

***CITY OF LOUISVILLE
STARK COUNTY, OHIO***

Audit Report

For the Year Ended December 31, 2005

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

City Council
City of Louisville
215 South Mill Street
Louisville, Ohio 44641-1699

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

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

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

BETTY MONTGOMERY
Auditor of State

November 14, 2006

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CITY OF LOUISVILLE
Stark County, Ohio
Audit Report
For the Year Ended December 31, 2005

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

City of Louisville
Stark County
215 South Mill Street
Louisville, Ohio 44641-1699

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Louisville (the City) as of and for the year ended December 31, 2005 which collectively comprises the City's basic financial statements and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

However, we noted other matters involving internal controls over financial reporting that we have reported to management in a separate letter dated August 25, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris & Associates, Inc.
August 25, 2006

**CITY OF LOUISVILLE
STARK COUNTY, OHIO
For the Year Ending December 31, 2005**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2004, reported no material citations or recommendations.

City of Louisville, Ohio



Comprehensive Annual
Financial Report
For The Year Ended
December 31, 2005



CITY OF LOUISVILLE, OHIO

Comprehensive Annual Financial Report

Year Ended December 31, 2005

PREPARED BY: DEPARTMENT OF FINANCE

William R. Rouse, Director of Finance
Cindy Minster, Deputy Finance Director
Laurie Tournoux, Tax Administrator
Mikie McLaughlin, Account Clerk
Claudia Sell, Account Clerk

City of Louisville, Ohio
Comprehensive Annual Financial Report
Year Ended December 31, 2005

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City of Louisville, Ohio
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Year Ended December 31, 2005

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INTRODUCTORY SECTION



Department of Finance

August 30, 2006

To the Citizens, Mayor-Councilmember, and Members of Council
of the City of Louisville, Ohio:

The Comprehensive Annual Financial Report (CAFR) of the City of Louisville (the City), Ohio for the fiscal year ended December 31, 2005 is hereby submitted. This CAFR represents the official report of the City of Louisville's operations and financial position for the year ended December 31, 2005, and has been developed to accurately detail the status of the City finances to Louisville residents and elected officials, investment banks and underwriters and other interested parties. This report is presented in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". It is intended to provide pertinent and necessary information to the citizens of Louisville.

State law requires that the City prepare their financial statements in accordance with generally accepted accounting principles (GAAP) and to have an audit at least every two years. The financial statements, at a minimum, should be the basic financial statements of the City and include the notes to those statements. Although not required by law, management of the City has decided to prepare this CAFR and have an annual audit. A further discussion of the audit can be found later in this letter.

Responsibility for accuracy, completeness, and fairness of the presentation and for all disclosure rests with the City's management. We believe that 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 in this report.

This report is presented in three sections: introductory, financial, and statistical. The introductory section includes a table of contents, letter of transmittal, the Government Finance Officers Association (GFOA) Certificate of Achievement for 2004, a list of public officials and an organizational chart. The financial section includes the Independent Accountants' Report, a management's discussion and analysis, the basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements and other schedules providing detailed information relative to the basic financial statements. The statistical section presents financial, economic, social and demographic information about the City for the last 10 years.

Background and General Information

The City of Louisville, encompassing an area of approximately 5.4 square miles, is located in the east central portion of Stark County, Ohio. The City had a population of 8,904 as reported in 2000 by the Bureau of Census. State Routes 44 (North Chapel) and 153 (Main) intersect in the City business district, and United States Route 62 passes through the northwestern corner of the City. In addition to the highway system, Norfolk and Southern Railroad operates a line running between Chicago and New York that passes through the center of the City.

Louisville is a “home-rule” city as defined by the State of Ohio Revised Code and operates pursuant to its Charter under a Council-Manager form of government. The Mayor-Councilmember and four Council members are elected at large on a nonpartisan ballot for four-year, staggered terms. The City Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations. The City Manager appoints, with consent of Council, the Finance Director and City Law Director. The Mayor-Councilmember and Council appoint boards and commissions, which include the Board of Zoning Appeals, Planning Commission, Tree Commission and Civil Service Commission.

Louisville has the proud history of being nationally recognized as Constitution Town. This is in honor of the ratification of the U.S. Constitution in 1789. In 1952, a Louisville resident, Mrs. Olga T. Weber, petitioned municipal officials to establish a Constitution Day. Louisville’s presiding Mayor, Gerald A. Romary, proclaimed September 17, 1952 as that day in the City. The following April, Mrs. Weber requested that the Ohio General Assembly proclaim September 17 as statewide Constitution Day. A bill to that effect was introduced, passed and signed by Governor Frank J. Lausche. Additionally, in August 1953, at Mrs. Weber’s urging, the United States Senate passed a resolution designating September 17-23 as Constitution Week. It was approved and signed by President Dwight D. Eisenhower. On April 15, 1957, the City Council of Louisville declared the City Constitution Town. The Ohio State Archaeological and Historical Society later donated four historical markers explaining Louisville’s role as originator of Constitution Day. These markers are placed at each of the main entrances to the City.

The City’s population has steadily increased during the last 100 years. Even during the decade of the 1970s, when every other city in Stark County lost population, Louisville still continued to grow. The most active decades of growth were the 1920s and 1950s. Percentage population gains during those two time periods were 55.9% and 34.6%, respectively.

The development of the Colonial Foundry and the Superior Sheet Steel Corporation contributed directly to the large population growth during the sub urbanization trends and the City’s active annexation program. When Louisville passed the 5,000-population mark in the 1950s, its status was changed from a village to a city.

Reporting Entity

For financial reporting purposes, the City includes in this report all funds, agencies, boards, and commissions that are controlled by, or dependent on, the City’s Legislative branch. “Controlled by” or “dependent on” the City is determined on the basis of budget adoption, taxing authority, outstanding debts secured by revenues or general taxing authority of the City, and/or the City’s obligation to fund any deficits that may occur. A more detailed description of the reporting entity can be found in Note 1(A) of the notes to the basic financial statements.

Services Provided

The City provides the full range of municipal services contemplated by its charter. These services include security of persons and property (including police and fire), public health and welfare, leisure time activities, community environment, basic utility services (including water and sewer), transportation (including street maintenance, ice and snow removal), and general government (including administration). The services are explained in more detail as follows:

- SECURITY OF PERSONS AND PROPERTY - To reduce the amounts and effect of external harms and to ensure an atmosphere of personal security from external events. This includes, but is not limited to, the Police, Emergency Medical Services, and Fire Divisions and the cost of street lighting.
- PUBLIC HEALTH AND WELFARE - To provide for the physical well being of the citizenry by providing basic preventative health care or assistance when needed. This program consists mainly of the City's share of the cost of the Stark County Health Department, which provides services to the citizens of Louisville.
- LEISURE TIME ACTIVITIES - To provide year round recreation, entertainment, and activities that are varied, safe, and enjoyable for individuals, groups and families. This includes the Parks, Recreation, and the Senior Citizens Divisions.
- COMMUNITY ENVIRONMENT- To provide a satisfactory living environment for the citizenry, including decent housing and pleasant surroundings that are conducive to personal and family well being. This program includes Planning, Zoning, Building Inspection, and Urban Forestry.
- BASIC UTILITY SERVICES - To provide the citizenry with utility services at an affordable price that also assures necessary supply. This includes water and sewage treatment.
- TRANSPORTATION - To purchase, construct, maintain and repair facilities and equipment needed to transport people, goods, and supplies quickly, safely and pleasurably. This includes the Maintenance Division for street and highway activities.
- GENERAL GOVERNMENT - To provide general administrative services to ensure that the aforementioned programs are administered in a manner consistent with and in the best interest of the citizenry. This includes City Manager, Finance, Law, Personnel, Engineering, Mayor's Court, and City Council.

The Budget as a Policy Document

The budget is a policy document that sets service levels for the City. The goal is to provide the Council with a management tool to establish broad goals and objectives within which the administration will operate. That is, emphasis should not necessarily be placed entirely upon the expenditure limitation aspect of budgeting; rather, expenditure control should be exercised administratively in conjunction with policy decisions. Just as the citizen evaluates the effectiveness of government on the basis of delivered services, the intent of the budget preparation process is to focus policy attention upon the means and ends to achieve the desired goals of government.

Controlling Expenditures

While the adopted budget establishes appropriation levels, specific procedures for controlling expenditures continue to be developed, expanded, and refined to ensure that day-to-day execution is in compliance with the approved program. The City Manager, in conjunction with the Director of Finance, is responsible for reviewing all requests for expenditures initiated by designated requisitioning authorities to determine their compliance with the adopted budget. The City designs its budget of expenditures/expenses based on the collaborative efforts of the City's management and department heads. The budget/appropriation is at the department level within each fund. The budget is then presented to Council for approval in the legislative process. Prior to submitting the budget to Council, the Director of Finance determines if the resources are available or anticipated to be collected during the year. This estimated revenue must be sent to the County Auditor for certification that sufficient resources are available to cover appropriations, and upon this certification the appropriation measure is then in effect.

These budget control procedures are important management tools which allow more effective use of the dollars spent in the total City program. As a necessary by-product, these procedures also ensure compliance with State financial statutes, City Council and administration policy, and the City Charter.

Internal Control Structure

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government 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 the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Enterprise Operations

The City owns and operates both a water and sewer utility department. Combined operating revenue for 2005 was \$1,409,329 an increase of 3.4% from 2004's operating revenue. Operating expenses increased 9.7% from 2004, to a total of \$1,614,016. During the year the City completed the East Well Field Waterline project which was paid by City funds, Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) loans.

Economic Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

While Louisville, like the rest of the nation, felt the impact of the current recession, the City continued to closely monitor the two main revenue sources being income and property taxes. The City's management considers both of these revenues indicators of the strengths or weaknesses of the local economy. In monitoring property tax revenues, the City takes in account several factors, including tax collections, the values of new construction and revaluations. Likewise, with income tax, the City must take into account certain factors such as, tax collections, tax refunds, new jobs and the unemployment rate.

Income Tax Collections 2005 - 2001: The economic recovery from the recession that started in 2001 has been very sluggish. This can be seen clearly with the City's income tax collections. Income tax is the City's largest revenue source.

**Year-to-Date Income Tax Collections
(Presented on a Cash Basis)**

| Month Ended | Tax Year 2005 | Tax Year 2004 | Tax Year 2003 | Tax Year 2002 | Tax Year 2001 |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| January | \$ 278,016 | \$ 332,353 | \$ 307,149 | \$ 310,819 | \$ 279,167 |
| February | 512,878 | 569,047 | 525,062 | 504,234 | 487,840 |
| March | 738,814 | 728,275 | 681,978 | 669,843 | 659,531 |
| April | 1,277,941 | 1,316,704 | 1,284,534 | 1,217,489 | 1,248,737 |
| May | 1,473,648 | 1,460,135 | 1,433,120 | 1,368,981 | 1,395,157 |
| June | 1,628,098 | 1,600,679 | 1,573,106 | 1,546,115 | 1,557,869 |
| July | 1,911,738 | 1,932,765 | 1,906,192 | 1,836,134 | 1,875,395 |
| August | 2,157,305 | 2,073,613 | 2,065,486 | 1,991,268 | 2,041,290 |
| September | 2,250,585 | 2,208,481 | 2,211,364 | 2,163,763 | 2,182,512 |
| October | 2,583,220 | 2,466,521 | 2,551,766 | 2,464,142 | 2,518,078 |
| November | 2,743,446 | 2,793,476 | 2,691,948 | 2,615,009 | 2,632,379 |
| December | \$ 2,906,533 | \$ 2,909,059 | \$ 2,842,964 | \$ 2,757,672 | \$ 2,796,610 |

The City has experienced a local economic slowdown since 2001. Income tax collections declined for two years starting in 2001, in 2003 the City saw a 3.2% increase and has continued increasing into 2005. Income tax collections at the end of 2005 are 0.3% above the 2004 level. The 2005 increase in income tax revenue was mainly attributed to the 50% reduction of the credit allowance on income tax earned outside the City and paid to another municipality.

Late in the summer of 2004, the City's largest taxpayer, J&L Steel, was drastically downsized and later sold to a competitor. J&L Steel generated a significant portion of the income tax revenue for the City. Over the past five years, income tax collections related to J&L ranged from 15% to 11% of the total income tax collections.

Allegheny Ludlum purchased J&L Steel and immediately informed the City that they would be eliminating 300 jobs as part of their downsizing of operations. If this job loss wasn't devastating enough to the budget of the City, another large employer filed for bankruptcy and closed their doors. Combined, the City estimated the annual income tax dollar loss is at \$280,000 - \$300,000.

As of December 31, 2005 the payroll withholding income tax lost due to the workforce reduction totaled \$342,000, which is 14.0% greater than originally estimated.

The History of Property Tax Collections: The second largest source of revenue to the City of Louisville is property tax. Louisville is a growing community and property tax revenue has grown under Ohio Law since the City levies 2.8 inside (unvoted) tax mills. However, the increase in property tax revenue is not large enough to offset the sluggish growth of income tax revenue. That fact becomes clearer when the figures below are reviewed.

| Property Tax Revenue | | |
|------------------------------------|--------------------|---------------------------------------|
| (Presented on a Cash Basis) | | |
| <u>Year</u> | <u>Collections</u> | <u>Percentage Increase (Decrease)</u> |
| 2001 | * \$ 387,089 | 13.58 % |
| 2002 | 387,265 | 0.05 |
| 2003 | 387,094 | (0.04) |
| 2004 | 427,776 | 10.51 |
| 2005 | \$ 413,458 | (3.35) % |

* Property tax revaluation in 2001

Long-term Financial Planning

The residential growth that the City is experiencing was predicted several years ago. As part of the 1998 goal setting process, City Council decided a closer look was needed at the way the City was developing to ensure a wise use of capital resources and to enhance service delivery for the future needs of its citizens. The City selected Northstar Planning and Design Incorporated to guide the City in this community planning process. In 2000, after months of hard work by many dedicated City and community members, the *Louisville Community Plan*, a strategic approach to growth management and capital project planning was completed and approved by City Council. This document will help the City leadership cope with the increased demand for City services by acting as a guide for decision makers when formulating future budgets and considering possible capital improvements. The plan was developed to assist the City for the next twenty years. The Director of Finance, City Manager and other management of the City work closely with local businesses, developers and other employers to be informed of changes in the local economy. As a result of this, the City can adopt their plan and change financial forecasts in order to be proactive in managing the City.

