	552,760	546,760	525,485	21,275
General operating expenses	71,389	70,604	53,065	17,539
Total Finance	624,149	617,364	578,550	38,814
Information Center:				
Personnel services	130,480	130,480	111,630	18,850
General operating expenses	4,500	4,500	900	3,600
Total Information Center	134,980	134,980	112,530	22,450
Public Buildings:				
Personnel services	1,576,880	1,555,827	1,429,920	125,907
General operating expenses	834,762	800,633	693,328	107,305
Total Public Buildings	2,411,642	2,356,460	2,123,248	233,212
General Miscellaneous:				
Personnel services	77,947	79,700	46,979	32,721
General operating expenses	488,730	481,998	433,995	48,003
Total General Miscellaneous	566,677	561,698	480,974	80,724
Information Technology				
Personnel services	100,240	99,120	95,863	3,257
General operating expenses	230,028	239,229	211,940	27,289
Total Information Technology	330,268	338,349	307,803	30,546
Human Resources				
Personnel services	101,140	101,110	97,851	3,259
General operating expenses	68,895	66,945	53,762	13,183
Total Human Resources	170,035	168,055	151,613	16,442
TOTAL GENERAL GOVERNMENT	5,286,509	5,272,889	4,688,257	584,632
PUBLIC SAFETY:				
Police:				
Personnel services	3,891,620	3,845,911	3,734,527	111,384
General operating expenses	588,863	592,686	566,254	26,432
Total Police	4,480,483	4,438,597	4,300,781	137,816
Fire:				
Personnel services	3,470,310	3,397,112	3,262,630	134,482
General operating expenses	386,068	382,692	347,769	34,923
Total Fire	3,856,378	3,779,804	3,610,399	169,405
Civil Defense				
Personnel services				
General operating expenses	8,500	8,500	8,340	160
Total Civil Defense	8,500	8,500	8,340	160
TOTAL PUBLIC SAFETY	8,345,361	8,226,901	7,919,520	307,381

(continued)

**CITY OF MORAINÉ, OHIO
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006**

(continued)

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
HIGHWAYS AND STREETS:				
Engineering:				
Personnel services	201,280	199,477	188,510	10,967
General operating expenses	49,067	50,493	44,753	5,740
Total Engineering	<u>250,347</u>	<u>249,970</u>	<u>233,263</u>	<u>16,707</u>
Street Lighting:				
Personnel services				
General operating expenses	260,000	260,000	246,184	13,816
Total Street lighting	<u>260,000</u>	<u>260,000</u>	<u>246,184</u>	<u>13,816</u>
TOTAL HIGHWAYS AND STREETS	<u>510,347</u>	<u>509,970</u>	<u>479,447</u>	<u>30,523</u>
SANITATION:				
Waste Collection:				
Personnel services				
General operating expenses	300,202	322,020	309,245	12,775
Total Waste Collection	<u>300,202</u>	<u>322,020</u>	<u>309,245</u>	<u>12,775</u>
TOTAL SANITATION	<u>300,202</u>	<u>322,020</u>	<u>309,245</u>	<u>12,775</u>
HEALTH AND WELFARE:				
Health & Alcoholism:				
Personnel services				
General operating expenses	2,000	2,000	1,300	700
Total Health & Alcoholism	<u>2,000</u>	<u>2,000</u>	<u>1,300</u>	<u>700</u>
Board of Zoning Appeals:				
Personnel services				
General operating expenses	1,496	1,467	1,067	400
Total Board of Zoning Appeals	<u>1,496</u>	<u>1,467</u>	<u>1,067</u>	<u>400</u>
Building Inspection:				
Personnel services	148,880	148,380	114,060	34,320
General operating expenses	50,540	39,665	31,256	8,409
Total Building Inspection	<u>199,420</u>	<u>188,045</u>	<u>145,316</u>	<u>42,729</u>
TOTAL HEALTH AND WELFARE	<u>202,916</u>	<u>191,512</u>	<u>147,683</u>	<u>43,829</u>
CULTURE-RECREATION:				
Senior Citizens				
Personnel services				
General operating expenses	12,000	12,000	12,000	
Total senior citizens	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	
Summer Jobs:				
Personnel services	88,426	88,426	71,578	16,848
General operating expenses	1,500	1,500	728	772
Total Summer Jobs	<u>89,926</u>	<u>89,926</u>	<u>72,306</u>	<u>17,620</u>
Fire Works:				
Personnel services				
General operating expenses	30,000	30,000	15,000	15,000
Total Fire Works	<u>30,000</u>	<u>30,000</u>	<u>15,000</u>	<u>15,000</u>
TOTAL CULTURE-RECREATION	<u>131,926</u>	<u>131,926</u>	<u>99,306</u>	<u>32,620</u>

(continued)

CITY OF MORAIN, OHIO
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

(continued)

	<u>Original Budget Amounts</u>	<u>Final Budgets Amounts</u>	<u>Actual Amounts</u>	<u>Variance Actual w/Final Budget Positive (Negative)</u>
ECONOMIC DEVELOPMENT AND ASSISTANCE:				
Planning:				
Personnel services	150,180	150,180	137,959	12,221
General operating expenses	62,902	53,949	32,855	21,094
Total Planning	<u>213,082</u>	<u>204,129</u>	<u>170,814</u>	<u>33,315</u>
Planning Commission:				
Personnel services				
General operating expenses	8,439	8,261	5,761	2,500
Total Planning Commission	<u>8,439</u>	<u>8,261</u>	<u>5,761</u>	<u>2,500</u>
TOTAL ECONOMIC DEVELOPMENT AND ASSISTANCE	<u>221,521</u>	<u>212,390</u>	<u>176,575</u>	<u>35,815</u>
TOTAL EXPENDITURES	<u>14,998,782</u>	<u>14,867,608</u>	<u>13,820,033</u>	<u>1,047,575</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,993,720</u>	<u>2,124,894</u>	<u>6,504,860</u>	<u>4,379,966</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,350,000)	(4,350,000)	(4,350,000)	
Proceeds from the sale of capital assets			13,914	13,914
Total Other Financing Sources (Uses)	<u>(4,350,000)</u>	<u>(4,350,000)</u>	<u>(4,336,086)</u>	<u>13,914</u>
Net Change in Fund Balance	<u>(2,356,280)</u>	<u>(2,225,106)</u>	<u>2,168,774</u>	<u>4,393,880</u>
Fund Balance - Beginning	13,130,509	13,130,509	13,130,509	
Encumbrances	246,536	246,536	246,536	
Fund Balance - Ending	<u>\$11,020,765</u>	<u>\$11,151,939</u>	<u>\$15,545,819</u>	<u>\$4,393,880</u>

See accompanying notes to the required supplementary information.

CITY OF MORAIN, OHIO
PARKS AND RECREATION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Taxes				
Charges for Services	\$745,430	\$745,430	\$780,996	\$35,566
Investment Earnings	8,750	8,750	3,860	(4,890)
Contribution and Donations			25,565	25,565
Intergovernmental			49,598	49,598
Miscellaneous Receipts & Reimbursements			18,885	18,885
Total Revenues	<u>754,180</u>	<u>754,180</u>	<u>878,904</u>	<u>124,724</u>
EXPENDITURES				
Culture-Recreation				
Civic Center				
Personnel services	327,920	325,275	306,631	18,644
General operating expenses	60,377	58,012	50,688	7,324
Total Civic Center	<u>388,297</u>	<u>383,287</u>	<u>357,319</u>	<u>25,968</u>
Parks & Recreation Programs				
Personnel services				
General operating expenses	24,400	24,900	17,851	7,049
Total Parks & Recreation Programs	<u>24,400</u>	<u>24,900</u>	<u>17,851</u>	<u>7,049</u>
Water Park				
Personnel services	605,405	598,255	556,186	42,069
General operating expenses	399,342	411,523	386,465	25,058
Total Water Park	<u>1,004,747</u>	<u>1,009,778</u>	<u>942,651</u>	<u>67,127</u>
Recreational Center				
Personnel services	751,150	743,430	684,744	58,686
General operating expenses	394,146	383,101	299,159	83,942
Total Recreational Center	<u>1,145,296</u>	<u>1,126,531</u>	<u>983,903</u>	<u>142,628</u>
Total Culture-Recreation	<u>2,562,740</u>	<u>2,544,496</u>	<u>2,301,724</u>	<u>242,772</u>
Total Expenses	<u>2,562,740</u>	<u>2,544,496</u>	<u>2,301,724</u>	<u>242,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,808,560)</u>	<u>(1,790,316)</u>	<u>(1,422,820)</u>	<u>367,496</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000,000	2,000,000	2,000,000	
Total Other Financing Sources (Uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Net Change in Fund Balance	191,440	209,684	577,180	367,496
Fund Balance - Beginning	106,582	106,582	106,582	
Encumbrances	23,980	23,980	23,980	
Fund Balance - Ending	<u>\$322,002</u>	<u>\$340,246</u>	<u>\$707,742</u>	<u>\$367,496</u>

See accompanying notes to the required supplementary information.