In May 2005, the City Council recommended that a community committee be formed to take an independent look at the financial health of the City. The findings of this committee are likely to have an impact on the future planning of the City's finances.

Financial Policy

The City's Charter was designed several years ago with a mechanism that facilitated constructive budgeting policy. As a part of the budget process, with relation to the proposed expenditures for down payments and other proposed expenditures for capital projects stated in the budget, the City Manager is required to include a statement of pending capital projects and proposed new capital during the budget year to Council.

Major Initiatives

During 2005, continuing efforts were made to upgrade services and improve the quality of life for the citizens of the City. The East Well Field Waterline project was completed. The project tapped into three existing wells that were drilled in 1993 for J&L Steel. The City has ordered a Ford F-550 dump truck and plow through a prebid contract from Montrose Chrysler Ford at the beginning of August 2005. The purchase will total \$48,806 and will replace a 26-year old dump truck. In addition, the City purchased other capital items that were deemed critical to operations which include a new mowing tractor, emergency pumps at the wastewater plant, and a radio console for dispatch and police tazers.

Internal Service Funds

The City's internal service fund is used to account for certain benefits provided to all City employees. Governmental and enterprise funds are charged for vision and dental benefits. The internal service fund then pays for all vision and dental claims under the self-insurance plan.

Risk Management

The types of insurance carried include: general liability, public officials liability, police professional liability, fleet liability, paramedic liability, employee medical insurance, and State of Ohio Workers Compensation. In addition to the City's administrative policies concerning risk control, each major department has its own risk control policies and procedures which are designed to control exposures to risk by employees and citizens.

Financial Reporting

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

- Government-wide Financial Statements
- Fund Financial Statements
- Statements of Budgetary Comparisons

As part of the new model, management is responsible for preparing a Management's Discussion and Analysis of the City. This discussion follows the Independent Accountants' Report, providing an assessment of the City's finances for 2005 and a discussion of current issues affecting the City.

Independent Annual Audit

The City is not legally required to obtain an independent annual audit. The minimum requirement is for the State of Ohio to perform an audit, directly or indirectly through an independent auditing firm, at least every two years. The City, consistent with the professional manner in which it has conducted its financial affairs, has chosen and funded annual audits. The City's financial statements have been audited by an independent accounting firm. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2005, are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Charles E. Harris & Associates, Inc. Certified Public Accountants concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended December 31, 2005 are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Louisville, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City of Louisville has received a Certificate of Achievement for the last thirteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgments

Preparation of this report could not have been accomplished without the help of a dedicated Finance Department staff. Further appreciation is extended to the Office of the City Manager, City Council, Stark County Auditor's Office, and department heads for their valuable research of records.

Respectfully submitted,



William R. Rouse
Director of Finance

City of Louisville, Ohio

Public Officials Roster

December 31, 2005

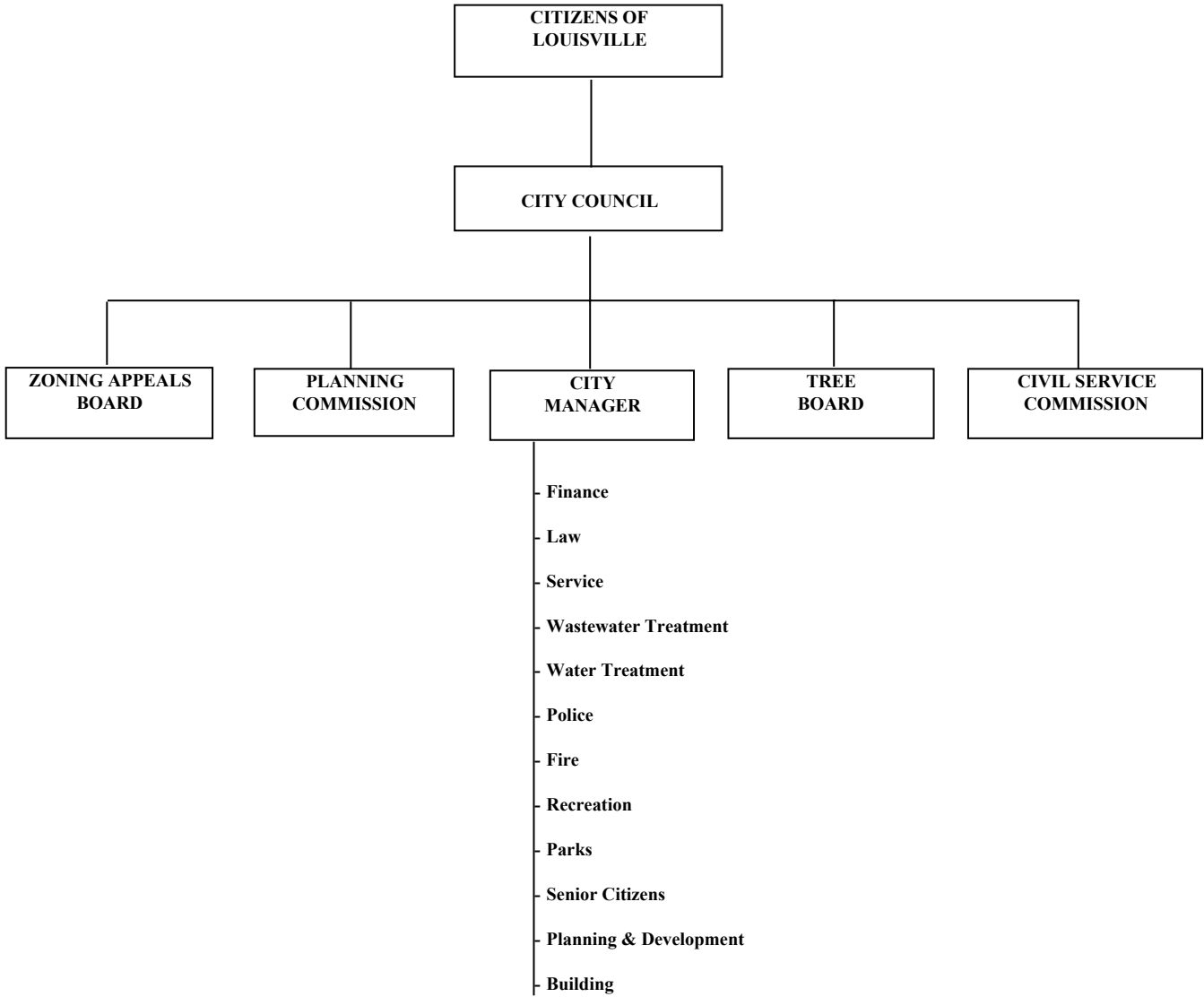
Elected Officials

Cynthia Ann Kerchner Mayor - Council Member
Peggie Conner Council Member
Jerry Brown Council Member
David A. Thorley Council Member
Tom McAlister Council Member

Appointed Officials

E. Thomas Ault City Manager
William R. Rouse Director of Finance
Deborah L. Sanborn Director of Planning
Peggy Howald City Clerk
Robert Duffrin Law Director
James McBeath Superintendent of Service
James Miller Chief of Police
Dennis Myers Chief of Fire

City of Louisville, Ohio
Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Louisville,
Ohio

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

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



Carla E. Perry

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION

Charles E. Harris & Associates, Inc.
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INDEPENDENT ACCOUNTANTS' REPORT

City of Louisville
Stark County
215 South Mill Street
Louisville, Ohio 44641-1699

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Louisville (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

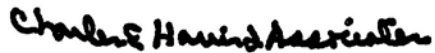
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by 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 supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

Charles E. Harris & Associates, Inc.
August 25, 2006

City of Louisville, Ohio

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

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

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the City increased \$1,317,928. Net assets of governmental activities increased \$527,376, which represents an 18.6% increase over fiscal year 2004. Net assets of business-type activities increased \$790,552 or 17.0% from fiscal year 2004.
- General revenues, for governmental activities, accounted for \$3,286,226 or 69.4% of total governmental activities revenue. Program specific revenues accounted for \$1,450,504 or 30.6% of total governmental activities revenue.
- Governmental activities net capital assets increased \$78,863.
- The City had \$4,126,354 in expenses related to governmental activities; \$1,450,504 of these expenses was offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions. General revenues (primarily taxes) of \$3,286,226 were sufficient to offset these remaining program expenses.
- The general fund, the City's largest and major governmental fund, had revenues of \$3,711,453 in 2005, or 78.1% of total governmental funds. Expenditures of the general fund were \$2,963,453, or 67.2% of total governmental funds. The general fund balance increased \$328,243 or 40.3% in 2005.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide summary information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor governmental funds presented in total in one column. In the case of the City, there is one major governmental fund and two major business-type funds.

City of Louisville, Ohio

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

Reporting the City as a Whole

Statement of Net Assets and Statement of Activities

While this document contains a number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and answers the question, "How did we do financially during 2005"? These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the City's programs and services are reported here including general government, security of persons and property, transportation and community environment. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.
- **Business-Type Activities** – These services are provided on a fee-for-usage basis to recover all or a significant portion of the expenses of the goods or services provided. The City's business-type activities include water and sewer services.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Fund financial reports provide detailed information about the activities within the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's only major governmental fund is the general fund. An analysis of the City's major governmental fund begins on page 9.

City of Louisville, Ohio

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements, which can be found on pages 56-61 in this report. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds

Proprietary funds (water and sewer) have historically operated as enterprise funds and are used to report the same functions presented as business-type activities in the government-wide financial statements. Since they use the same basis of accounting as business-type activities, these fund statements will essentially match the information provided in statements for the City as a whole. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules, which can be found on pages 56-83 of this report.

City of Louisville, Ohio

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

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole.

Table 1 below provides a summary of the City's net assets for 2005 compared to 2004:

Table 1
Net Assets

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 2,651,715 | \$ 2,411,990 | \$ 1,328,036 | \$ 1,394,701 | \$ 3,979,751 | \$ 3,806,691 |
| Capital assets | <u>2,222,413</u> | <u>2,143,550</u> | <u>8,807,996</u> | <u>8,295,675</u> | <u>11,030,409</u> | <u>10,439,225</u> |
| Total assets | <u>4,874,128</u> | <u>4,555,540</u> | <u>10,136,032</u> | <u>9,690,376</u> | <u>15,010,160</u> | <u>14,245,916</u> |
| <u>Liabilities</u> | | | | | | |
| Other liabilities | 587,412 | 645,311 | 76,922 | 232,008 | 664,334 | 877,319 |
| Long-term liabilities outstanding | <u>925,065</u> | <u>1,075,954</u> | <u>4,630,924</u> | <u>4,820,734</u> | <u>5,555,989</u> | <u>5,896,688</u> |
| Total liabilities | <u>1,512,477</u> | <u>1,721,265</u> | <u>4,707,846</u> | <u>5,052,742</u> | <u>6,220,323</u> | <u>6,774,007</u> |
| <u>Net Assets</u> | | | | | | |
| Invested in capital assets, net of related debt | 1,571,996 | 1,315,265 | 4,285,096 | 3,504,889 | 5,857,092 | 4,820,154 |
| Restricted | 630,692 | 530,515 | - | - | 630,692 | 530,515 |
| Unrestricted | <u>1,158,963</u> | <u>988,495</u> | <u>1,143,090</u> | <u>1,132,745</u> | <u>2,302,053</u> | <u>2,121,240</u> |
| Total net assets | <u>\$ 3,361,651</u> | <u>\$ 2,834,275</u> | <u>\$ 5,428,186</u> | <u>\$ 4,637,634</u> | <u>\$ 8,789,837</u> | <u>\$ 7,471,909</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$8,789,837. This amounts to \$3,361,651 in governmental activities and \$5,428,186 in business-type activities.

The largest portion of the City's net assets 53.0% reflects its investment in capital assets less any related debt used to acquire those assets. Capital assets include land, land improvements, buildings, machinery, equipment and vehicles, infrastructure, and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$5,857,092. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

City of Louisville, Ohio

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

As of December 31, 2005, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's governmental net assets, \$630,692 or 18.8%, represent resources that are subject to external restrictions on how they may be used. Of total restricted net assets \$118,219 is restricted for capital projects, \$1,486 for debt service, \$290,635 for transportation, \$183,992 for safety services programs and \$36,360 for other purposes. The remaining balance of governmental unrestricted net assets of \$1,158,963 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 below shows the changes in net assets for governmental and business-type activities for fiscal years 2005 and 2004.

Table 2
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | Total |
|---|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 587,431 | \$ 483,242 | \$ 1,409,329 | \$ 1,363,207 | \$ 1,996,760 | \$ 1,846,449 |
| Operating grants, contributions, and interest | 673,568 | 520,083 | 396,640 | 7,257 | 1,070,208 | 527,340 |
| Capital grants and contributions | 189,505 | 17,650 | - | - | 189,505 | 17,650 |
| General revenues: | | | | | | |
| Property and other taxes | 392,154 | 498,705 | - | - | 392,154 | 498,705 |
| Municipal income taxes | 2,275,376 | 2,122,773 | 749,977 | 704,467 | 3,025,353 | 2,827,240 |
| Grants and entitlements | 468,249 | 313,728 | - | - | 468,249 | 313,728 |
| Gain on sale of capital assets | 11,500 | 22,640 | - | - | 11,500 | 22,640 |
| Investment earnings | 61,390 | 26,557 | - | - | 61,390 | 26,557 |
| Contributions | - | - | - | 1,078,106 | - | 1,078,106 |
| Other | <u>77,557</u> | <u>79,781</u> | <u>-</u> | <u>-</u> | <u>77,557</u> | <u>79,781</u> |
| Total revenues | <u>4,736,730</u> | <u>4,085,159</u> | <u>2,555,946</u> | <u>3,153,037</u> | <u>7,292,676</u> | <u>7,238,196</u> |

(Continued)

City of Louisville, Ohio

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

Table 2
Changes in Net Assets (Continued)

| | Governmental Activities | | Business-Type Activities | | Total | Total |
|--|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Program Expenses | | | | | | |
| <i>Governmental Activities:</i> | | | | | | |
| General government | 818,463 | 799,136 | - | - | 818,463 | 799,136 |
| Security of persons and property | 1,790,354 | 1,745,446 | - | - | 1,790,354 | 1,745,446 |
| Public health and welfare | 51,182 | 48,652 | - | - | 51,182 | 48,652 |
| Transportation | 777,963 | 427,472 | - | - | 777,963 | 427,472 |
| Community environment | 179,959 | 157,208 | - | - | 179,959 | 157,208 |
| Basic utility service | 3,323 | 147,327 | - | - | 3,323 | 147,327 |
| Leisure time activities | 384,713 | 337,237 | - | - | 384,713 | 337,237 |
| Other | 75,999 | 43,152 | - | - | 75,999 | 43,152 |
| Interest and fiscal charges | 44,398 | 52,827 | - | - | 44,398 | 52,827 |
| <i>Business-Type Activities:</i> | | | | | | |
| Water | - | - | 974,699 | 912,997 | 974,699 | 912,997 |
| Sewer | - | - | 873,695 | 872,100 | 873,695 | 872,100 |
| Total program expenses | <u>4,126,354</u> | <u>3,758,457</u> | <u>1,848,394</u> | <u>1,785,097</u> | <u>5,974,748</u> | <u>5,543,554</u> |
| Change in net assets before transfers | <u>610,376</u> | <u>326,702</u> | <u>707,552</u> | <u>1,367,940</u> | <u>1,317,928</u> | <u>1,694,642</u> |
| Transfers | <u>(83,000)</u> | <u>-</u> | <u>83,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net assets | <u>\$ 527,376</u> | <u>\$ 326,702</u> | <u>\$ 790,552</u> | <u>\$ 1,367,940</u> | <u>\$ 1,317,928</u> | <u>\$ 1,694,642</u> |

Governmental Activities

Governmental activities net assets increased \$527,376 or 18.6% in 2005 over 2004. This increase was due to continued conservative spending measures. The City's funding for these governmental activities comes from a variety of sources, the most significant being the \$2,275,376 of municipal income tax. The City has had little fluctuation in income tax revenues over the past several years however, in the beginning of 2005 the City reduced its 100% credit on income taxes earned outside the City and paid to another municipality to 50%. See Note 12 for further information on income tax revenues.

Intergovernmental revenue (i.e. state shared support) represents the City's second largest source of general revenue for governmental activities. In 2005, the City received \$468,249 in unrestricted intergovernmental revenues or 10.0% of total revenues. The remaining general revenue sources represent smaller amounts and include property taxes and various others which is 8.3% and 3.2% of total revenues, respectively.

Program restricted charges for services and operating and capital grants, contributions and interest represent monies the City is awarded that are required to be used for specific purposes. In 2005, the City received \$587,431 and a combined total of \$863,073 in various operating and capital grants, contributions and interest.

City of Louisville, Ohio

Management's Discussion and Analysis
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Unaudited

The City's governmental activity expenses totaled \$4,126,354 in 2005, with security of persons and property, general government and transportation representing the largest portion of this figure at 82.1%. The City's governmental activity expenses increased by \$367,897 from 2004, primarily due to several capital acquisitions that were deemed critical to operations.

Security of persons and property, which primarily supports the operations of the City's police, fire and emergency medical services, accounts for \$1,790,354 of expenses, or 43.4% of total governmental expenses of the City. These expenses were funded by \$285,543 in charges to users of services and operating grants. General government expenses, which primarily include legislative, executive and financial management, totaled \$818,463 or 19.8% of total governmental expenses. General government expenses were covered by \$215,757 of direct charges to users and operating grants.

At \$777,963 or 18.9%, transportation represents the City's third largest category of governmental activity expenses. This category of governmental expenses supports the operations of the maintenance division for street and highway activities. These expenses were funded by \$568,970 in operating grants.

Business-Type Activities

The water and sewer funds represent the City's business-type activities. These programs had program revenues of \$1,805,969 and expenses of \$1,848,394 for fiscal year 2005. Business-type activities reported an increase in net assets of \$790,552, or 17.0% as compared to 2004. For this year, the increase in net assets was attributed to a reduction of personal services needed for operations and an increase in certain user fees.

Program Expenses

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government-wide activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by general revenues.

City of Louisville, Ohio

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

Table 3
Program Expenses

| | <u>2005</u> | | <u>2004</u> | | <u>Net Change</u> | |
|----------------------------------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|
| | <u>Total Cost</u> <u>of Services</u> | <u>Net Cost</u> <u>of Services</u> | <u>Total Cost</u> <u>of Services</u> | <u>Net Cost</u> <u>of Services</u> | <u>Total Cost</u> <u>of Services</u> | <u>Net Cost</u> <u>of Services</u> |
| <i>Governmental Activities:</i> | | | | | | |
| General government | \$ 818,463 | \$ (602,706) | \$ 799,136 | \$ (621,074) | \$ 19,327 | \$ 18,368 |
| Security of persons and property | 1,790,354 | (1,504,811) | 1,745,446 | (1,529,916) | 44,908 | 25,105 |
| Public health and welfare | 51,182 | (51,182) | 48,652 | (48,652) | 2,530 | (2,530) |
| Transportation | 777,963 | (208,993) | 427,472 | (45,090) | 350,491 | (163,903) |
| Community environment | 179,959 | 36,191 | 157,208 | (129,970) | 22,751 | 166,161 |
| Basic utility services | 3,323 | (228) | 147,327 | (53,555) | (144,004) | 53,327 |
| Leisure time activities | 384,713 | (223,724) | 337,237 | (213,246) | 47,476 | (10,478) |
| Other | 75,999 | (75,999) | 43,152 | (43,152) | 32,847 | (32,847) |
| Interest and fiscal charges | 44,398 | (44,398) | 52,827 | (52,827) | (8,429) | 8,429 |
| <i>Business-Type Activities:</i> | | | | | | |
| Water | 974,699 | 55,252 | 912,997 | (244,591) | 61,702 | 299,843 |
| Sewer | 873,695 | (97,677) | 872,100 | (170,042) | 1,595 | 72,365 |
| Total expenses | <u>\$ 5,974,748</u> | <u>\$ (2,718,275)</u> | <u>\$ 5,543,554</u> | <u>\$ (3,152,115)</u> | <u>\$ 431,194</u> | <u>\$ 433,840</u> |

The dependence upon general revenues for governmental activities is apparent, with 64.8% of expenses supported through taxes and other general revenues.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general fund is the main governmental operating fund of the City. At the end of 2005, the fund balance of the general fund was \$1,141,885, a 40.3% increase from the prior year. The reason for the increase in the general fund balance was due to the completion of capital projects accounted for in this fund.

Budgeting Highlights - General Fund

The City's budgeting process is prescribed by the Ohio Revised Code (ORC) and the provisions of the City's Charter. Essentially the budget is the City's appropriations that are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

There were no significant changes from the original budgeted revenues as compared to the final budgeted amounts. Actual revenues exceeded the original amount by \$59,452. This difference was caused by the conservative budgeting nature of the original budgeting process.

City of Louisville, Ohio

Management's Discussion and Analysis
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Unaudited

Final budgeted expenditures exceeded the original budgeted expenditures by \$118,130. There were no individually significant events that led to this difference. Actual expenditures of \$3,040,939 for the year were \$354,156 less than the \$3,395,095 final budgeted amounts. The majority of this change was reported in security of persons and property and general government.

Capital Assets and Debt Administration

Capital Assets

At the end of 2005, the City had \$11,030,409 (net of accumulated depreciation) invested in land, land improvements, buildings, machinery, equipment and vehicles, infrastructure, and construction in progress. Of this total, \$2,222,413 was reported in governmental activities and \$8,807,996 was reported in business-type activities. Table 4 below reports fiscal year 2005 balances compared to 2004:

Table 4
Capital Assets, at December 31
(Net of Depreciation)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Land | \$ 53,194 | \$ 53,194 | \$ 303,986 | \$ 303,986 | \$ 357,180 | \$ 357,180 |
| Land improvements | 772,355 | 536,383 | 8,599 | 8,599 | 780,954 | 544,982 |
| Buildings | 634,472 | 670,426 | 4,658,641 | 4,870,149 | 5,293,113 | 5,540,575 |
| Machinery, equipment and vehicles | 631,984 | 724,191 | 263,832 | 228,343 | 895,816 | 952,534 |
| Infrastructure | 130,408 | 137,394 | 3,501,880 | 2,741,748 | 3,632,288 | 2,879,142 |
| Construction in progress | - | 21,962 | 71,058 | 142,850 | 71,058 | 164,812 |
| Total | <u>\$ 2,222,413</u> | <u>\$ 2,143,550</u> | <u>\$ 8,807,996</u> | <u>\$ 8,295,675</u> | <u>\$ 11,030,409</u> | <u>\$ 10,439,225</u> |

The most significant change during 2005 to the total amount of net capital assets was an increase of \$899,375 to infrastructure for business-type activities which was due to the completion of construction on the East Well Field project. For governmental activities an increase of \$255,264 in land and improvements was due to the completion of the Stonebridge Trail project. See Note 7 to the basic financial statements for detail on the governmental and business-type activities capital assets.

Debt Administration

At December 31, 2005 the City had total long-term debt outstanding of \$5,017,900. Of this total, \$482,519 is due within one year and \$4,535,381 is due in more than one year.

City of Louisville, Ohio

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

Table 5
Outstanding Debt, at December 31

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| General obligation bonds | \$ 495,000 | \$ 635,000 | \$ 3,792,687 | \$ 4,067,738 | \$ 4,287,687 | \$ 4,702,738 |
| OPWC loans | - | - | 674,756 | 723,048 | 674,756 | 723,048 |
| OWDA loan | - | - | 55,457 | - | 55,457 | - |
| Total | <u>\$ 495,000</u> | <u>\$ 635,000</u> | <u>\$ 4,522,900</u> | <u>\$ 4,790,786</u> | <u>\$ 5,017,900</u> | <u>\$ 5,425,786</u> |

In addition to the outstanding debt listed above, the City has other long-term obligations. These other obligations include capital leases and police pension obligations from past service costs in the amount of \$155,417 and \$47,643, respectively.

All governmental long-term debt will be repaid by the debt retirement debt service fund. The Ohio Public Works Commission (OPWC) loans will be repaid by the water enterprise fund. The business-type general obligation bonds will be repaid from both the water and sewer enterprise funds. The Ohio Water Development Authority (OWDA) will be repaid from the water enterprise fund.

At December 31, 2005 the City's overall legal debt margin was \$15,504,668, with an unvoted debt margin of \$8,121,493. The City's credit rating remained unchanged in 2005 as compared to 2004. See Note 9 to the basic financial statements for details on the City's long-term obligations.

Current Issues Affecting Financial Condition

During 2005, the City completed the East Well Field Waterline project with 53% paid by an Ohio Public Works Commission (OPWC) grant, 8% paid by an Ohio Water Development Authority (OWDA) loan and the remaining 39% paid by utility income tax funds. The City has experienced job losses from its largest taxpayer as well as another large employer within the City. With these job losses, the City is moving away from a large industrial tax base and changing to a strong residential community tax base. In order to continue with the present City services, homeowners need to take on more of the tax burden that was previously paid by the business community. The change in the income tax credit is part of that transition. Beginning January 1, 2005 the income tax credit of 100% allowed for income taxes paid to another municipality was reduced to 50%. This stopgap measure is subject to annual review of the City Council and was part of a quick solution to the large job loss.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact William Rouse, City of Louisville Finance Director, 215 South Mill Street, Louisville, Ohio 44641, (330) 875-3434, or visit our web site at www.louisvilleohio.com.