CITY OF MORAIN, OHIO
ECONOMIC DEVELOPMENT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	<u>Original Budget Amounts</u>	<u>Final Budgets Amounts</u>	<u>Actual Amounts</u>	<u>Variance Actual w/Final Budget Positive (Negative)</u>
REVENUE				
Intergovernmental	\$75,000	\$75,000	\$300,000	\$225,000
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>300,000</u>	<u>225,000</u>
EXPENDITURES				
Economic development	\$365,000	\$590,000	\$428,000	\$162,000
Total Expenses	<u>365,000</u>	<u>590,000</u>	<u>428,000</u>	<u>162,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(290,000)</u>	<u>(515,000)</u>	<u>(128,000)</u>	<u>63,000</u>
Net Change in Fund Balance	(290,000)	(515,000)	(128,000)	63,000
Fund Balance - Beginning	<u>1,387,317</u>	<u>1,387,317</u>	<u>1,387,317</u>	
Fund Balance - Ending	<u><u>\$1,097,317</u></u>	<u><u>\$872,317</u></u>	<u><u>\$1,259,317</u></u>	<u><u>\$387,000</u></u>

See accompanying notes to the required supplementary information.

CITY OF MORAIN, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2006

1. Budgets and Budgetary Accounting

An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings are held, by July 15 of each year, and submitted to the County Budget Commission by July 20 of each year.

The County Budget Commission certifies its actions relevant to the annual budget to the City by September 1. As part of this certification, the City receives an official certificate of estimated resources, which states the projected receipts by fund. On or about January 1, this certificate is amended to include any unencumbered fund balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations ordinance.

A temporary appropriations ordinance to control expenditures may be passed on or about January 1 of each year for the period of January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriations ordinance generally controls expenditures at the department level and may be amended or supplemented by Council during the year as required. Amendments to the appropriations ordinance made during the year increased original appropriations by approximately 8.6%. Total expenditures in any fund cannot exceed the estimated resources for that fund. Unencumbered appropriations lapse at year-end, while encumbered amounts are reappropriated in the following year's budget.

The City Manager acts as budget officer for the City and submits a proposed operating budget to the City Council on an annual basis. Public hearings are held to obtain taxpayer comments. The Council enacts the budget through passage of an ordinance. The City's expenditure budget and appropriations ordinance are the same document. The appropriations ordinance controls expenditures at the departmental level with a detail breakdown by personal services, operating and capital expenditures/expenses. Supplemental appropriations are made to the budget during the year by the passage of ordinances. These supplemental appropriations are recommended by management to the City Council, but can only be adopted by formal passage of an

ordinance by City Council. The only authority that management has is to make transfers between accounts within the departmental appropriations. Any increase or decrease in appropriations for any department takes official Council action. During 2006, there were eleven supplemental appropriations made totaling \$2,939,546.

While financial position, results of operations, and changes in fund balances are reported on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by State law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budget) – All Governmental Fund Types 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 the GAAP basis are:

- 1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (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 GAAP basis statements to the budgetary basis statements for the City’s major funds.

Net Change in Fund Balance

	<u>General</u>	<u>Parks & Recreation</u>	<u>Economic Development</u>
GAAP Basis	\$2,336,971	\$590,354	(\$32,547)
Net Adjustment for Revenue Accruals	(102,803)	(410)	
Net Adjustment for Expenditure Accruals	<u>(65,394)</u>	<u>(12,764)</u>	<u>(95,453)</u>
Budget Basis	<u>\$2,168,774</u>	<u>\$577,180</u>	<u>(\$128,000)</u>



CITY OF MORaine, OHIO

COMBINING STATEMENTS

AND

INDIVIDUAL FUND STATEMENTS



**CITY OF MORaine, OHIO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2006**

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Investments	\$2,328,588	\$124,291	\$2,452,879
Receivables			
Property Tax	162,866		162,866
Accounts	50		50
Intergovernmental	187,657		187,657
Due from Other Funds	25,000		25,000
Inventories	54,157		54,157
Prepays	371		371
Total Assets	2,758,689	124,291	2,882,980
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts Payable	327,245		327,245
Salaries and Benefits Payable	341,815		341,815
Compensated Absences Payable	2,303		2,303
Deferred Revenue	318,335		318,335
Total Current Liabilities	989,698		989,698
FUND BALANCES:			
Reserved For:			
Encumbrances	485,950		485,950
Prepays	371		371
Inventories	54,157		54,157
Unreserved	1,228,513	124,291	1,352,804
Total Fund Balance	1,768,991	124,291	1,893,282
Total Liabilities and Fund Balances	\$2,758,689	\$124,291	\$2,882,980

CITY OF MORAINÉ, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Ended December 31, 2006

	<u>NONMAJOR SPECIAL REVENUE FUNDS</u>	<u>NONMAJOR DEBT SERVICE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes:			
Property	\$171,149		\$171,149
Other	4,924		4,924
Shared Revenues	454,161		454,161
Licenses and Permits	1,844		1,844
Charges for Services	7,200		7,200
Investment Earnings	36,818	\$3,590	40,408
Intergovernmental	119,934		119,934
Miscellaneous Receipts & Reimbursements	82,550		82,550
Total Revenues	<u>878,580</u>	<u>3,590</u>	<u>882,170</u>
EXPENDITURES			
Public Safety	1,063,753		1,063,753
Highways and streets	2,274,585		2,274,585
Total Expenditures	<u>3,338,338</u>		<u>3,338,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,459,758)</u>	<u>3,590</u>	<u>(2,456,168)</u>
OTHER FINANCING SOURCES (USES)			
Sale of bond anticipation notes	1,300,000		1,300,000
Transfers in	2,350,000		2,350,000
Transfers out	(111,986)		(111,986)
Total Other Financing Sources (Uses)	<u>3,538,014</u>		<u>3,538,014</u>
Net Change in Fund Balance	1,078,256	3,590	1,081,846
Fund Balance - Beginning	690,735	120,701	811,436
Fund Balance - Ending	<u>\$1,768,991</u>	<u>\$124,291</u>	<u>\$1,893,282</u>

CITY OF MORAINE, OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2006

	STREET CONSTRUCTION AND MAINTENANCE	STATE HIGHWAY IMPROVEMENT	CEMETERY	MOTOR VEHICLE LICENSE TAX	ENFORCEMENT AND EDUCATION	T.I.F.	POLICE PENSION	FIRE PENSION	FEDERAL LAW ENFORCEMENT	STATE LAW ENFORCEMENT	DRUG LAW ENFORCEMENT	F. I. E. M. A.	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS													
Cash and Investments	\$210,098	\$463,342	\$80,725	\$60,691	\$18,446	\$1,123,619	\$103,416	\$144,406	\$27,077	\$66,581	\$30,187	\$0	\$2,328,588
Receivables							81,433	81,433					162,866
Property Tax													50
Accounts					50								187,657
Intergovernmental	165,494	13,418		8,745			25,000						25,000
Due from Other Funds													54,157
Inventories	54,157												54,157
Prepays	371												371
Total Assets	430,120	476,760	80,725	69,436	18,496	1,123,619	209,849	225,839	27,077	66,581	30,187		2,788,689
LIABILITIES AND FUND BALANCES													
CURRENT LIABILITIES													
Accounts Payable	5,757					316,338	126,257	137,308			5,150		327,245
Salaries and Benefits Payable	78,250												341,815
Compensated Absences Payable	2,303												2,303
Deferred Revenue	137,148	10,820		7,501			81,433	81,433					318,335
Total Current Liabilities	223,458	10,820		7,501		316,338	207,690	218,741			5,150		969,698
FUND BALANCES:													
Reserved For:													
Encumbrances	53,617		3,026			424,157					5,150		485,950
Prepays	371												371
Inventories	54,157												54,157
Unreserved	98,517	465,940	77,699	61,935	18,496	383,124	2,159	7,098	27,077	66,581	19,887		1,228,513
	206,662	465,940	80,725	61,935	18,496	807,281	2,159	7,098	27,077	66,581	25,037		1,768,991
Total Fund Balance	\$430,120	\$476,760	\$80,725	\$69,436	\$18,496	\$1,123,619	\$209,849	\$225,839	\$27,077	\$66,581	\$30,187	\$0	\$2,788,689
Total Liabilities and Fund Balance													