City of Louisville, Ohio

Statement of Net Assets

December 31, 2005

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|---------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total | LCIC |
| <u>Assets:</u> | | | | |
| Equity in pooled cash and cash equivalents | \$ 1,145,686 | \$ 839,665 | \$ 1,985,351 | \$ 24,791 |
| Receivables: | | | | |
| Income tax | 564,923 | 188,308 | 753,231 | - |
| Property and other taxes | 454,623 | - | 454,623 | - |
| Accounts | 92,038 | 254,965 | 347,003 | - |
| Accrued interest | 2,060 | - | 2,060 | - |
| Due from other governments | 348,281 | - | 348,281 | - |
| Materials and supplies inventory | 15,940 | - | 15,940 | - |
| Prepaid items | 28,164 | 3,166 | 31,330 | 734 |
| Deferred charges | - | 37,842 | 37,842 | - |
| Customer deposits | - | 4,090 | 4,090 | - |
| Nondepreciable capital assets | 53,194 | 375,044 | 428,238 | 78,443 |
| Depreciable capital assets, net | 2,169,219 | 8,432,952 | 10,602,171 | - |
| Total assets | <u>4,874,128</u> | <u>10,136,032</u> | <u>15,010,160</u> | <u>103,968</u> |
| <u>Liabilities:</u> | | | | |
| Accounts payable | 77,486 | 9,792 | 87,278 | - |
| Contracts payable | - | 11,065 | 11,065 | - |
| Accrued wages and benefits | 49,173 | 14,086 | 63,259 | - |
| Due to other governments | 67,571 | 15,102 | 82,673 | - |
| Deferred revenue | 384,165 | - | 384,165 | - |
| Undistributed monies | 215 | - | 215 | - |
| Income tax refunds payable | 3,635 | 1,212 | 4,847 | - |
| Accrued interest payable | 2,216 | 21,575 | 23,791 | - |
| Refundable deposits | - | 4,090 | 4,090 | - |
| Claims payable | 2,951 | - | 2,951 | - |
| Long-term liabilities: | | | | |
| Due within one year | 369,128 | 427,063 | 796,191 | - |
| Due in more than one year | 555,937 | 4,203,861 | 4,759,798 | - |
| Total liabilities | <u>1,512,477</u> | <u>4,707,846</u> | <u>6,220,323</u> | <u>-</u> |
| <u>Net assets:</u> | | | | |
| Invested in capital assets, net of related debt | 1,571,996 | 4,285,096 | 5,857,092 | - |
| Restricted for: | | | | |
| Capital projects | 118,219 | - | 118,219 | - |
| Debt service | 1,486 | - | 1,486 | - |
| Transportation | 290,635 | - | 290,635 | - |
| Safety services | 183,992 | - | 183,992 | - |
| Other purposes | 36,360 | - | 36,360 | - |
| Unrestricted | 1,158,963 | 1,143,090 | 2,302,053 | 103,968 |
| Total net assets | <u>\$ 3,361,651</u> | <u>\$ 5,428,186</u> | <u>\$ 8,789,837</u> | <u>\$ 103,968</u> |

See accompanying notes to the basic financial statements.

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

| | Expenses | Program Revenues | | |
|----------------------------------|---------------------|--------------------------------|--|----------------------------------|
| | | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants and Contributions |
| <u>Governmental Activities:</u> | | | | |
| General government | \$ 818,463 | \$ 194,949 | \$ 20,808 | \$ - |
| Security of persons and property | 1,790,354 | 269,294 | 16,249 | - |
| Public health and welfare | 51,182 | - | - | - |
| Transportation | 777,963 | - | 568,970 | - |
| Community environment | 179,959 | 25,975 | 670 | 189,505 |
| Basic utility services | 3,323 | - | 3,095 | - |
| Leisure time activities | 384,713 | 97,213 | 63,776 | - |
| Other | 75,999 | - | - | - |
| Interest and fiscal charges | 44,398 | - | - | - |
| Total governmental activities | <u>4,126,354</u> | <u>587,431</u> | <u>673,568</u> | <u>189,505</u> |
| <u>Business-Type Activities:</u> | | | | |
| Water | 974,699 | 633,311 | 396,640 | - |
| Sewer | 873,695 | 776,018 | - | - |
| Total business-type activities | <u>1,848,394</u> | <u>1,409,329</u> | <u>396,640</u> | <u>-</u> |
| Total primary government | <u>\$ 5,974,748</u> | <u>\$ 1,996,760</u> | <u>\$ 1,070,208</u> | <u>\$ 189,505</u> |
| <u>Component Unit:</u> | | | | |
| LCIC | <u>\$ 4,342</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenues:
Property taxes levied for:
 General purposes
Income tax levied for:
 General purposes
 Water utility services
 Sewer utility services
Grants and entitlements not restricted to specific programs
Gain on sale of capital assets
Investment earnings
Other
Total general revenues

Transfers

Change in net assets

Net assets, beginning of year, as restated
Net assets, end of year

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|--------------------------|-----------------------|-------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-Type Activities | Total | LCIC |
| \$ (602,706) | \$ - | \$ (602,706) | \$ - |
| (1,504,811) | - | (1,504,811) | - |
| (51,182) | - | (51,182) | - |
| (208,993) | - | (208,993) | - |
| 36,191 | - | 36,191 | - |
| (228) | - | (228) | - |
| (223,724) | - | (223,724) | - |
| (75,999) | - | (75,999) | - |
| (44,398) | - | (44,398) | - |
| <u>(2,675,850)</u> | <u>-</u> | <u>(2,675,850)</u> | <u>-</u> |
| - | 55,252 | 55,252 | - |
| - | (97,677) | (97,677) | - |
| - | (42,425) | (42,425) | - |
| <u>\$ (2,675,850)</u> | <u>\$ (42,425)</u> | <u>\$ (2,718,275)</u> | <u>\$ -</u> |
| - | - | - | (4,342) |
| 392,154 | - | 392,154 | - |
| 2,275,376 | - | 2,275,376 | - |
| - | 345,074 | 345,074 | - |
| - | 404,903 | 404,903 | - |
| 468,249 | - | 468,249 | - |
| 11,500 | - | 11,500 | - |
| 61,390 | - | 61,390 | 753 |
| 77,557 | - | 77,557 | - |
| <u>3,286,226</u> | <u>749,977</u> | <u>4,036,203</u> | <u>753</u> |
| <u>(83,000)</u> | <u>83,000</u> | <u>-</u> | <u>-</u> |
| 527,376 | 790,552 | 1,317,928 | (3,589) |
| <u>2,834,275</u> | <u>4,637,634</u> | <u>7,471,909</u> | <u>107,557</u> |
| <u>\$ 3,361,651</u> | <u>\$ 5,428,186</u> | <u>\$ 8,789,837</u> | <u>\$ 103,968</u> |

City of Louisville, Ohio

Balance Sheet

Governmental Funds

December 31, 2005

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| <u>Assets:</u> | | | |
| Equity in pooled cash and cash equivalents | \$ 727,245 | \$ 417,267 | \$ 1,144,512 |
| Receivables: | | | |
| Income tax | 564,923 | - | 564,923 |
| Property and other taxes | 454,623 | - | 454,623 |
| Accounts | 13,920 | 78,118 | 92,038 |
| Accrued interest | 2,060 | - | 2,060 |
| Due from other governments | 150,652 | 197,629 | 348,281 |
| Materials and supplies inventory | - | 15,940 | 15,940 |
| Prepaid items | 18,775 | 9,389 | 28,164 |
| Total assets | <u>\$ 1,932,198</u> | <u>\$ 718,343</u> | <u>\$ 2,650,541</u> |
| <u>Liabilities:</u> | | | |
| Accounts payable | \$ 34,556 | \$ 42,930 | \$ 77,486 |
| Accrued wages and benefits | 42,948 | 6,225 | 49,173 |
| Due to other governments | 59,542 | 8,029 | 67,571 |
| Deferred revenue | 649,417 | 156,398 | 805,815 |
| Undistributed monies | 215 | - | 215 |
| Income tax refunds payable | 3,635 | - | 3,635 |
| Total liabilities | <u>790,313</u> | <u>213,582</u> | <u>1,003,895</u> |
| <u>Fund balances:</u> | | | |
| Reserved for encumbrances | 112,984 | 131,692 | 244,676 |
| Unreserved, undesignated, Reported in: | | | |
| General fund | 1,028,901 | - | 1,028,901 |
| Special revenue funds | - | 306,148 | 306,148 |
| Debt service fund | - | 3,702 | 3,702 |
| Capital projects fund | - | 63,219 | 63,219 |
| Total fund balances | <u>1,141,885</u> | <u>504,761</u> | <u>1,646,646</u> |
| Total liabilities and fund balances | <u>\$ 1,932,198</u> | <u>\$ 718,343</u> | <u>\$ 2,650,541</u> |

See accompanying notes to the basic financial statements.

City of Louisville, Ohio

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

Total governmental fund balances \$ 1,646,646

*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 funds. 2,222,413

An internal service fund is used by management to charge the
costs of insurance to individual funds. The assets and liabilities
of the internal service fund are included in governmental
activities in the statement of net assets. (1,777)

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

| | | |
|--------------------------|---------------|---------|
| Property and other taxes | \$ 20,412 | |
| Income taxes | 166,536 | |
| Intergovernmental | 179,937 | |
| Charges for services | <u>54,765</u> | |
| Total | | 421,650 |

Accrued interest payable is not due and payable in the current
period and therefore is not reported in the funds. (2,216)

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

| | | |
|--------------------------|-----------------|------------------|
| General obligation bonds | \$ (495,000) | |
| Capital lease payable | (155,417) | |
| Compensated absences | (227,005) | |
| Police pension liability | <u>(47,643)</u> | |
| Total | | <u>(925,065)</u> |

Net assets of governmental activities \$ 3,361,651

See accompanying notes to the basic financial statements.

City of Louisville, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2005

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <u>Revenues:</u> | | | |
| Income tax | \$ 2,346,262 | \$ - | \$ 2,346,262 |
| Property and other taxes | 384,907 | - | 384,907 |
| Charges for services | 269,230 | 186,312 | 455,542 |
| Licenses and permits | 97,664 | - | 97,664 |
| Fines and forfeitures | 8,466 | 10,864 | 19,330 |
| Intergovernmental | 491,352 | 736,740 | 1,228,092 |
| Investment income | 61,389 | 5,551 | 66,940 |
| Contributions and donations | 1,672 | 70,344 | 72,016 |
| Rentals | 13,139 | - | 13,139 |
| Other | 37,372 | 29,975 | 67,347 |
| Total revenue | <u>3,711,453</u> | <u>1,039,786</u> | <u>4,751,239</u> |
| <u>Expenditures:</u> | | | |
| Current: | | | |
| General government | 771,093 | - | 771,093 |
| Security of persons and property | 1,466,544 | 184,916 | 1,651,460 |
| Public health and welfare | 51,182 | - | 51,182 |
| Transportation | - | 722,731 | 722,731 |
| Community environment | 155,727 | 15,670 | 171,397 |
| Basic utility services | - | 3,095 | 3,095 |
| Leisure time activities | 279,018 | 54,902 | 333,920 |
| Other | 72,654 | 3,345 | 75,999 |
| Capital outlay | 131,450 | 220,655 | 352,105 |
| Debt service: | | | |
| Principal retirement | 32,719 | 197,565 | 230,284 |
| Interest and fiscal charges | 3,066 | 42,107 | 45,173 |
| Total expenditures | <u>2,963,453</u> | <u>1,444,986</u> | <u>4,408,439</u> |
| Excess of revenues over (under) expenditures | <u>748,000</u> | <u>(405,200)</u> | <u>342,800</u> |
| <u>Other financing sources (uses):</u> | | | |
| Sale of capital assets | 11,500 | - | 11,500 |
| Inception of capital lease | 52,416 | - | 52,416 |
| Transfers - in | - | 400,673 | 400,673 |
| Transfers - out | (483,673) | - | (483,673) |
| Total other financing sources (uses) | <u>(419,757)</u> | <u>400,673</u> | <u>(19,084)</u> |
| Net change in fund balance | 328,243 | (4,527) | 323,716 |
| Fund balances at beginning of year, as restated | <u>813,642</u> | <u>509,288</u> | <u>1,322,930</u> |
| Fund balances at end of year | <u>\$ 1,141,885</u> | <u>\$ 504,761</u> | <u>\$ 1,646,646</u> |

See accompanying notes to the basic financial statements.

City of Louisville, Ohio

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

Net change in fund balances - Total governmental funds \$ 323,716

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities,
the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

| | | |
|---|------------|--------|
| Capital asset additions | \$ 352,105 | |
| Depreciation expense | (273,242) | |
| | | |
| Excess of capital asset additions over depreciation expense | | 78,863 |

Governmental funds only report the disposal of capital assets to the extent proceeds are received
from the sale. In the statement of activities, a gain or loss is reported for each disposal. 11,500

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

| | | |
|---|----------|----------|
| Property and other taxes | \$ 7,247 | |
| Income taxes | (70,886) | |
| Intergovernmental | 14,049 | |
| Charges for services | 23,581 | |
| | | |
| Net change in deferred revenues during the year | | (26,009) |

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

| | | |
|--------------------------------------|-------------|----------|
| Increase in compensated absences | \$ (27,779) | |
| Decrease in police pension liability | 800 | |
| Decrease in accrued interest | 775 | |
| | | |
| Total additional expenditures | | (26,204) |

The internal service fund used by management to charge the costs of dental and vision
claims to individual funds are not reported in the statement of activities. Governmental
fund expenditures and related internal service fund revenues are eliminated. (858)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets. 140,000

Payment of capital lease principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets. 90,284

Some capital additions were financed through capital leases. In governmental funds, a capital
lease arrangement is considered a source of financing, but in the statement of net assets,
the lease obligation is reported as a liability. (63,916)

Change in net assets of governmental activities \$ 527,376

See accompanying notes to the basic financial statements.