CITY OF MORAINE, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2006

	STREET CONSTRUCTION AND MAINTENANCE	STATE HIGHWAY IMPROVEMENT	CEMETERY	MOTOR VEHICLE LICENSE TAX	ENFORCEMENT AND EDUCATION	T. I. F.	POLICE PENSION	FIRE PENSION	FEDERAL LAW ENFORCEMENT	STATE LAW ENFORCEMENT	DRUG LAW ENFORCEMENT	F. E. M. A.	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES													
Taxes:													
Property							\$85,575	\$85,574					\$171,149
Other							2,462	2,462					4,924
Shared Revenues	\$399,233	\$32,671		\$22,257	\$1,844								454,161
Licenses and Permits													1,844
Charges for Services	7,253	12,371	\$7,200	1,351	467	5,661	2,232	3,505	\$141	\$472	\$1,081	\$11,986	7,200
Investment Earnings			2,284										36,818
Intergovernmental													119,934
Miscellaneous Receipts & Reimbursements			1,654										82,550
Total Revenues	406,486	45,042	11,138	23,608	2,311	5,661	90,269	91,541	22,624	58,206	9,095	111,986	878,580
EXPENDITURES													
Public Safety							501,593	538,457			23,703		1,063,753
Highways and streets	1,760,239		8,014	7,952		498,380							2,274,586
Total Expenditures	1,760,239		8,014	7,952		498,380	501,593	538,457			23,703		3,536,336
Excess (deficiency) of Revenues Over (under) Expenditures	(1,353,753)	45,042	3,124	15,656	2,311	(492,719)	(411,324)	(446,916)	22,765	58,678	(14,608)	111,986	(2,459,758)
OTHER FINANCING SOURCES (USES)													
Sale of bond anticipation notes						1,300,000		450,000					1,300,000
Transfers in	1,500,000						400,000						2,350,000
Transfers out												(111,986)	(111,986)
Total Other Financing Sources (Uses)	1,500,000					1,300,000	400,000	450,000				(111,986)	3,538,014
Fund Balance - Beginning	146,247	45,042	3,124	15,656	2,311	807,281	(11,324)	3,084	22,765	58,678	(14,608)		1,078,256
Fund Balance - Ending	60,415	420,898	77,601	46,279	16,185	13,483	4,312	4,014	4,312	7,903	39,645	\$0	690,735
Fund Balance - Ending	\$206,662	\$465,940	\$80,725	\$61,935	\$18,496	\$607,281	\$2,159	\$7,098	\$27,077	\$66,581	\$25,037	\$0	\$1,766,991

CITY OF MORAIN, OHIO
STREET CONSTRUCTION AND MAINTENANCE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Shared Revenues	\$447,000	\$420,000	\$398,066	(\$21,934)
Investment Earnings	4,850	4,850	7,303	2,453
Total Revenues	<u>451,850</u>	<u>424,850</u>	<u>405,369</u>	<u>(19,481)</u>
EXPENDITURES				
Highways and Streets:				
Personnel Services	1,473,120	1,466,320	1,352,056	114,264
General Operating Expenses	<u>553,668</u>	<u>532,255</u>	<u>440,744</u>	<u>91,511</u>
Total Highways and Streets	<u>2,026,788</u>	<u>1,998,575</u>	<u>1,792,800</u>	<u>205,775</u>
Total Expenditures	<u>2,026,788</u>	<u>1,998,575</u>	<u>1,792,800</u>	<u>205,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,574,938)</u>	<u>(1,573,725)</u>	<u>(1,387,431)</u>	<u>186,294</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,500,000	1,500,000	1,500,000	
Total Other Financing Sources (Uses)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	
Net Change in Fund Balance	<u>(74,938)</u>	<u>(73,725)</u>	<u>112,569</u>	<u>186,294</u>
Fund Balance - Beginning	75,612	75,612	75,612	
Encumbrances	22,226	22,226	22,226	
Fund Balance - Ending	<u>\$22,900</u>	<u>\$24,113</u>	<u>\$210,407</u>	<u>\$186,294</u>

CITY OF MORAIN, OHIO
STATE HIGHWAY IMPROVEMENT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	<u>Original Budget Amounts</u>	<u>Final Budgets Amounts</u>	<u>Actual Amounts</u>	<u>Variance Actual w/Final Budget Positive (Negative)</u>
REVENUE				
Shared Revenues	\$26,730	\$26,730	\$32,276	\$5,546
Investment Earnings	8,470	8,470	5,371	(3,099)
Total Revenues	35,200	35,200	37,647	2,447
Excess (deficiency) of revenues over (under) expenditures	35,200	35,200	37,647	2,447
Net Change in Fund Balance	35,200	35,200	37,647	2,447
Fund Balance - Beginning	426,457	426,457	426,457	
Fund Balance - Ending	<u>\$461,657</u>	<u>\$461,657</u>	<u>\$464,104</u>	<u>\$2,447</u>

**CITY OF MORaine, OHIO
CEMETERy FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006**

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Charges for Services	\$7,000	\$7,000	\$7,200	\$200
Investment Earnings	300	300	1,017	717
Miscellaneous Receipts & Reimbursements	3,000	3,000	1,654	(1,346)
Total Revenues	<u>10,300</u>	<u>10,300</u>	<u>9,871</u>	<u>(429)</u>
EXPENDITURES				
General Government	15,000	15,000	11,040	3,960
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>11,040</u>	<u>3,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,700)</u>	<u>(4,700)</u>	<u>(1,169)</u>	<u>3,531</u>
Net Change in Fund Balance	(4,700)	(4,700)	(1,169)	3,531
Fund Balance - Beginning	78,995	78,995	78,995	
Encumbrances	3,026	3,026	3,026	
Fund Balance - Ending	<u><u>\$77,321</u></u>	<u><u>\$77,321</u></u>	<u><u>\$80,852</u></u>	<u><u>\$3,531</u></u>

CITY OF MORAIN, OHIO
MOTOR VEHICLE LICENSE TAX FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	<u>Original Budget Amounts</u>	<u>Final Budgets Amounts</u>	<u>Actual Amounts</u>	<u>Variance Actual w/Final Budget Positive (Negative)</u>
REVENUE				
Shared Revenues	\$20,000	\$20,000	\$22,453	\$2,453
Investment Earnings	440	440	618	178
Total Revenues	<u>20,440</u>	<u>20,440</u>	<u>23,071</u>	<u>2,631</u>
EXPENDITURES				
Highways and Streets	8,000	8,000	7,952	48
Total Expenditures	<u>8,000</u>	<u>8,000</u>	<u>7,952</u>	<u>48</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,440</u>	<u>12,440</u>	<u>15,119</u>	<u>2,679</u>
Net Change in Fund Balance	12,440	12,440	15,119	2,679
Fund Balance - Beginning	45,671	45,671	45,671	
Fund Balance - Ending	<u>\$58,111</u>	<u>\$58,111</u>	<u>\$60,790</u>	<u>\$2,679</u>

CITY OF MORAIN, OHIO
ENFORCEMENT AND EDUCATION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
License and Permits	\$1,500	\$1,500	\$1,889	\$389
Investment Earnings	290	290	198	(92)
Total Revenues	<u>1,790</u>	<u>1,790</u>	<u>2,087</u>	<u>297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,790</u>	<u>1,790</u>	<u>2,087</u>	<u>297</u>
Net Change in Fund Balance	1,790	1,790	2,087	297
Fund Balance - Beginning	16,389	16,389	16,389	
Fund Balance - Ending	<u>\$18,179</u>	<u>\$18,179</u>	<u>\$18,476</u>	<u>\$297</u>

CITY OF MORaine, OHIO
T. I. F. FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	<u>Original Budget Amounts</u>	<u>Final Budgets Amounts</u>	<u>Actual Amounts</u>	<u>Variance Actual w/Final Budget Positive (Negative)</u>
REVENUE				
Investment Earnings			\$6,810	\$6,810
Total Revenues			6,810	6,810
EXPENDITURES				
Capital Outlays:				
Economic Development	\$1,300,000	\$1,300,000	606,199	693,801
Total Expenses	1,300,000	1,300,000	606,199	693,801
Excess (deficiency) of revenues over (under) expenditures	(1,300,000)	(1,300,000)	(599,389)	700,611
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of bond anticipation notes	1,300,000	1,300,000	1,300,000	
Total Other Financing Sources (Uses)	1,300,000	1,300,000	1,300,000	
Net Change in Fund Balance			700,611	700,611
Fund Balance - Beginning				
Encumbrances	424,157	424,157	424,157	
Fund Balance - Ending	\$424,157	\$424,157	\$1,124,768	\$700,611

**CITY OF MORAIN, OHIO
POLICE PENSION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006**

	<u>Original Budget Amounts</u>	<u>Final Budgets Amounts</u>	<u>Actual Amounts</u>	<u>Variance Actual w/Final Budget Positive (Negative)</u>
REVENUE				
Taxes				
Property	\$83,040	\$83,040	\$85,575	\$2,535
Other	2,590	2,590	2,462	(128)
Investment Earnings	1,640	1,640	1,044	(596)
Total Revenues	<u>87,270</u>	<u>87,270</u>	<u>89,081</u>	<u>1,811</u>
EXPENDITURES				
Public Safety:				
Personnel	465,000	464,700	458,924	5,776
General operating expense	1,000	1,300	1,196	104
Total Public Safety	<u>466,000</u>	<u>466,000</u>	<u>460,120</u>	<u>5,880</u>
Total Expenditures	<u>466,000</u>	<u>466,000</u>	<u>460,120</u>	<u>5,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(378,730)</u>	<u>(378,730)</u>	<u>(371,039)</u>	<u>7,691</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	400,000	400,000	400,000	
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	
Net Change in Fund Balance	21,270	21,270	28,961	7,691
Fund Balance - Beginning	74,625	74,625	74,625	
Fund Balance - Ending	<u>\$95,895</u>	<u>\$95,895</u>	<u>\$103,586</u>	<u>\$7,691</u>

CITY OF MORAIN, OHIO
FIRE PENSION FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	<u>Original Budget Amounts</u>	<u>Final Budgets Amounts</u>	<u>Actual Amounts</u>	<u>Variance Actual w/Final Budget Positive (Negative)</u>
REVENUE				
Taxes				
Property	\$83,040	\$83,040	\$85,574	\$2,534
Other	2,590	2,590	2,462	(128)
Investment Earnings	2,460	2,460	1,640	(820)
Total Revenues	<u>88,090</u>	<u>88,090</u>	<u>89,676</u>	<u>1,586</u>
EXPENDITURES				
Public Safety:				
Personnel	520,000	519,700	509,314	10,386
General operating expense	1,000	1,300	1,196	104
Total Public Safety	<u>521,000</u>	<u>521,000</u>	<u>510,510</u>	<u>10,490</u>
Total Expenses	<u>521,000</u>	<u>521,000</u>	<u>510,510</u>	<u>10,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(432,910)</u>	<u>(432,910)</u>	<u>(420,834)</u>	<u>12,076</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	450,000	450,000	450,000	
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	
Net Change in Fund Balance	17,090	17,090	29,166	12,076
Fund Balance - Beginning	115,477	115,477	115,477	
Fund Balance - Ending	<u>\$132,567</u>	<u>\$132,567</u>	<u>\$144,643</u>	<u>\$12,076</u>

CITY OF MORaine, OHIO
FEDERAL LAW ENFORCEMENT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Investment Earnings	\$80	\$80	\$106	\$26
Miscellaneous Receipts & Reimbursements			22,624	22,624
Total Revenues	<u>80</u>	<u>80</u>	<u>22,730</u>	<u>22,650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80</u>	<u>80</u>	<u>22,730</u>	<u>22,650</u>
Net Change in Fund Balance	80	80	22,730	22,650
Fund Balance - Beginning	4,392	4,392	4,392	
Fund Balance - Ending	<u>\$4,472</u>	<u>\$4,472</u>	<u>\$27,122</u>	<u>\$22,650</u>

CITY OF MORAIN, OHIO
STATE LAW ENFORCEMENT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Investment Earnings	\$20	\$20	\$435	\$415
Miscellaneous Receipts & Reimbursements			58,206	58,206
Total Revenues	<u>20</u>	<u>20</u>	<u>58,641</u>	<u>58,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20</u>	<u>20</u>	<u>58,641</u>	<u>58,621</u>
Net Change in Fund Balance	20	20	58,641	58,621
Fund Balance - Beginning	8,050	8,050	8,050	
Fund Balance - Ending	<u>\$8,070</u>	<u>\$8,070</u>	<u>\$66,691</u>	<u>\$58,621</u>

CITY OF MORAIN, OHIO
DRUG LAW ENFORCEMENT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Investment Earnings	\$1,360	\$1,360	\$388	(\$972)
Miscellaneous Receipts & Reimbursements	10,210	10,210	8,013	(2,197)
Total Revenues	<u>11,570</u>	<u>11,570</u>	<u>8,401</u>	<u>(3,169)</u>
EXPENDITURES				
Public Safety	30,150	30,150	23,703	6,447
Total Expenditures	<u>30,150</u>	<u>30,150</u>	<u>23,703</u>	<u>6,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,580)</u>	<u>(18,580)</u>	<u>(15,302)</u>	<u>3,278</u>
Net Change in Fund Balance	(18,580)	(18,580)	(15,302)	3,278
Fund Balance - Beginning	40,381	40,381	40,381	
Encumbrances	5,150	5,150	5,150	
Fund Balance - Ending	<u>\$21,801</u>	<u>\$21,801</u>	<u>30,229</u>	<u>\$8,428</u>

CITY OF MORAIN, OHIO
F. E. M. A. FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	<u>Original Budget Amounts</u>	<u>Final Budgets Amounts</u>	<u>Actual Amounts</u>	<u>Variance Actual w/Final Budget Positive (Negative)</u>
REVENUE				
Intergovernmental	\$112,000	\$112,000	\$111,986	(\$14)
Total Revenues	<u>112,000</u>	<u>112,000</u>	<u>111,986</u>	<u>(14)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>112,000</u>	<u>112,000</u>	<u>111,986</u>	<u>(14)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(111,986)	(111,986)	(111,986)	
Total Other Financing Sources (Uses)	<u>(111,986)</u>	<u>(111,986)</u>	<u>(111,986)</u>	
Net Change in Fund Balance	14	14		(14)
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$14</u>	<u>\$14</u>	<u>\$0</u>	<u>(\$14)</u>

CITY OF MORaine, OHIO
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Investment Earnings	\$3,050	\$3,050	\$1,557	(\$1,493)
Total Revenues	<u>3,050</u>	<u>3,050</u>	<u>1,557</u>	<u>(1,493)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,050</u>	<u>3,050</u>	<u>1,557</u>	<u>(1,493)</u>
Net Change in Fund Balance	3,050	3,050	1,557	(1,493)
Fund Balance - Beginning	122,938	122,938	122,938	0
Fund Balance - Ending	<u>\$125,988</u>	<u>\$125,988</u>	<u>\$124,495</u>	<u>(\$1,493)</u>

CITY OF MORaine, OHIO
CAPITAL IMPROVEMENT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
For Year Ended December 31, 2006

	Original Budget Amounts	Final Budgets Amounts	Actual Amounts	Variance Actual w/Final Budget Positive (Negative)
REVENUE				
Taxes				
Income	\$1,723,307	\$1,723,307	\$2,100,890	\$377,583
Fines	14,420	14,420	12,907	(1,513)
Intergovernmental	1,300,000	1,300,000	1,000,000	(300,000)
Total Revenues	<u>3,037,727</u>	<u>3,037,727</u>	<u>3,113,797</u>	<u>76,070</u>
EXPENDITURES				
Capital Outlays:				
General Government	256,500	565,052	440,612	124,440
Public Safety	249,068	255,096	222,550	32,546
Highways and Streets	1,128,000	3,140,267	2,933,793	206,474
Culture-Recreation	360,000	536,930	399,687	137,243
Debt Service				
Principal	4,281,255	4,281,255	4,248,624	32,631
Interest	164,610	164,610	164,593	17
Total Expenses	<u>6,439,433</u>	<u>8,943,210</u>	<u>8,409,859</u>	<u>533,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,401,706)</u>	<u>(5,905,483)</u>	<u>(5,296,062)</u>	<u>609,421</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of bond anticipation notes	3,700,000	3,700,000	3,700,000	
Proceeds from the sale of capital assets	15,010	15,010	132,500	117,490
Transfers in			111,986	111,986
Total Other Financing Sources (Uses)	<u>3,715,010</u>	<u>3,715,010</u>	<u>3,944,486</u>	<u>229,476</u>
Net Change in Fund Balance	<u>313,304</u>	<u>(2,190,473)</u>	<u>(1,351,576)</u>	<u>838,897</u>
Fund Balance - Beginning	3,893,019	3,893,019	3,893,019	
Encumbrances	1,951,438	1,951,438	1,951,438	
Fund Balance - Ending	<u>\$6,157,761</u>	<u>\$3,653,984</u>	<u>\$4,492,881</u>	<u>\$838,897</u>