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Municipal income tax | \$ 2,215,508 | \$ 2,215,508 | \$ 2,238,604 | \$ 23,096 |
| Property and other taxes | 366,547 | 366,547 | 366,547 | - |
| Charges for services | 275,515 | 275,515 | 269,230 | (6,285) |
| Licenses and permits | 98,124 | 98,124 | 98,124 | - |
| Fines and forfeitures | 8,466 | 8,466 | 8,466 | - |
| Intergovernmental | 452,349 | 471,323 | 492,131 | 20,808 |
| Investment income | 60,917 | 60,917 | 61,887 | 970 |
| Contributions and donations | 1,672 | 1,672 | 1,672 | - |
| Rentals | 13,139 | 13,139 | 13,139 | - |
| Other | 35,483 | 35,483 | 37,372 | 1,889 |
| Total revenue | <u>3,527,720</u> | <u>3,546,694</u> | <u>3,587,172</u> | <u>40,478</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| General government | 887,641 | 912,819 | 839,028 | 73,791 |
| Security of persons and property | 1,738,472 | 1,738,472 | 1,538,418 | 200,054 |
| Public health and welfare | 57,906 | 57,906 | 52,123 | 5,783 |
| Community environment | 276,046 | 279,746 | 238,859 | 40,887 |
| Leisure time activities | 316,900 | 333,498 | 299,857 | 33,641 |
| Other | - | 72,654 | 72,654 | - |
| Total expenditures | <u>3,276,965</u> | <u>3,395,095</u> | <u>3,040,939</u> | <u>354,156</u> |
| Excess of revenues over (under) expenditures | <u>250,755</u> | <u>151,599</u> | <u>546,233</u> | <u>394,634</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Advances - in | 101,740 | 101,740 | 101,740 | - |
| Advances - out | (101,740) | (111,740) | (101,740) | 10,000 |
| Transfers - in | 75,000 | 75,000 | 75,000 | - |
| Transfers - out | (558,673) | (558,673) | (558,673) | - |
| Total other financing sources (uses) | <u>(483,673)</u> | <u>(493,673)</u> | <u>(483,673)</u> | <u>10,000</u> |
| Net change in fund balance | (232,918) | (342,074) | 62,560 | 404,634 |
| Fund balance at beginning of year | 486,615 | 486,615 | 486,615 | - |
| Prior year encumbrances appropriated | 54,077 | 54,077 | 54,077 | - |
| Fund balance at end of year | <u>\$ 307,774</u> | <u>\$ 198,618</u> | <u>\$ 603,252</u> | <u>\$ 404,634</u> |

See accompanying notes to the basic financial statements.

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

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|---|--------------|---------------|--------------------------------|
| | Water | Sewer | Total | Activities Internal Service |
| <u>Assets:</u> | | | | |
| Current assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 376,270 | \$ 463,395 | \$ 839,665 | \$ 1,174 |
| Receivables: | | | | |
| Income tax | 112,985 | 75,323 | 188,308 | - |
| Accounts | 108,096 | 146,869 | 254,965 | - |
| Prepaid items | 1,583 | 1,583 | 3,166 | - |
| Deferred charges | 7,857 | 29,985 | 37,842 | - |
| Restricted assets: | | | | |
| Customer deposits | - | 4,090 | 4,090 | - |
| Total current assets | 606,791 | 721,245 | 1,328,036 | 1,174 |
| Non-current assets: | | | | |
| Capital assets: | | | | |
| Land | 213,278 | 90,708 | 303,986 | - |
| Construction in progress | 33,587 | 37,471 | 71,058 | - |
| Depreciable capital assets, net | 5,678,543 | 2,754,409 | 8,432,952 | - |
| Total non-current assets | 5,925,408 | 2,882,588 | 8,807,996 | - |
| Total assets | \$ 6,532,199 | \$ 3,603,833 | \$ 10,136,032 | \$ 1,174 |
| <u>Liabilities:</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 1,917 | \$ 7,875 | \$ 9,792 | \$ - |
| Contracts payable | 6,844 | 4,221 | 11,065 | - |
| Accrued wages and benefits | 8,188 | 5,898 | 14,086 | - |
| Compensated absences payable | 34,806 | 34,037 | 68,843 | - |
| Due to other governments | 8,891 | 6,211 | 15,102 | - |
| Income tax refunds payable | 727 | 485 | 1,212 | - |
| Accrued interest payable | 7,600 | 13,975 | 21,575 | - |
| Claims payable | - | - | - | 2,951 |
| OPWC loans payable | 48,292 | - | 48,292 | - |
| OWDA loans payable | 1,928 | - | 1,928 | - |
| General obligation bonds payable | 95,400 | 212,600 | 308,000 | - |
| Current liabilities payable from restricted assets: | | | | |
| Refundable deposits | - | 4,090 | 4,090 | - |
| Total current liabilities | 214,593 | 289,392 | 503,985 | 2,951 |
| Long-term liabilities: | | | | |
| Compensated absences payable | 26,205 | 12,976 | 39,181 | - |
| OPWC loans payable, net of current portion | 626,464 | - | 626,464 | - |
| OWDA loans payable, net of current portion | 53,529 | - | 53,529 | - |
| General obligation bonds payable, net of current portion | 1,530,312 | 1,954,375 | 3,484,687 | - |
| Total long-term liabilities | 2,236,510 | 1,967,351 | 4,203,861 | - |
| Total liabilities | 2,451,103 | 2,256,743 | 4,707,846 | 2,951 |
| <u>Net assets:</u> | | | | |
| Invested in capital assets, net of related debt | 3,569,483 | 715,613 | 4,285,096 | - |
| Unrestricted | 511,613 | 631,477 | 1,143,090 | (1,777) |
| Total net assets | \$ 4,081,096 | \$ 1,347,090 | \$ 5,428,186 | \$ (1,777) |

See accompanying notes to the basic financial statements.

City of Louisville, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended December 31, 2005

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|---|---------------------|---------------------|--------------------------------|
| | Water | Sewer | Total | Activities Internal Service |
| <u>Operating revenues:</u> | | | | |
| Charges for services | \$ 609,949 | \$ 766,333 | \$ 1,376,282 | \$ 26,236 |
| Other | 23,362 | 9,685 | 33,047 | - |
| Total operating revenue | <u>633,311</u> | <u>776,018</u> | <u>1,409,329</u> | <u>26,236</u> |
| <u>Operating expenses:</u> | | | | |
| Personal services | 300,656 | 160,234 | 460,890 | - |
| Fringe benefits | 112,928 | 100,172 | 213,100 | - |
| Contractual services | 201,556 | 218,266 | 419,822 | - |
| Supplies and materials | 64,546 | 68,908 | 133,454 | - |
| Claims | - | - | - | 27,094 |
| Other operating costs | 497 | 627 | 1,124 | - |
| Depreciation | 208,204 | 177,422 | 385,626 | - |
| Total operating expenses | <u>888,387</u> | <u>725,629</u> | <u>1,614,016</u> | <u>27,094</u> |
| Operating income (loss) | <u>(255,076)</u> | <u>50,389</u> | <u>(204,687)</u> | <u>(858)</u> |
| <u>Non-operating revenues (expenses):</u> | | | | |
| Municipal income tax | 345,074 | 404,903 | 749,977 | - |
| Grants | 396,640 | - | 396,640 | - |
| Interest and fiscal charges | (86,312) | (148,066) | (234,378) | - |
| Total non-operating revenues (expenses): | <u>655,402</u> | <u>256,837</u> | <u>912,239</u> | <u>-</u> |
| Income (loss) before transfers | <u>400,326</u> | <u>307,226</u> | <u>707,552</u> | <u>(858)</u> |
| Transfers - in | <u>83,000</u> | <u>-</u> | <u>83,000</u> | <u>-</u> |
| Change in net assets | <u>483,326</u> | <u>307,226</u> | <u>790,552</u> | <u>(858)</u> |
| Net assets at beginning of year | <u>3,597,770</u> | <u>1,039,864</u> | <u>4,637,634</u> | <u>(919)</u> |
| Net assets at end of year | <u>\$ 4,081,096</u> | <u>\$ 1,347,090</u> | <u>\$ 5,428,186</u> | <u>\$ (1,777)</u> |

See accompanying notes to the basic financial statements.

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

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|---|------------|--------------|--------------------------------|
| | Water | Sewer | Total | Activities Internal Service |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 622,123 | \$ 754,495 | \$ 1,376,618 | \$ 26,236 |
| Cash payments for employee services and benefits | (404,847) | (308,934) | (713,781) | - |
| Cash payments to suppliers for goods and services | (271,726) | (303,683) | (575,409) | (26,236) |
| Net cash provided by (used for) operating activities | (54,450) | 141,878 | 87,428 | - |
| Cash flows from noncapital financing activities: | | | | |
| Operating transfers from other funds | 83,000 | - | 83,000 | - |
| Income taxes received | 337,719 | 400,000 | 737,719 | - |
| Net cash provided by noncapital financing activities | 420,719 | 400,000 | 820,719 | - |
| Cash flows from capital and related financing activities: | | | | |
| Proceeds from OWDA loan | 56,393 | - | 56,393 | - |
| Capital contributions | 396,640 | - | 396,640 | - |
| Interest paid on debt | (86,922) | (124,088) | (211,010) | - |
| Principal payment on bonds and loans | (138,228) | (211,000) | (349,228) | - |
| Acquisition of capital assets | (813,813) | (82,886) | (896,699) | - |
| Net cash used for capital and related financing activities | (585,930) | (417,974) | (1,003,904) | - |
| Net increase (decrease) in cash and cash equivalents | (219,661) | 123,904 | (95,757) | - |
| Cash and cash equivalents at beginning of year | 595,931 | 343,581 | 939,512 | 1,174 |
| Cash and cash equivalents at end of year | \$ 376,270 | \$ 467,485 | \$ 843,755 | \$ 1,174 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Operating income (loss) | \$ (255,076) | \$ 50,389 | \$ (204,687) | \$ (858) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 208,204 | 177,422 | 385,626 | - |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in assets: | | | | |
| Accounts receivable | (11,188) | (11,208) | (22,396) | - |
| Prepaid items | (1,583) | (838) | (2,421) | - |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | (3,544) | (25,936) | (29,480) | - |
| Refundable deposits | - | (50) | (50) | - |
| Claims payable | - | - | - | 858 |
| Accrued wages and benefits | 506 | (1,101) | (595) | - |
| Compensated absences | 6,152 | (41,455) | (35,303) | - |
| Due to other governments | 2,079 | (5,345) | (3,266) | - |
| Net cash provided by (used for) operating activities | \$ (54,450) | \$ 141,878 | \$ 87,428 | \$ - |

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. City Government and Reporting Entity

The City operates under its Charter and is governed by an elected Mayor-Council Member and four other Council Members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are fairly presented and complete. The primary government consists of all funds, departments, boards and commissions that are not legally separate from the City. The City provides municipal services such as police, fire fighting and prevention, parks and recreation, and street maintenance. The City also operates certain enterprise operations such as a sewage treatment plant and a water treatment plant. The operations of all of these services are included in the reporting entity.

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 approves the budget, the issuance of debt or the levying of taxes. The City will report the financial status of the Louisville Community Improvement Corporation (LCIC) as a discretely presented component unit in its basic financial statements. A complete copy of the LCIC financial statements may be obtained by contacting the City's Finance Department.

The City is associated with the Stark County Council of Governments, which is defined as a Jointly Governed Organization. This organization is presented in Note 17.

Notes to the Basic Financial Statements

B. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government and its component unit. The statements of the primary government distinguish between those activities of the City that are governmental and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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 proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements.

C. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The difference between governmental fund assets and liabilities is reported as fund balance. The City's only major governmental fund is the general fund:

General Fund: The general fund is the general operating fund of the City. It is used to account 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 laws and regulations of the City and/or the general laws of Ohio.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

Enterprise activities are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

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

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

Internal Service Fund

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

Notes to the Basic Financial Statements

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. Internal transactions are eliminated within the governmental funds as well as within the business-type funds, provided they are from dissimilar programs. In addition, internal balances within the governmental funds have been eliminated.

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 and component unit 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 fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting and proprietary funds use the 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, “available” means expected to be received within sixty 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 is recognized in the year for which the taxes are levied (see Note 11). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On 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, interest, grants, fees and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

Notes to the Basic Financial Statements

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. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reported in the basic financial statements:

Tax Budget: A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All City funds are legally required to be budgeted. The purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources: The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the Official Certificate of Estimated Resources, which states the projected revenue of each fund.

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission find the revised estimates to be reasonable. The amounts set forth in the financial statements, as the original budgeted amounts, represent estimates from the certificate of estimated resources when the original appropriations were adopted, whereas the final budgeted amounts, represent estimates from the final amended certificate issued for 2005.

Appropriations: An appropriation ordinance (the appropriated budget), to control the level of expenditures for all funds, must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown as original budgeted amounts in the financial statements represent carried-over appropriation plus the first appropriation ordinance for that fund that covered the entire year, whereas the final budgeted amount includes these same appropriated amounts and all supplemental appropriations. During the year, several supplemental appropriation measures were passed.

The City administration may at any time transfer unencumbered appropriation balance or portion thereof between general classifications of expenditures within an office, department or agency. Within the last three months of the budget year, Council may, by resolution, transfer any unencumbered appropriation balance or portion thereof from one department to another.

The Appropriated Budget: The legal level of control has been established by Council at the department level for all funds, except the internal service fund. Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriations set by Council must remain fixed unless amended by Council ordinance. The Finance Director may make more detailed appropriation allocations as long as the allocations are within Council's appropriated amount.

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is not reappropriated.

F. Deposits and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the financial statements.

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

During 2005, investments were limited to an overnight repurchase agreement, interest in State Treasury Asset Reserve of Ohio (STAR Ohio) and money market investments. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices.

Interest allocation is determined by the Ohio Constitution, state statutes and local ordinances adopted under City Charter. Under these provisions, City funds that may be required to receive interest allocations are: 1) special tax levy funds; 2) sewer fund; 3) water fund and 4) under certain circumstances, the capital projects fund. All remaining interest is credited to the general fund.

Notes to the Basic Financial Statements

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, if not purchased from the pool.

G. Inventory of Supplies On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure/expense in the governmental and proprietary funds when used under the consumption method.