CITY OF MORaine, OHIO
Combining Statement of Net Assets
INTERNAL SERVICE FUNDS
December 31, 2006

	<u>CITY GARAGE</u>	<u>INSURANCE RESERVE</u>	<u>HEALTH INSURANCE</u>	<u>TOTALS</u>
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$173,390	\$1,276,387	\$294,241	\$1,744,018
Inventories	132,342			132,342
Prepays	84			84
Total Current Assets	<u>305,816</u>	<u>1,276,387</u>	<u>294,241</u>	<u>1,876,444</u>
CAPITAL ASSETS (net of accumulated depreciation)				
Machinery and Equipment	32,631			32,631
Total Capital Assets	<u>32,631</u>	<u>0</u>	<u>0</u>	<u>32,631</u>
Total Assets	<u>338,447</u>	<u>1,276,387</u>	<u>294,241</u>	<u>1,909,075</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	10,872	32,510		43,382
Salaries and Benefits Payable	16,309			16,309
Compensated Absences Payable	116,698			116,698
Insurance Claims Payable			90,248	90,248
Total Current Liabilities	<u>143,879</u>	<u>32,510</u>	<u>90,248</u>	<u>266,637</u>
NET ASSETS				
Invested in Capital Assets	32,631			32,631
Unreserved	161,937	1,243,877	203,993	1,609,807
Total Net Assets	<u>\$194,568</u>	<u>\$1,243,877</u>	<u>\$203,993</u>	<u>\$1,642,438</u>

CITY OF MORAIN, OHIO
Combining Statement of Revenues, Expenses and Changes in Net Assets
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2006

	<u>CITY GARAGE</u>	<u>INSURANCE RESERVE</u>	<u>HEALTH INSURANCE</u>	<u>TOTALS</u>
Operating Revenues				
Charges for Services	\$719,079		\$1,797,947	\$2,517,026
Miscellaneous Receipts & Reimbursements		38,505	2,736	41,241
Total Operating Revenues	<u>719,079</u>	<u>38,505</u>	<u>1,800,683</u>	<u>2,558,267</u>
Operating Expenses				
Current:				
Cost of Services	721,169	98,036	1,451,729	2,270,934
Depreciation	16,073			16,073
Total Operating Expenses	<u>737,242</u>	<u>98,036</u>	<u>1,451,729</u>	<u>2,287,007</u>
Operating Income (Loss)	<u>(18,163)</u>	<u>(59,531)</u>	<u>348,954</u>	<u>271,260</u>
Non-operating Revenues				
Investment Earnings		36,637	7,298	43,935
Total Non-operating Revenues		<u>36,637</u>	<u>7,298</u>	<u>43,935</u>
Change in Net Assets	<u>(18,163)</u>	<u>(22,894)</u>	<u>356,252</u>	<u>315,195</u>
Total Net Assets - Beginning	212,731	1,266,771	(152,259)	1,327,243
Total Net Assets - Ending	<u>\$194,568</u>	<u>\$1,243,877</u>	<u>\$203,993</u>	<u>\$1,642,438</u>

CITY OF MORAIN, OHIO
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2006

	<u>City Garage</u>	<u>Insurance Reserve</u>	<u>Health Insurance Program</u>	<u>Totals</u>
Cash Flows From Operating Activities				
Cash received for inter fund services	\$719,079		\$1,797,947	\$2,517,026
Miscellaneous receipts & reimbursements		\$38,505	2,736	41,241
Cash paid to suppliers for goods or services	(465,670)	(69,494)	(1,758,590)	(2,293,754)
Cash paid to employees for services	(249,929)			(249,929)
Net cash provided (used) by operating activities	<u>3,480</u>	<u>(30,989)</u>	<u>42,093</u>	<u>14,584</u>
Cash Flows From Capital Assets and Related Financing Activities				
Acquisition of capital assets	(3,480)			(3,480)
Net cash used by capital assets and related financing activities	<u>(3,480)</u>			<u>(3,480)</u>
Cash Flows From Investing Activities				
Investment earnings		36,637	7,298	43,935
Net Cash provided by investing activities		<u>36,637</u>	<u>7,298</u>	<u>43,935</u>
Net increase in cash	0	5,648	49,391	55,039
Cash and Investments at Beginning of Year	173,390	1,270,739	244,850	1,688,979
Cash and Investments at end of Year	<u>\$173,390</u>	<u>\$1,276,387</u>	<u>\$294,241</u>	<u>\$1,744,018</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities				
Operating income (loss)	(\$18,163)	(\$59,531)	\$348,954	\$271,260
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	16,073			16,073
(Increase) decrease in inventories	(23,035)			(23,035)
Increase (decrease) in accounts payable	(40,434)	28,542		(11,892)
Increase (decrease) in salaries and benefits payable	13,265			13,265
Increase (decrease) in compensated absences payable	55,774			55,774
Increase (decrease) in insurance claims payable			(306,861)	(306,861)
Net cash provided (used) by operating activities	<u>\$3,480</u>	<u>(\$30,989)</u>	<u>\$42,093</u>	<u>\$14,584</u>

CITY OF MORAIN, OHIO
Statement of Changes in Assets and Liabilities
AGENCY FUNDS
For the Year Ended December 31, 2006

	Balance December 31, 2005	Additions	Deductions	Balance December 31, 2006
Miscellaneous Agency Fund				
Assets:				
Cash and Investments	\$38,046	\$21,974	(\$21,023)	\$38,997
Total Assets	<u>38,046</u>	<u>21,974</u>	<u>(21,023)</u>	<u>38,997</u>
Liabilities:				
Deposits	38,046	21,974	(21,023)	38,997
Total Liabilities	<u>38,046</u>	<u>21,974</u>	<u>(21,023)</u>	<u>38,997</u>
Mayor's Court				
Assets:				
Cash and Investments	30,276	409,019	(413,089)	26,206
Total Assets	<u>30,276</u>	<u>409,019</u>	<u>(413,089)</u>	<u>26,206</u>
Liabilities:				
Due to Other Governments	3,657	54,897	(55,142)	3,412
Escrow Bonds	26,619	354,122	(357,947)	22,794
Total Liabilities	<u>30,276</u>	<u>409,019</u>	<u>(413,089)</u>	<u>26,206</u>
Totals - All Agency Funds				
Assets:				
Cash and Investments	68,322	430,993	(434,112)	65,203
Total Assets	<u>68,322</u>	<u>430,993</u>	<u>(434,112)</u>	<u>65,203</u>
Liabilities:				
Deposits	38,046	21,974	(21,023)	38,997
Due to Other Governments	3,657	54,897	(55,142)	3,412
Escrow Bonds	26,619	354,122	(357,947)	22,794
Total Liabilities	<u>\$68,322</u>	<u>\$430,993</u>	<u>(\$434,112)</u>	<u>\$65,203</u>



CITY OF MORAINE, OHIO

STATISTICAL SECTION





CITY OF MORAINE, OHIO
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)
(reported in thousands)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$15,469	\$16,173	\$23,959	\$23,020
Restricted for:				
Debt service	141	141	121	124
Special revenue	2,056	1,094	764	1,976
Capital projects	5,713	6,026	3,491	4,054
Unrestricted	14,413	14,454	15,701	17,862
Total governmental activities net assets	<u>37,792</u>	<u>37,888</u>	<u>44,036</u>	<u>47,036</u>
Business-type activities				
Unrestricted	446	456	460	475
Total business-type activities net assets	<u>446</u>	<u>456</u>	<u>460</u>	<u>475</u>
Primary government				
Invested in capital assets, net of related debt	15,469	16,173	23,959	23,020
Restricted	7,910	7,261	4,376	6,154
Unrestricted	14,859	14,910	16,161	18,337
Total primary government net assets	<u>\$38,238</u>	<u>\$38,344</u>	<u>\$44,496</u>	<u>\$47,511</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF MORAINE, OHIO
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)
(reported in thousands)

TABLE 2

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$5,189	\$4,658	\$4,845	\$4,953
Public safety	8,338	8,836	9,521	9,460
Highways and streets	2,337	2,956	3,391	3,345
Sanitation	327	266	256	305
Culture and recreation	3,004	2,892	3,188	2,882
Economic development	175	316	541	998
Health and welfare	157	163	159	133
Interest on long term debt	5	4	2	165
Total governmental activities expenses	<u>19,532</u>	<u>20,091</u>	<u>21,903</u>	<u>22,241</u>
Business-type activities:				
Loan program				
Total business-type activities expenses				
Total primary government expenses	<u>19,532</u>	<u>20,091</u>	<u>21,903</u>	<u>22,241</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	336	299	263	328
Public safety	3	5	9	18
Highways and streets	1		41	
Culture and recreation	755	721	868	790
Health and welfare	79	87	112	71
Operating grants and contributions	81	607	247	233
Capital grants and contributions	647	234	449	1,487
Total governmental activities program revenues	<u>1,902</u>	<u>1,953</u>	<u>1,989</u>	<u>2,927</u>
Business-type activities:				
Loan program charges for services	5	3	2	1
Investment earnings	(2)	7	3	13
Total business-type activities program revenues	<u>3</u>	<u>10</u>	<u>5</u>	<u>14</u>
Total primary government program revenues	<u>1,905</u>	<u>1,963</u>	<u>1,994</u>	<u>2,941</u>

TABLE 2 (continued)

CITY OF MORAINE, OHIO
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)
(reported in thousands)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expense)/Revenue				
Governmental activities	(17,630)	(18,138)	(19,914)	(19,314)
Business-type activities	3	10	5	14
Total primary government net expense	<u>(17,627)</u>	<u>(18,128)</u>	<u>(19,909)</u>	<u>(19,300)</u>
General Revenues and Other Changes in Net Assets				
Taxes				
Income tax	15,424	14,509	18,712	19,867
Property taxes, levied for				
general purposes	526	446	512	545
police pensions	87	93	85	81
fire pensions	87	93	85	81
Other taxes	104	92	98	103
Shared revenues	737	830	774	775
Special Assessments	18	16		
Rents and royalties	12	65	35	
Miscellaneous	105	127	261	232
Investment earnings	(55)	352	188	494
Gain on the sale of capital assets	65	25	29	137
Total general revenues	<u>17,110</u>	<u>16,648</u>	<u>20,779</u>	<u>22,315</u>
Change in Net Assets				
Governmental activities	(520)	(1,490)	865	3,001
Business-type activities	3	10	5	14
Total primary government	<u>(\$517)</u>	<u>(\$1,480)</u>	<u>\$870</u>	<u>\$3,015</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Business Type Activities has expenses - due to (thousands) rounding not reported.

TABLE 3

CITY OF MORAINE, OHIO
Governmental Fund Balances
Last Ten Fiscal Years
(modified accrual basis of accounting)
(reported in thousands)

	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund										
Reserved	\$266	\$321	\$439	\$391	\$349	\$344	\$272	\$316	\$428	\$375
Unreserved	13,187	15,231	11,238	14,021	14,184	13,943	12,301	11,959	14,749	17,139
Total general fund	13,453	15,552	11,677	14,412	14,533	14,287	12,573	12,275	15,177	17,514
All Other Governmental Funds										
Reserved	1,680	3,480	8,183	1,095	1,124	1,945	1,374	915	1,650	2,832
Unreserved, reported in:										
Special revenue funds	881	951	2,188	1,547	1,768	1,808	1,801	1,330	764	1,976
Capital projects fund	6,245	4,292	1,154	3,051	4,165	4,348	4,632	6,026	2,419	2,103
Debt service fund							141	141	121	125
Total all other governmental funds	\$8,806	\$8,723	\$11,525	\$5,693	\$7,057	\$8,101	\$7,948	\$8,412	\$4,954	\$7,036

CITY OF MORAINE, OHIO
Changes in Governmental Fund Balances
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

TABLE 4

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
REVENUES										
Income Taxes	\$14,398	\$14,997	\$15,857	\$16,529	\$15,071	\$15,612	\$15,610	\$14,614	\$19,129	\$20,328
Property Taxes	0	0	0	0	0	0	699	632	682	723
Other Taxes	660	749	727	804	769	602	104	92	98	86
Shared Revenues	743	770	994	1,030	883	789	775	973	875	929
Special Assessments	50	34	53	31	25	20	18	16		
License and Permits	78	90	90	612	945	970	42	61	97	35
Charges for Services	354	347	318	265	256	370	333	286	945	855
Fines	1,219	1,281	688	1,456	779	532	(55)	352	251	279
Investment Earnings							2	2	3	26
Contributions and Donations							12	65	35	38
Rents and Royalties	514	1,352	1,396	1,056	394	31	728	701	557	1,561
Intergovernmental	115	316	243	437	767	735	103	136	261	232
Miscellaneous	18,131	19,936	20,366	22,220	19,889	19,661	19,171	18,687	23,121	25,586
EXPENDITURES										
Current:										
General government	2,035	2,240	2,771	3,512	4,315	4,153	4,132	4,148	4,322	4,565
Public Safety	6,104	6,352	6,874	7,116	6,993	7,434	7,746	8,081	8,610	9,064
Highways & Streets	1,842	1,904	1,720	1,777	1,777	1,912	2,132	2,077	2,238	2,748
Sanitation							327	266	256	305
Economic Development	232	1,127	2,628	929	655	159	158	284	400	511
Health and Welfare	460	533	530	524	535	611	151	162	159	133
Culture and Recreation	598	724	900	2,217	2,726	2,796	2,672	2,601	2,706	2,389
Capital Improvements	2,781	4,741	5,766	9,029	1,466	1,423	3,888	5,634	3,882	2,144
Debt Service:										
Principal	20	15	15	15	48	43	103	837	4,691	4,249
Interest	15	13	11	10	9	7	5	3	121	165
Total Expenditures	14,087	17,649	21,215	25,129	18,524	18,538	21,314	24,093	27,385	26,273
Excess (deficiency) of revenues over expenditures	4,044	2,287	(849)	(2,909)	1,365	1,123	(2,143)	(5,406)	(4,264)	(687)
OTHER FINANCIAL SOURCES (USES)										
General long-term debt issued	2,620	4,640	9,560	3,270	3,890	3,933	323	5,550	3,700	5,000
Transfers In	(2,895)	(4,790)	(9,810)	(3,520)	(4,184)	(4,318)	(4,435)	(3,450)	(3,699)	(4,462)
Transfers Out							193			80
Proceeds from capital leases	66	48	26	62	414	60	75	31	29	146
Proceeds from the sale of assets	(209)	(102)	(224)	(188)	120	(325)	206	5,431	3,729	5,226
Total Other Financing Sources (Uses)	\$3,835	\$2,185	(\$1,073)	(\$3,097)	\$1,485	\$798	(\$1,937)	\$25	(\$535)	\$4,539
Net Change in Fund Balance	0.26%	0.18%	0.16%	0.13%	0.33%	0.28%	0.60%	4.67%	19.95%	19.18%
Debt service as a percentage of noncapital expenditures										

CITY OF MORAINE, OHIO
General Governmental Tax Revenues by Source ⁽¹⁾
Last Ten Fiscal Years
(accrual basis of accounting) ⁽²⁾

Fiscal Year	Municipal Income Taxes	Other Local Taxes	State Shared Taxes and Permits	Total
1996	\$11,829,176	\$640,384	\$692,154	\$13,161,714
1997	12,236,361	660,163	742,996	\$13,639,520
1998	12,730,609	749,579	770,457	\$14,250,645
1999	13,474,430	726,875	793,608	\$14,994,913
2000	14,048,786	803,800	829,820	\$15,682,406
2001	12,780,377	769,017	882,968	\$14,432,362
2002	13,272,808	601,889	788,633	\$14,663,330
2003	15,424,540	803,868	737,456	\$16,965,864
2004	14,508,566	723,595	829,436	\$16,061,597
2005	18,711,202 ⁽³⁾	779,864	774,274	\$20,265,337
2006	19,866,552	810,408	775,190	\$21,452,150

Source: City of Moraine, Department of Finance

(1) Prior to 2003, these figures include General and Special Revenue Funds only.

(2) Figures reported prior to 2003 are reported on a cash basis of accounting.

(3) Income tax rate increased 1/2% to 2% in 2005

CITY OF MORAINE, OHIO
Income Tax Revenues (1)
Last Ten Fiscal Years
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Amount</u>
1997	\$14,397,808
1998	14,996,458
1999	15,857,815
2000	16,529,110
2001	15,070,764
2002	15,611,943
2003	15,610,407
2004	14,614,100
2005	19,128,239 ⁽²⁾
2006	20,328,322

Source: City of Moraine, Department of Finance

(1) Includes all governmental fund types.