H. Prepaid Items Payments made to vendors for services that will benefit periods beyond December 31, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure or expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These 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 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 maintains a capitalization threshold of \$1,000. The City's infrastructure consists of roads, and water and sewer lines. All infrastructure assets belonging to business-type activities are reported as such, whereas infrastructure belonging to governmental activity is reported prospectively beginning in 2004. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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>Asset Class</u> | <u>Governmental and Business-Type Activities Estimated Useful Life</u> |
|-----------------------|--|
| Buildings | 30 - 40 years |
| Building improvements | 10 - 40 years |
| Land improvements | 10 - 20 years |
| Equipment | 3 - 15 years |
| Infrastructure | 40 years |

J. Compensated Absences Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

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, compensated absences, and contractually-required pension contributions 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. Fund Balance Reserves Reserved or designated fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved or undesignated portions of fund equity reflected in the governmental funds are available for use within the specified purposes of the funds.

The City reports amounts representing encumbrances and interfund loans outstanding as reservations of fund balance in the governmental funds.

Notes to the Basic Financial Statements

- M. Deferred Charges and Bond Premiums** In governmental fund types, bond premiums and issuance costs are recognized in the current period. Bond premiums and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds payable, whereas issuance costs are recorded as deferred charges.
- N. Interfund Transactions** During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. These amounts are eliminated in the governmental activities columns of the statement of net assets.
- Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.
- O. Net Assets** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include amounts to provide transportation, general government, and public health and welfare services. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
- P. Operating Revenues and Expenses** Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer treatment and water services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.
- Q. 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.

**NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR
FUND BALANCE/NET ASSETS**

A. Restatement of Fund Balance/Net Assets For 2005, the City has restated for the general, capital improvements and water funds for advances that are not expected to be repaid. The restatements had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

| | General Fund | Nonmajor Governmental Funds | Total |
|---|-------------------|-----------------------------------|---------------------|
| Fund balances at December 31, 2004 | \$ 688,642 | \$ 434,288 | \$ 1,122,930 |
| Reclassification of advances | <u>125,000</u> | <u>75,000</u> | <u>200,000</u> |
| Restated fund balances at January 1, 2005 | <u>\$ 813,642</u> | <u>\$ 509,288</u> | <u>\$ 1,322,930</u> |

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Net assets at December 31, 2004 | \$ 2,634,275 | \$ 4,837,634 | \$ 7,471,909 |
| Reclassification of advances | <u>200,000</u> | <u>(200,000)</u> | <u>-</u> |
| Restated net assets at January 1, 2005 | <u>\$ 2,834,275</u> | <u>\$ 4,637,634</u> | <u>\$ 7,471,909</u> |

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The statement of revenues, expenditures, and changes in fund balances - budget (Non-GAAP basis) and actual presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

Notes to the Basic Financial Statements

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are recorded as the equivalent of an expenditure (budget basis) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation as opposed to a reservation of fund (GAAP basis).

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

| Net Change in Fund Balance | |
|--|-------------------------|
| | General <u>Fund</u> |
| GAAP Basis | \$ 328,243 |
| Revenue accruals | (11,457) |
| Expenditure accruals | (130,232) |
| Encumbrances (Budget Basis) outstanding at year end | <u>(123,994)</u> |
| Budget Basis | <u><u>\$ 62,560</u></u> |

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Primary Government

The City's Charter specifies that deposits and investments of the City will adhere to State statutes, except as modified by Council Ordinance. The charter of the City and the City's investment policy indicate that the Director of Finance has responsibility for selecting depositories and investing funds that are not required to be used for a period of six months or more. Under these provisions, the City is to limit deposits and investments of City funds to insured demand deposit accounts, certificates of deposit, United States treasury obligations, obligations of any federal government agency or instrumentality, repurchase agreements, banker's acceptances, bonds and other obligations of the State of Ohio or the City of Louisville, Ohio, without regard to length of maturity or interest rate, no-load money market funds, NOW accounts, Super NOW accounts, or any other similar account authorized by the Federal Reserve's Depository Institutions Deregulation Committee, provided that such accounts are secured by collateral, and the State Treasurer's Investment Pool (Star Ohio).

City of Louisville, Ohio

Before transacting a repurchase agreement with a particular broker/dealer, a master repurchase agreement must be entered into between the City and that particular broker.

The City had \$310 in undeposited cash on hand which is included as part of “equity in pooled cash and cash equivalents.”

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The City’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of December 31 2005, the carrying amount of the City’s deposits was \$365,742 and the bank balance was \$419,073. Of the bank balances, \$300,000 was exposed to custodial credit risk. This amount was uninsured and collateral is held by the pledging financial institution’s trust department, and not in the City’s name.

B. Investments

As of June 30, the City had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Maturity</u> | <u>Rating</u> |
|------------------------|---------------------|-----------------|---------------------|
| Repurchase agreements | \$ 312,139 | Daily | N/A ⁽¹⁾ |
| STAROhio | 1,311,250 | N/A | AAAm ⁽²⁾ |
| | <u>\$ 1,623,389</u> | | |

⁽¹⁾ Underlying securities are exempt.

⁽²⁾ Standard and Poor's rating

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

Notes to the Basic Financial Statements

Interest earnings are distributed to certain special revenue funds based on daily cash balances and the remainder is reported in the general fund. Interest revenue credited to the general fund during 2005 amounted to \$61,389, which includes \$49,687 assigned from other City funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's \$312,139 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the City's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The City's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAM rating. The City's investment policy requires certain credit ratings for some investments as allowed by state law.

B. Component Unit

A. Deposits

At year end, the carrying amount of Louisville Community Corporation deposits was \$24,791 and the bank balance was \$229. There are no statutory guidelines regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2005 for governmental funds consisted primarily of municipal income taxes, property and other taxes, amounts due from other governments, accounts, special assessments, and accrued interest.

City of Louisville, Ohio

Due from other governments consists primarily of entitlements to be received from the state. A summary of the intergovernmental receivables follows:

| <u>Governmental Activities</u> | <u>Amount</u> |
|---|-------------------|
| Cents per gallon and excise tax | \$ 135,364 |
| Homestead and rollback | 20,802 |
| Local government | 128,685 |
| Motor vehicle tax | 21,435 |
| County reimbursements | 31,826 |
| Permissive sales tax | 9,004 |
| Public utility property tax reimbursement | <u>1,165</u> |
| Total | <u>\$ 348,281</u> |

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

| | |
|--|------------|
| Transfers to nonmajor governmental funds from: | |
| General fund | \$ 400,673 |
| Transfers to business-type funds from: | |
| General fund | \$ 83,000 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the year ended December 31, 2005, the City made transfers totaling \$483,673 from the general fund to the street construction maintenance and repair, state highway, and motor vehicle license, emergency services charges and special events special revenue funds, the debt service fund and the water enterprise fund. These transfers represent amounts necessary to carry out the purpose of the program prior to receiving additional funding and to cover shortages resulting from the retiring of debt.

Notes to the Basic Financial Statements

NOTE 7 - CAPITAL ASSETS

**A. Primary
Government**

Governmental Activities: A summary of the governmental activities' capital asset activity as of December 31, 2005 follows:

| <u>Governmental activities</u> | Balance 12/31/2004 | Increases | Decreases | Balance 12/31/2005 |
|---|-----------------------|-------------------|--------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 53,194 | \$ - | \$ - | \$ 53,194 |
| Construction in progress | 21,962 | - | (21,962) | - |
| Total capital assets, not being depreciated | <u>75,156</u> | <u>-</u> | <u>(21,962)</u> | <u>53,194</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 802,486 | 255,264 | - | 1,057,750 |
| Buildings | 1,365,983 | - | - | 1,365,983 |
| Machinery, equipment and vehicles | 3,090,492 | 118,803 | (38,845) | 3,170,450 |
| Infrastructure | 139,723 | - | - | 139,723 |
| Total capital assets, being depreciated | <u>5,398,684</u> | <u>374,067</u> | <u>(38,845)</u> | <u>5,733,906</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (266,103) | (19,292) | - | (285,395) |
| Buildings | (695,557) | (35,954) | - | (731,511) |
| Machinery, equipment and vehicles | (2,366,301) | (211,010) | 38,845 | (2,538,466) |
| Infrastructure | (2,329) | (6,986) | - | (9,315) |
| Total accumulated depreciation | <u>(3,330,290)</u> | <u>(273,242)</u> | <u>38,845</u> | <u>(3,564,687)</u> |
| Total capital assets being depreciated, net | <u>2,068,394</u> | <u>100,825</u> | <u>-</u> | <u>2,169,219</u> |
| Governmental activities capital assets, net | <u>\$ 2,143,550</u> | <u>\$ 100,825</u> | <u>\$ (21,962)</u> | <u>\$ 2,222,413</u> |

Depreciation Expense: Depreciation expense charged to governmental functions for the year ending December 31, 2005 is as follows:

| | Amount |
|----------------------------------|-------------------|
| General government | \$ 41,326 |
| Security of persons and property | 131,775 |
| Transportation | 51,931 |
| Leisure time activities | 48,210 |
| Total | <u>\$ 273,242</u> |

City of Louisville, Ohio

Business-type Activities: A summary of the business-type activities' capital assets as of December 31, 2005 follows:

| <u>Business-type activities</u> | Balance 12/31/2004 | Increases | Decreases | Balance 12/31/2005 |
|--|-----------------------|------------|--------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 303,986 | \$ - | \$ - | \$ 303,986 |
| Construction in progress | 142,850 | 71,058 | (142,850) | 71,058 |
| Total capital assets, not being depreciated | 446,836 | 71,058 | (142,850) | 375,044 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 12,697 | - | - | 12,697 |
| Buildings | 8,764,742 | - | - | 8,764,742 |
| Machinery, equipment and vehicles | 694,185 | 70,364 | - | 764,549 |
| Infrastructure | 7,029,123 | 899,375 | - | 7,928,498 |
| Total capital assets, being depreciated | 16,500,747 | 969,739 | - | 17,470,486 |
| Less accumulated depreciation: | | | | |
| Land improvements | (4,098) | - | - | (4,098) |
| Buildings | (3,894,593) | (211,508) | - | (4,106,101) |
| Machinery, equipment and vehicles | (465,842) | (34,875) | - | (500,717) |
| Infrastructure | (4,287,375) | (139,243) | - | (4,426,618) |
| Total accumulated depreciation | (8,651,908) | (385,626) | - | (9,037,534) |
| Total capital assets being depreciated, net | 7,848,839 | 584,113 | - | 8,432,952 |
| Business-type activities capital assets, net | \$ 8,295,675 | \$ 655,171 | \$ (142,850) | \$ 8,807,996 |

B. Component Unit *Component Unit:* A summary of the component unit capital assets as of December 31, 2005 follows:

| <u>Component unit</u> | Balance 12/31/2004 | Increases | Decreases | Balance 12/31/2005 |
|--|-----------------------|-----------|-----------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 78,443 | \$ - | \$ - | \$ 78,443 |

Notes to the Basic Financial Statements

NOTE 8 - COMPENSATED ABSENCES

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

City employees earn sick leave at the rate of 4.6 hours for each 80 hours worked. Sick leave accrual is continuous, without limit. In the case of death or retirement, employees (or the employees' estates) with ten years of service are paid a maximum of 1,200 hours of accumulated, unused sick leave.

NOTE 9 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Governmental Activities: A summary of the governmental activities' debt and other long-term obligations as of December 31, 2005 follows:

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Amount Outstanding December 31</u> | <u>Amount Due in One Year</u> |
|--|------------------------------|-------------------|-------------------|---|---------------------------------------|
| <u>Governmental activities</u> | | | | | |
| <u>General obligation bonds</u> | | | | | |
| 1991 Various Purpose Bonds 5.00 - 7.10% | \$ 245,000 | \$ - | \$ 120,000 | \$ 125,000 | \$ 125,000 |
| 2001 Various Purpose Bonds 3.50-5.10% | <u>390,000</u> | <u>-</u> | <u>20,000</u> | <u>370,000</u> | <u>22,000</u> |
| Total general obligation bonds | <u>635,000</u> | <u>-</u> | <u>140,000</u> | <u>495,000</u> | <u>147,000</u> |
| <u>Other long-term obligations</u> | | | | | |
| Police pension liability 4.25% | 48,443 | - | 800 | 47,643 | 835 |
| Compensated absences | 199,226 | 149,720 | 121,941 | 227,005 | 119,511 |
| Capital leases | <u>193,285</u> | <u>52,416</u> | <u>90,284</u> | <u>155,417</u> | <u>101,782</u> |
| Total governmental activities | <u>\$ 1,075,954</u> | <u>\$ 202,136</u> | <u>\$ 353,025</u> | <u>\$ 925,065</u> | <u>\$ 369,128</u> |

City of Louisville, Ohio

Business-type Activities: A summary of the business-type activities' debt and other long-term obligations as of December 31, 2004 follows:

| | Balance January 1 | Additions | Deletions | Amount Outstanding December 31 | Amount Due in One Year |
|---|----------------------|-------------------|-------------------|--------------------------------------|------------------------------|
| <u>Business-type activities</u> | | | | | |
| <u>General obligation bonds</u> | | | | | |
| 1993 Capital Facilities Refunding and Improvement 3.95-6.00% | \$ 2,640,000 | \$ - | \$ 220,000 | \$ 2,420,000 | \$ 220,000 |
| Unamortized deferred cost of refunding | (145,787) | - | (27,372) | (118,415) | - |
| Unamortized premium | 13,525 | - | 2,423 | 11,102 | - |
| 2001 Various Purpose Bonds 3.5-5.10% | <u>1,560,000</u> | <u>-</u> | <u>80,000</u> | <u>1,480,000</u> | <u>88,000</u> |
| Total general obligation bonds | <u>4,067,738</u> | <u>-</u> | <u>275,051</u> | <u>3,792,687</u> | <u>308,000</u> |
| <u>Other long-term obligations</u> | | | | | |
| 1996 Ohio Public Works Commission Loan 0% | 305,164 | - | 24,413 | 280,751 | 24,413 |
| 2001 Ohio Public Works Commission Loan 0% | 417,884 | - | 23,879 | 394,005 | 23,879 |
| 2005 Ohio Water Development Authority Loan | - | 56,393 | 936 | 55,457 | 1,928 |
| Compensated absences | <u>143,327</u> | <u>78,076</u> | <u>113,379</u> | <u>108,024</u> | <u>68,843</u> |
| Total business-type activities | <u>\$ 4,934,113</u> | <u>\$ 134,469</u> | <u>\$ 437,658</u> | <u>\$ 4,630,924</u> | <u>\$ 427,063</u> |

General obligation bonds: General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes.