(2) Income tax rate increased 1/2% to 2% in 2005

Principal Income Tax Payers
Current Year and Nine Years Ago
(cash basis of accounting)

<u>1996</u>			<u>2006</u>	
<u>Rank</u>	<u>Name</u>	<u>2006 Rank</u>	<u>Rank</u>	<u>Name</u>
1	General Motors Corporation	1	1	General Motors Corporation
2	Dmax	-	2	Reynolds & Reynolds
3 ⁽¹⁾	Delphi	-	3	Dayton Power and Light
4	Bellsouth Resources	4	4	LM Berry
5	Win Wholsale	-	5	The Bon Ton Department Stores
6	Dayton Power and Light	3	6	Ameritech Publishing
7	Compunet Clinical Labs	-	7	EDS
8	City of Moraine	-	8	Business Application of Software
9	Walmart	-	9	Dayton Reliable Tool
10	Ameritech Publishing	6	10	Cooper Tire & Rubber

Source: City of Moraine, Department of Finance

(1) Delphi is a spinoff of General Motors Corporation

Note: Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of the withholding by taxpayer. The City chose not to disclose percentages and number of filers by income level because the City does not require all taxpayers to file a return, therefore it does not have, or can it obtain, this type of information.

CITY OF MORAINE, OHIO
Assessed Value and Estimated Actual Value of Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Agricultural Property</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Total Taxable Assessed</u>		<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
					<u>Value</u>	<u>Value</u>			
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1998	\$786,320	\$34,481,720	\$35,554,780	\$50,608,330	\$121,431,150	2.50	\$346,946,143	0.35	
1999	942,410	37,696,600	35,872,030	58,362,520	132,873,560	2.50	379,638,743	0.35	
2000	852,560	37,704,690	38,638,460	64,889,530	142,085,240	2.50	405,957,829	0.35	
2001	884,650	37,977,860	39,063,230	48,801,860	126,727,600	2.50	362,078,857	0.35	
2002	929,410	42,544,330	48,892,150	51,310,370	143,676,260	2.50	410,503,600	0.35	
2003	1,005,570	42,919,710	46,188,040	45,961,020	136,074,340	2.50	388,783,829	0.35	
2004	1,090,890	42,924,680	51,816,170	47,588,840	143,420,580	2.50	409,773,086	0.35	
2005	1,011,590	48,710,040	53,443,470	43,938,250	147,103,350	2.50	420,295,286	0.35	
2006	1,047,510	48,894,860	55,008,990	44,009,840	148,961,200	2.50	425,603,429	0.35	

Source: Montgomery County Auditor's Office

N/A - Not Available

TABLE 8

CITY OF MORAINE, OHIO
Property Tax Rates-Direct and Overlapping Governments (Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005
MUNICIPAL UNITS:									
General Fund	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Police Pension Fund	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Fire Pension Fund	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Municipal Rates	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
COUNTY UNITS:									
General Fund	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Mental Retardation D & D	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Conservancy Tax									
Human Services Levy A	5.21	5.21	5.21	5.21	5.21	5.21	5.21	5.21	5.21
Human Services Levy B	5.03	5.03	5.03	5.03	5.03	5.03	5.03	6.03	6.03
Human Services Levy III									
Human Services Levy IV									
Total County Rates	12.94	12.94	12.94	12.94	12.94	12.94	12.94	13.94	13.94
OTHER UNITS:									
Montgomery County Community College	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Montgomery County Park District	1.2	1.2	1.2	1.2	1.8	1.8	1.8	1.8	1.8
Dayton - Montgomery Library	0.72	0.72	0.26	0.26	0.26	0.26	0.26	1.25	1.25
SCHOOL DISTRICT:									
Kettering / Moraine Community	53.1	53.1	53.1	53.1	56.3	56.3	60.9	67.8	67.8
West Carrollton Community	53.26	53.26	53.26	53.26	60.66	59.67	65.55	65.55	65.55
Jefferson Local School	56.4	56.4	61.9	61.9	61.9	61.9	61.9	61.9	61.9
Joint Vocational School	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58

Source: Montgomery County Auditor's Office

CITY OF MORaine, OHIO
Principal Property Tax Payers
Current Year and Nine Years Ago

TABLE 9

		<u>Calendar Year 2006</u>		
<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
Dayton Power & Light Company	Gas and Electric Utility	\$ 38,374,090	1	15.11%
General Motors Corporation	Automotive Manufacturer	29,400,620	2	11.58%
Dmax Ltd	Automotive Parts Manufacturer	8,847,520	3	3.48%
Vectren Energy	Utility	5,092,040	4	2.00%
Walmart Stores	Retail Sales	5,132,510	5	2.02%
Delphi Automotive Systems Inc	Automotive Parts Manufacturer	4,140,160	6	1.63%
Capco	Real Estate Holding Company	3,966,360	7	1.56%
Cooper Tire Company	Tire Manufacturer	3,310,230	8	1.30%
L.M. Berry Company	Printing	1,142,680	9	0.45%
Setech Inc	Real Estate Holding Company	1,586,520	10	0.62%
	Subtotal	<u>100,992,730</u>		<u>39.76%</u>
	All Others	152,998,008		60.24%
	Total	<u><u>\$ 253,990,738</u></u>		<u><u>100.00%</u></u>

		<u>Calendar Year 1997</u>		
<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Valuation</u>
Dayton Power & Light Company	Gas and Electric Utility	\$ 41,991,710	1	16.07%
General Motors Corporation	Automotive Manufacturer	23,251,710	2	8.90%
Ohio Bell Telephone Company	Telephone Utility	2,840,930	3	1.09%
Cooper Tire Company	Automotive Parts Plant	2,683,270	4	1.03%
Berry L.M. Services, Inc.	Publisher and Marketing	2,173,330	5	0.83%
Barbara Benz Trust		1,600,270	6	0.61%
Bartlett Real Estate Ltd.	Real Estate	1,268,140	7	0.49%
Nursing Home Purchasing, Inc.	Business Acquisitions	1,227,810	8	0.47%
Elder Beerman Stores Corp.	Retail Sales	1,298,340	9	0.50%
Danis Properties Co. Inc.	Real Estate Holding Company	1,116,500	10	0.43%
	Subtotal	<u>79,452,010</u>		<u>30.42%</u>
	All Others	181,780,919		69.58%
	Total	<u><u>\$ 261,232,929</u></u>		<u><u>100.00%</u></u>

Source: Montgomery County Auditor's Office

TABLE 10

CITY OF MORAINE, OHIO
Property Taxes Levied and Collected
Last Ten Fiscal Years

TAX YEAR	COLLECTION YEAR	TOTAL TAX LEVIED	TOTAL TAX COLLECTED	PERCENTAGE OF LEVIED COLLECTED	PERCENTAGE DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	TOTAL COLLECTIONS AS		OUTSTANDING DELINQUENT TAXES AS	PERCENTAGE OF CURRENT TAXES AS LEVIED
							PERCENTAGE OF CURRENT TAXES LEVIED	OUTSTANDING DELINQUENT TAXES		
1996/1997	1997	\$649,289	\$605,711	93%	\$51,589	\$657,300	102%	\$32,983	5%	
1997/1998	1998	643,999	725,085	112%	22,983	748,068	98%	37,786	5%	
1998/1999	1999	761,096	712,028	94%	22,549	734,577	94%	44,027	6%	
1999/2000	2000	785,637	774,640	99%	21,396	796,036	92%	58,536	7%	
2000/2001	2001	865,439	772,975	89%	4,861	777,836	90%	41,851	5%	
2001/2002	2002	702,168	659,482	94%	17,413	676,895	96%	39,328	6%	
2002/2003	2003	704,496	667,730	95%	20,189	687,919	98%	44,630	6%	
2003/2004	2004	676,191	656,554	97%	7,553	664,107	98%	94,508	14%	
2004/2005	2005	688,522	643,426	93%	32,657	676,083	98%	85,108	12%	
2005/2006	2006	634,977	601,054	95%	34,215	635,269	100%	96,769	15%	

Source: Montgomery County Auditor's Office

City of Moraine, Ohio
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Special Assessment Bonds	Capital Leases	Total Primary Government	Percentage Personal Income	Per Capita
1997	\$145,000	\$156,070	\$301,070	0.40%	\$1,201
1998	130,000	80,252	210,252	0.26%	547
1999	115,000		115,000	0.13%	148
2000	100,000		100,000	0.12%	123
2001	85,000		85,000	0.10%	89
2002	65,000		65,000	0.06%	36
2003	50,000	193,109	243,109	0.21%	508
2004	35,000	228,421	263,421	0.23%	596
2005	20,000	127,507	147,507	0.13%	187
2006		26,594	26,594	0.02%	6

CITY OF MORaine, OHIO
Computation of Direct and Overlapping Debt
December 31, 2006

Jurisdiction	Net Outstanding Debt	Percentage Applicable to City of Moraine, Ohio	Amount Applicable to City of Moraine, Ohio
CITY OF MORaine	\$5,444,843	100.00%	\$5,444,843
MONTGOMERY COUNTY	46,399,375	4.12%	1,911,654
WEST CARROLLTON CITY SCHOOL DISTRICT	400,000	78.68%	314,720
KETTERING CITY SCHOOL DISTRICT	97,767,902	18.14%	17,735,097
MIAMI VALLEY REGIONAL TRANSIT AUTHORITY	7,230,000	4.12%	297,876
TOTAL			\$25,704,190

Source: Individual Jurisdictions

CITY OF MORAINE, OHIO
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$27,429	\$27,190	\$31,966	\$32,997	\$36,503	\$29,491	\$29,771	\$27,366	\$29,105	\$26,669
Total net debt applicable to limit	<u>27,429</u>	<u>27,190</u>	<u>31,966</u>	<u>32,997</u>	<u>36,503</u>	<u>29,491</u>	<u>29,771</u>	<u>27,366</u>	<u>29,105</u>	<u>26,669</u>
Legal Debt Margin										

Total net debt applicable to the limit
as a percentage of debt limit

- - - - - - - - - - - -

Legal Debt Margin Calculation for Fiscal Year 2006

Total Assessed Value	253,991
Debt limit (10.5% of total assessed value)	26,669
Debt applicable to limit:	
General Obligation Bonds	0
Less: Amount reserved for repayment of general obligation debt	
Total net debt applicable to limit	<u>0</u>
Legal debt margin	<u>\$26,669</u>

CITY OF MORAINÉ, OHIO
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	(1)	(1)	(1)	(1)	(1)	(2)
	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Unemployment Rate	
1997	6,758	\$75,460	\$11,166	32.5	3.8%	
1998	6,854	80,822	11,792	32.9	4.1%	
1999	7,568	89,242	11,792	32.9	3.1%	
2000	6,897	81,329	11,792	32.9	3.7%	
2001	6,897	81,329	11,792	32.9	4.4%	
2002	6,897	116,421	16,880	32.5	5.6%	
2003	6,897	116,421	16,880	32.5	6.3%	
2004	6,897	116,421	16,880	32.5	6.2%	
2005	6,897	116,421	16,880	32.5	5.8%	
2006	6,897	116,421	16,880	32.5	5.9%	

Sources:

(1) Miami Valley Regional Planning Commission; Information is updated every ten years in conjunction with the Census. The population figure shown is estimated using the most recent census plus the estimated population from the most recent annexation.

(2) Bureau of Unemployment - rates are for Montgomery County

CITY OF MORAINE, OHIO
Principal Employers
Current Year and Nine Years Ago

<u>2006</u>		<u>1997</u>	
<u>Employer</u>	<u>Number of Employees</u>	<u>Employer</u>	<u>Number of Employees</u>
	<u>Rank</u>		<u>Rank</u>
NAO Compensation Operations - GM	5,281	NAO Compensation Operations - GM	12,034
Delphi Automotive Systems Corp	1,697	Dayton Power and Light	886
DMAX Ltd.	1,289	L. M. Berry Company/ Berry Network Inc	769
Bellsouth Resources Inc.	706	Elder Beerman Stores Company	583
Walmart	587	Reynolds and Reynolds Company	343
Dayton Power and Light	542	Deuer Manufacturing Inc	283
City of Moraine	431	Dysinger Inc	250
Compunet Clinical Laboratories	358	Dayton Reliable Tool	250
Jamestown Moraine Inc.	252	Bass Inc.	229
Serco Inc	162	E D S Corp	215

Source: City of Moraine, Department of Finance

Note: Total district employment is not available.

CITY OF MORAINE, OHIO
Full-time-Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government										
Clerk of Council	2	4	1	1	1	1	1	2	4	1
City Manger	5	5	5	5	6	7	8	8	6	8
Clerk of Courts	2	2	2	1	2	2	2	2	2	2
Law	0	0	0	0	0	0	0	0	0	0
Finance	6	6	6	8	7	8	9	9	7	8
Public Buildings	6	6	14	21	28	27	27	26	22	21
Public Safety										
Police	43	69	66	63	44	43	65	44	44	64
Fire	45	47	47	44	50	53	56	47	49	50
Other										
Highways and Streets	22	23	20	18	19	19	19	18	18	18
Community Development	5	5	3	4	4	5	8	7	6	6
Recreation and Culture	17	28	23	38	60	66	64	63	61	58
Garage	3	3	4	4	4	4	4	4	4	4
Total	156	198	191	207	225	235	263	230	223	240

Source: City of Moraine, Department of Finance
 Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation, holiday, sick leave and comp time). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080. However, due to the calendar in Fiscal Year 2004, full-time employees worked 2,120. Therefore, full-time equivalent employment is calculated for 2004 by dividing total labor hours by 2,120.

CITY OF MORAINE, OHIO
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Warrants served	545	672	1,112	1,008	1,005	483	N/A	975	1,653	1,594
Felony arrests	193	153	172	147	185	239	239	236	249	N/A
Arrests made	1,931	1,824	1,668	1,419	1,545	1,753	1,842	907	184	N/A
Traffic citations issued	4,975	4,237	4,309	3,658	4,439	5,125	4,665	3,645	3,323	N/A
Miles Patrolled	367,132	367,907	368,989	339,104	351,575	384,302	350,265	N/A	426,785	364,544
Fire										
Fire calls	624	405	475	984	606	136	159	209	115	117
EMS calls	1,439	1,473	1,533	1,724	2,052	1,897	1,664	1,764	1,875	1,769
Fire Inspections	1,182	1,046	1,166	850	845	821	809	1,314	950	955
Child Safety Seat Installations	N/A	N/A	N/A	N/A	100+	240	347	129	75+	59
Highways and Streets										
Gallons of street paint used	N/A	N/A	N/A	N/A	7,535	9,560	2,750	1,830	10,080	1,880
Tons of snow melting salt used	N/A	N/A	N/A	N/A	485	1,744	N/A	1,071	451	797
Community Development										
Building Inspections	N/A	534	500	529	439	310	808	476	344	360
Residential Building Permits Issued	123	56	103	75	86	78	67	84	49	57
Commercial Building Permits Issued	153	102	186	146	143	189	171	175	138	126
Culture and Recreation										
Payne Recreation Center Attendance	N/A	N/A	N/A	1,318 ⁽¹⁾	133,000	150,000	170,000	150,000	110,000	100,000
Splash! Moraine Attendance	N/A	N/A	N/A	85,000	98,140	95,763	64,605	61,166	79,718	65,685
Civic Center Attendance (estimated)	164,173	N/A	171,250	128,000	93,924	47,667	48,207	33,150	29,000	20,000
Natorium Attendance	41,818	N/A	29,712	313 ⁽²⁾	24,000	55,395	23,950	26,095	14,732 ⁽³⁾	-
Youth and Day Camps Attendance	N/A	185	219	90	92	57	6,172	1,068	1,454	1,606

(1) Payne Recreation Center opened on October 16, 2000.

(2) Due to construction of the Payne Recreation Center and Splash! Moraine, the Natatorium was only open during late November through December.

(3) The Natatorium ceased operation September 2005.

(N/A) Not Available

Source - Various City of Moraine departments

TABLE 18

CITY OF MORAINE, OHIO
Capital Assets by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	25	29	28	31	35	31	31	31	23	28
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Emergency Response Vehicles	10	10	11	11	11	11	11	11	10	10
Highways and Streets										
Miles of Streets (Center Line Miles)	97.16	97.16	275.65	275.65	275.65	275.65	275.65	275.65	276.65	276.65
Number of Streetlights (Non-special assessment)	998	1,010	1,205	1,314	1,315	1,315	1,315	1,315	1,313	1,313
Culture and Recreation										
Parks										
Civic Centers	9	9	13	13	13	14	14	14	14	14
Recreation Centers	1	1	1	1	1	1	1	1	1	1
Swimming Pools										
Water Parks	1	1	1	1	1	1	1	1	1	1





Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

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

Honorable Mayor, City Council
and City Manager
City of Moraine, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moraine, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2007, in which we noted the City implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, and GASB Statement No. 46, *Net Assets restricted by Enabling Legislation*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Moraine, Ohio, in a separate letter dated June 28, 2007.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 28, 2007



Mary Taylor, CPA
Auditor of State

CITY OF MORAINE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 7, 2007**