The \$125,000 Various Purpose Bond matures in 2006 and bears an interest rate of 7.10%. The bonds represent general obligations of the City and were used in 1991 to retire the City's \$1,275,000 general obligation notes, which had been used to fund various capital projects and improvements. These bonds will be paid from revenues generated by municipal income taxes.

Notes to the Basic Financial Statements

The \$370,000 Various Purpose Bonds mature serially in progressive annual amounts ranging from \$22,000 in 2006 to \$28,000 in 2021 and bear interest at rates ranging from 4.05% to 5.10%, respectively. The bonds represent general obligations of the City and were used in 2001 to retire the City's \$593,250 bond anticipation notes, which had been used to fund various capital projects and improvements.

Of the \$2,420,000 Capital Facilities Refunding and Improvement Bonds, \$740,000 matures serially in progressive annual amounts ranging from \$235,000 in 2006 to \$260,000 in 2008 and bears interest at rates ranging from 4.80% to 5.00%. The remaining \$1,680,000 represents term bonds, which are subject to mandatory redemption ranging from \$270,000 in 2009 to \$50,000 in 2017 (the maturity of the issue) and bear interest at rates ranging from 5.125% to 5.20%, respectively. The Capital Facilities Refunding and Improvement Bonds are general obligations of the City. However, the debt is serviced from revenues generated from a .5% reallocation in the municipal income tax rate.

The \$1,480,000 Various Purpose Bonds mature serially in progressive annual amounts ranging from \$88,000 in 2006 to \$112,000 in 2021 and bear interest at rates ranging from 4.05% to 5.10%, respectively. The bonds represent general obligations of the City and were used in 2001 to retire the City's \$1,586,750 bond anticipation notes, which had been used to fund various projects and improvements.

Loans: The \$280,751 loan outstanding is an interest-free loan from the Ohio Public Works Commission (OPWC) for a water line project, and requires equal payments over twenty years. The \$394,005 OPWC Loan outstanding is an interest-free loan for a water tower, and requires equal payments over twenty years. The \$55,457 Ohio Water Development Authority (ODWA) Loan outstanding is a loan for the East Well Field conversion and raw water main, and requires principal and interest payments over twenty years.

Police pension liability: The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire personnel in 1967. The liability is payable semiannually from the general fund.

Compensated absences: Sick leave benefits will be paid from the fund from which the person is paid. Most sick leave is paid from the general fund and the water and sewer enterprise funds.

The annual requirements to amortize all bonded debt and loans as of December 31, 2005, including interest payments of \$1,511,057, are as follows:

| | General | | OWDA Loan | | OPWC | Police |
|-----------|---------------------|---------------------|------------------|------------------|-------------------|------------------|
| | Obligation Bonds | | | | Loans | Pension |
| | Principal | Interest | Principal | Interest | Principal | Installment |
| 2006 | 470,000 | 220,076 | 1,928 | 2,188 | 48,292 | 835 |
| 2007 | 355,000 | 195,466 | 2,005 | 2,111 | 48,292 | 871 |
| 2008 | 375,000 | 175,773 | 2,086 | 2,030 | 48,292 | 908 |
| 2009 | 390,000 | 160,885 | 2,169 | 1,946 | 48,292 | 947 |
| 2010 | 410,000 | 177,708 | 2,257 | 1,859 | 48,292 | 988 |
| 2011-2015 | 1,555,000 | 410,345 | 12,718 | 7,860 | 241,462 | 5,613 |
| 2016-2020 | 700,000 | 138,865 | 15,489 | 5,089 | 156,015 | 6,926 |
| 2021-2025 | 140,000 | 7,140 | 16,805 | 1,716 | 35,819 | 8,547 |
| 2026-2030 | - | - | - | - | - | 10,548 |
| 2031-2035 | - | - | - | - | - | 11,460 |
| | <u>\$ 4,395,000</u> | <u>\$ 1,486,258</u> | <u>\$ 55,457</u> | <u>\$ 24,799</u> | <u>\$ 674,756</u> | <u>\$ 47,643</u> |

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

During the year the City entered into one new capital lease for the acquisition of a rotary mower for the division of parks. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

Governmental activities capital assets consisting of machinery, equipment, and vehicles have been capitalized in the amount of \$371,719. The capitalized amount consists of \$329,054 and \$42,665 equal to the present value of the future minimum lease payments and the down payment respectively, at the time of acquisition.

Following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2005:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---|-------------------|
| 2006 | \$ 107,219 |
| 2007 | <u>55,237</u> |
| Total minimum lease payments | <u>162,456</u> |
| Less: amount representing interest | <u>(7,039)</u> |
| Present value of net minimum lease payments | <u>\$ 155,417</u> |

NOTE 11 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City. The 2005 tax levy was based upon an assessed valuation of approximately \$148 million. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Under current procedures, the City's share is 2.8 mills, all of which is dedicated to the general fund.

Real property taxes are levied after October 1, 2005 on the assessed values as of January 1, 2005 the lien date. Assessed values are established by State law at 35% of appraised market value. 2005 real property taxes are collected in and intended to finance 2006. A revaluation of all property is required to be completed no less than every six years, with a statistical update every third year. A revaluation was completed in 2003. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (net of depreciation, depletion, etc.). Tangible personal property assessments are 23% of true value for inventories and 25% of true value for capital assets.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Louisville. Taxes are payable to the County in two equal installments in February and July and, if not paid, are certified delinquent after August 10. The County Auditor periodically remits to the City its portion of the taxes collected, with final settlement in March and September for taxes payable in the first and second halves of the year, respectively. At time of collection, these taxes are available and are recorded as revenue by the City.

The assessed values upon which the 2005 and 2004 taxes were collected are as follows:

| <u>Property Category</u> | 2005 | | | 2004 | |
|-----------------------------------|-----------------------|----------------|--|-----------------------|----------------|
| | <u>Assessed Value</u> | <u>Percent</u> | | <u>Assessed Value</u> | <u>Percent</u> |
| <u>Real Property</u> | | | | | |
| Residential and agricultural | \$ 113,703,170 | 77.00 % | | \$ 110,459,140 | 74.03 % |
| Commercial and industrial | 18,936,090 | 12.82 | | 18,647,370 | 12.50 |
| Public utilities | 8,760 | 0.01 | | 8,830 | 0.01 |
| <u>Tangible Personal Property</u> | | | | | |
| General | 11,334,888 | 7.68 | | 16,521,012 | 11.07 |
| Public utilities | 3,680,600 | 2.49 | | 3,563,270 | 2.39 |
| Total | \$ 147,663,508 | 100.00 % | | \$ 149,199,622 | 100.00 % |

NOTE 12 - INCOME TAX

The City's municipal income tax rate is levied on gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applies to net income of business organizations conducted within the City. Beginning January 1, 1988, the municipal income tax rate was increased by .5% to 2%, with the increase designated for the purpose of expansion of the City's wastewater treatment and water facilities as approved by voters. Tax receipts are therefore allocated 75% to the general fund and 25% to the enterprise funds.

The City allows a credit of 50% on income tax earned outside the City and paid to another municipality.

NOTE 13 - CONTINGENCIES

A few claims and lawsuits are pending against the City. It is management's opinion that the ultimate liability will be covered by insurance, and/or will not have a material effect on the financial statements.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, City management believes such disallowance, if any, will be immaterial.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

All full-time employees of the City, other than non-administrative full-time police officers participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan (TP) is a cost sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The third plan is the Combined Plan (CO), cost-sharing, multiple-employer defined benefit pension plan. Under the CO Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP benefit. Member contributions, the investment which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

Notes to the Basic Financial Statements

All full-time uniformed City police participate in the Ohio Police and Fire Pension Fund (OP&F), also a cost-sharing, multiple-employer defined benefit pension plan. All members of these pension plans except those of the Member-Directed Plan are provided basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Authority to establish and amend benefits for OPERS and OP&F is provided by the Ohio State Legislature and are codified in the Ohio Revised Code, Chapters 145 and 742 respectively.

Each retirement system prepares a stand-alone financial report that includes financial information and required supplementary information for the plans. These reports can be obtained by writing to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800)222-7377 and OP&F at 140 East Town Street, Columbus, Ohio 43215-5164.

OPERS: The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2005 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs and township police, contributed at a rate of 10.1%. Public safety division contributed at 9%. For 2005, the employer pension contribution rate for the City was 13.55% of covered payroll, with 9.55% to fund pension obligations. The 2005 employer contribution rate for both the law enforcement and public safety divisions was 16.70% of covered payroll, with 12.70% to fund pension obligations. The contribution rates are determined actuarially. The City's required pension contributions to OPERS for the years ending December 31, 2005, 2004, and 2003 were \$156,861, \$163,753 and \$158,941, respectively. The full amount has been contributed for 2004 and 2003. Approximately 89% had been contributed for 2005 with the remainder being reported as a liability within the respective funds.

OP&F: Plan members are required to contribute 10% of their covered salary to fund pension obligations, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The portion used to fund pension obligations were 11.75% and 16.25% respectively for police officers and firefighters. Contributions are authorized by state statute. The City's required contributions to OP&F for the years ending December 31, 2005, 2004, and 2003 were \$66,620, \$67,351 and \$79,612, respectively. The full amount has been contributed for 2004 and 2003. Approximately 75% has been contributed for 2005 with the remainder being reported as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

OPERS: The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, the Traditional Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO), all of which are described in Note 14. OPERS provide retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the TP and MD Plans; however, health care benefits are not statutorily guaranteed. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No.12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employees". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2005 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2005 employer rate was 16.70% of covered payroll and 4.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund post employment benefits was \$65,701.

OPEB are advanced-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 actual 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 (latest information available) was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

Notes to the Basic Financial Statements

At year-end 2005, the number of active contributing participants in the TP and CO Plans totaled 376,109. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 (latest information available) was \$10.8 billion.

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

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.

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

The health care coverage provided by the OP&F is considered an OPEB as described in GASB Statement No.12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that the health care costs are paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go-basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the post-employment health care program in 2004 and in 2005. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund post-employment benefits were \$43,941. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has contracted with Ohio Government Risk Management Plan, an Ohio government risk management program. The Plan was formed in June 1988 for the primary purpose of managing third-party liability claims against its members. The Plan provides property, liability, error and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its 616 members. The City's settled claims have not exceeded insurance coverage for the past three years. The Plan has chosen to adopt the forms and endorsements of conventional insurance coverage and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have excess reinsurance coverage above the retention amount. Therefore, the City is only responsible for its self-retention (deductible) amount. The Plan reinsures its coverage 100%, with various reinsurance companies up to a limit of \$5,000,000 per occurrence, per member. The City has not had any reduction in insurance coverage in the past three years.

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

The City has elected to provide dental and vision benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its risks of loss in this program. This plan provides a dental plan with \$50 per person deductible, and no deductible for the vision. A third party administrator reviews all claims, which are then paid by the City. The City pays into the self-insurance internal service fund all individual claims. The City contracts with a health insurance company to provide medical/health benefits for the City's employees. The City remits a payment to the insurance provider based on the number of participants.

The claims liability of \$2,951 reported in the fund at December 31, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the City's third party administrator. Changes in the fund's claims liability amount in 2005 and 2004 were:

Notes to the Basic Financial Statements

| | | <u>Balance at beginning of year</u> | <u>Current year claims</u> | <u>Claim payments</u> | <u>Balance at end of year</u> |
|------|----|---|--------------------------------|---------------------------|-----------------------------------|
| 2004 | \$ | 5,550 | 22,768 | 26,225 | 2,093 |
| 2005 | \$ | 2,093 | 27,094 | 26,236 | 2,951 |

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

The City participates in the Stark County Council of Governments (the Council), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and townships with twenty-four participants providing twenty-seven representatives, which direct the operations of the Stark County Metropolitan Narcotics Unit and the Stark County Crime Laboratory. The City appoints one representative which has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriation, contracting and designating management. Continued existence of the Council is dependent on the County's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens on the City. The City does not have an equity interest in the Council. Financial statements of the Council can be obtained from the Stark County Council of Governments, Canton, Ohio.

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNIT

The component unit column in the basic financial statements identifies the financial data of the City's component unit, Louisville Community Improvement Corporation. It is reported separately to emphasize that it is legally separate from the City.

Louisville Community Improvement Corporation (LCIC): The Louisville Community Improvement Corporation is a not-for-profit, community improvement corporation, as authorized under Chapter 1724 of the Ohio Revised Code. The sole purpose for which the LCIC was organized was to advance, encourage, and promote the industrial, commercial, and civic development of the City of Louisville, Ohio by acting as a designated agency of the City, for the industrial, commercial, distribution, and research development.

NOTE 19 – CONDUIT DEBT OBLIGATIONS

The City has issued Healthcare and Housing Facility Revenue Bonds to provide financial assistance to St. Joseph Care Center for the acquisition and construction of healthcare facilities deemed to be in the public interest. The bonds are secured by a letter of credit from First Merit Bank. Upon repayment of the bonds, ownership of the acquired facilities transfers back to St. Joseph Care Center through a sale and leaseback type transaction. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. In accordance with the Governmental Accounting Standards Board, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2005 there were two series of Healthcare and Housing Facility Bonds outstanding, with an aggregate principal amount of \$9.8 million.

NOTE 20 – FUND DEFICIT

As of December 31 2005, the internal service fund had a deficit balance of \$1,777. This deficit was a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 21 – COMPLIANCE

Ohio Revised Code (ORC) 5705.39 requires appropriations to not exceed estimated resources. The City had appropriations exceeding estimated resources for the water enterprise fund in the amount \$52,823, for the final budget.

Combining Statements

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. A description of the City's special revenue funds follows:

- Street Construction, Maintenance and Repair - To account for revenue derived from gasoline taxes and vehicle registration fees at the State and County level; used to support the street maintenance and snow removal departments.
- State Highway - To account for the portion (7 ½%) of gasoline taxes and vehicle registration fees used to maintain state highways.
- Motor Vehicle License - To account for vehicle registration fees received via the municipal permissive tax; used entirely for the purchase of material for resurfacing City streets.
- Municipal Road - To account for municipal road entitlements passed through the Stark County Board of Commissioners; used to finance street improvement projects.
- Seniors Citizens Fund - To account for donations received and to be used for the benefit of Senior Citizens in the City of Louisville
- Mayor's Court Computerization - To account for additional court fees designated for computerization of the Mayor's court and for the acquisition and maintenance of legal research services for the Mayor's court.
- Emergency Services Donations - To account for donations made by individuals in support of the Fire and EMS Departments.
- Emergency Services Charges - To account for fees charged for paramedic services of the Fire and EMS Departments.
- Law Enforcement Education - To account for fine monies used to educate the general public regarding drunk driving.
- Law Enforcement Trust - To account for forfeiture monies used to educate the general public regarding drug abuse.
- Special Events - To account for contributions and miscellaneous revenues used to support special events held in the City's parks.
- Federal Emergency Management Agency (FEMA) Hazard Mitigation Grant – To account for revenues received from the federal government and used to offset costs related to flood damage.

Nonmajor Debt Service Fund

The debt service fund is used to account for the accumulation of resources and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the government is obligated in some manner for the payment.

Nonmajor Capital Projects Fund

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

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

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|---|--------------------------------------|--|--|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 295,346 | \$ 3,702 | \$ 118,219 | \$ 417,267 |
| Receivables: | | | | |
| Accounts | 78,118 | - | - | 78,118 |
| Due from other governments | 197,629 | - | - | 197,629 |
| Materials and supplies inventory | 15,940 | - | - | 15,940 |
| Prepaid items | 9,389 | - | - | 9,389 |
| Total assets | <u>\$ 596,422</u> | <u>\$ 3,702</u> | <u>\$ 118,219</u> | <u>\$ 718,343</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 42,930 | \$ - | \$ - | \$ 42,930 |
| Accrued wages and benefits | 6,225 | - | - | 6,225 |
| Due to other governments | 8,029 | - | - | 8,029 |
| Deferred revenue | 156,398 | - | - | 156,398 |
| Total liabilities | <u>213,582</u> | <u>-</u> | <u>-</u> | <u>213,582</u> |
| Fund balances: | | | | |
| Reserved for encumbrances | 76,692 | - | 55,000 | 131,692 |
| Unreserved, undesignated, Reported in: | | | | |
| Special revenue funds | 306,148 | - | - | 306,148 |
| Debt service fund | - | 3,702 | - | 3,702 |
| Capital projects fund | - | - | 63,219 | 63,219 |
| Total fund balances | <u>382,840</u> | <u>3,702</u> | <u>118,219</u> | <u>504,761</u> |
| Total liabilities and fund balances | <u>\$ 596,422</u> | <u>\$ 3,702</u> | <u>\$ 118,219</u> | <u>\$ 718,343</u> |

City of Louisville, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2005

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|---|--------------------------------------|--|--|
| Revenues: | | | | |
| Charges for services | \$ 186,312 | \$ - | \$ - | \$ 186,312 |
| Fines and forfeitures | 10,864 | - | - | 10,864 |
| Intergovernmental | 547,235 | - | 189,505 | 736,740 |
| Investment income | 5,551 | - | - | 5,551 |
| Contributions and donations | 70,344 | - | - | 70,344 |
| Other | 29,975 | - | - | 29,975 |
| Total revenue | <u>850,281</u> | <u>-</u> | <u>189,505</u> | <u>1,039,786</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of persons and property | 184,916 | - | - | 184,916 |
| Transportation | 722,731 | - | - | 722,731 |
| Community environment | 670 | - | 15,000 | 15,670 |
| Basic utility services | 3,095 | - | - | 3,095 |
| Leisure time activities | 54,902 | - | - | 54,902 |
| Other | 3,345 | - | - | 3,345 |
| Capital outlay | - | - | 220,655 | 220,655 |
| Debt service: | | | | |
| Principal retirement | 57,565 | 140,000 | - | 197,565 |
| Interest and fiscal charges | 6,220 | 35,887 | - | 42,107 |
| Total expenditures | <u>1,033,444</u> | <u>175,887</u> | <u>235,655</u> | <u>1,444,986</u> |
| Excess of revenues over (under) expenditures | <u>(183,163)</u> | <u>(175,887)</u> | <u>(46,150)</u> | <u>(405,200)</u> |
| Other financing sources (uses): | | | | |
| Transfers - in | <u>224,786</u> | <u>175,887</u> | <u>-</u> | <u>400,673</u> |
| Net change in fund balance | 41,623 | - | (46,150) | (4,527) |
| Fund balances at | | | | |
| beginning of year, as restated | <u>341,217</u> | <u>3,702</u> | <u>164,369</u> | <u>509,288</u> |
| Fund balances at end of year | <u>\$ 382,840</u> | <u>\$ 3,702</u> | <u>\$ 118,219</u> | <u>\$ 504,761</u> |

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

| | Street Construction, Maintenance and Repair Fund | State Highway Fund | Motor Vehicle License Fund | Municipal Road Fund | Senior Citizens Fund |
|---|--|--------------------------|-------------------------------------|---------------------------|----------------------------|
| Assets: | | | | | |
| Equity in pooled cash and cash equivalents | \$ 113,942 | \$ 15,683 | \$ 12,139 | \$ 2,147 | \$ 1,866 |
| Receivables: | | | | | |
| Accounts | - | - | - | - | - |
| Due from other governments | 145,039 | 11,760 | 9,004 | 31,826 | - |
| Materials and supplies inventory | 15,940 | - | - | - | - |
| Prepaid items | 8,685 | 704 | - | - | - |
| Total assets | \$ 283,606 | \$ 28,147 | \$ 21,143 | \$ 33,973 | \$ 1,866 |
| Liabilities: | | | | | |
| Accounts payable | \$ 9,260 | \$ 751 | \$ - | \$ 27,568 | \$ - |
| Accrued wages and benefits | 4,543 | - | - | - | - |
| Due to other governments | 4,968 | 893 | - | - | - |
| Deferred revenue | 94,010 | 7,623 | - | - | - |
| Total liabilities | 112,781 | 9,267 | - | 27,568 | - |
| Fund balances: | | | | | |
| Reserved for encumbrances | 51,455 | 4,244 | 2,378 | - | - |
| Unreserved, undesignated, Reported in: | | | | | |
| Special revenue funds | 119,370 | 14,636 | 18,765 | 6,405 | 1,866 |
| Total fund balances | 170,825 | 18,880 | 21,143 | 6,405 | 1,866 |
| Total liabilities and fund balances | \$ 283,606 | \$ 28,147 | \$ 21,143 | \$ 33,973 | \$ 1,866 |

| Mayor's Court Computerization Fund | Emergency Services Donations Fund | Emergency Services Charges Fund | Law Enforcement Education Fund | Law Enforcement Trust Fund | Special Events Fund | FEMA Hazard Mitigation Grant | Total Nonmajor Special Revenue Funds |
|---|--|--|---|-------------------------------------|---------------------------|---------------------------------------|---|
| \$ 16,186 | \$ 19,097 | \$ 69,959 | \$ 13,440 | \$ 12,579 | \$ 18,308 | \$ - | \$ 295,346 |
| - | - | 78,118 | - | - | - | - | 78,118 |
| - | - | - | - | - | - | - | 197,629 |
| - | - | - | - | - | - | - | 15,940 |
| - | - | - | - | - | - | - | 9,389 |
| <u>\$ 16,186</u> | <u>\$ 19,097</u> | <u>\$ 148,077</u> | <u>\$ 13,440</u> | <u>\$ 12,579</u> | <u>\$ 18,308</u> | <u>\$ -</u> | <u>\$ 596,422</u> |
| \$ - | \$ - | \$ 5,315 | \$ - | \$ 36 | \$ - | \$ - | \$ 42,930 |
| - | - | 1,682 | - | - | - | - | 6,225 |
| - | - | 2,168 | - | - | - | - | 8,029 |
| - | - | 54,765 | - | - | - | - | 156,398 |
| - | - | 63,930 | - | 36 | - | - | 213,582 |
| 1,300 | 10,000 | 7,315 | - | - | - | - | 76,692 |
| <u>14,886</u> | <u>9,097</u> | <u>76,832</u> | <u>13,440</u> | <u>12,543</u> | <u>18,308</u> | <u>-</u> | <u>306,148</u> |
| <u>16,186</u> | <u>19,097</u> | <u>84,147</u> | <u>13,440</u> | <u>12,543</u> | <u>18,308</u> | <u>-</u> | <u>382,840</u> |
| <u>\$ 16,186</u> | <u>\$ 19,097</u> | <u>\$ 148,077</u> | <u>\$ 13,440</u> | <u>\$ 12,579</u> | <u>\$ 18,308</u> | <u>\$ -</u> | <u>\$ 596,422</u> |

City of Louisville, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2005

| | Street Construction, Maintenance and Repair Fund | State Highway Fund | Motor Vehicle License Fund | Municipal Road Fund | Senior Citizens Fund |
|---|--|--------------------------|-------------------------------------|---------------------------|----------------------------|
| Revenues: | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fines and forfeitures | - | - | - | - | - |
| Intergovernmental | 280,497 | 22,743 | 69,424 | 169,727 | - |
| Investment income | - | - | 5,551 | - | - |
| Contributions and donations | - | - | - | - | 1,000 |
| Other | 10,737 | 878 | - | - | - |
| Total revenue | <u>291,234</u> | <u>23,621</u> | <u>74,975</u> | <u>169,727</u> | <u>1,000</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Security of persons and property | - | - | - | - | - |
| Transportation | 382,576 | 30,902 | 138,696 | 169,727 | - |
| Community environment | - | - | - | - | - |
| Basic utility services | - | - | - | - | - |
| Leisure time activities | - | - | - | - | - |
| Other | - | - | - | - | - |
| Debt service: | | | | | |
| Principal retirement | 17,059 | - | - | - | - |
| Interest and fiscal charges | - | 3,403 | - | - | - |
| Total expenditures | <u>399,635</u> | <u>34,305</u> | <u>138,696</u> | <u>169,727</u> | <u>-</u> |
| Excess of revenues over (under) expenditures | <u>(108,401)</u> | <u>(10,684)</u> | <u>(63,721)</u> | <u>-</u> | <u>1,000</u> |
| Other financing sources (uses): | | | | | |
| Transfers - in | <u>123,290</u> | <u>10,996</u> | <u>68,500</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 14,889 | 312 | 4,779 | - | 1,000 |
| Fund balances at | | | | | |
| beginning of year | 155,936 | 18,568 | 16,364 | 6,405 | 866 |
| Fund balances at end of year | <u>\$ 170,825</u> | <u>\$ 18,880</u> | <u>\$ 21,143</u> | <u>\$ 6,405</u> | <u>\$ 1,866</u> |

| Mayor's Court Computerization Fund | Emergency Services Donations Fund | Emergency Services Charges Fund | Law Enforcement Education Fund | Law Enforcement Trust Fund | Special Events Fund | FEMA Hazard Mitigation Grant | Total Nonmajor Special Revenue Funds |
|---|--|--|---|-------------------------------------|---------------------------|---------------------------------------|---|
| \$ - | \$ - | \$ 186,312 | \$ - | \$ - | \$ - | \$ - | \$ 186,312 |
| 7,267 | - | - | 809 | 2,788 | - | - | 10,864 |
| - | - | - | - | - | - | 4,844 | 547,235 |
| - | - | - | - | - | - | - | 5,551 |
| - | 16,000 | - | - | - | 53,344 | - | 70,344 |
| - | - | - | 25 | 9,077 | 9,258 | - | 29,975 |
| <u>7,267</u> | <u>16,000</u> | <u>186,312</u> | <u>834</u> | <u>11,865</u> | <u>62,602</u> | <u>4,844</u> | <u>850,281</u> |
| 2,279 | 7,261 | 164,994 | - | 10,133 | - | 249 | 184,916 |
| - | - | - | - | - | - | 830 | 722,731 |
| - | - | - | - | - | - | 670 | 670 |
| - | - | - | - | - | - | 3,095 | 3,095 |
| - | - | - | - | - | 54,902 | - | 54,902 |
| - | - | 3,345 | - | - | - | - | 3,345 |
| - | - | 40,506 | - | - | - | - | 57,565 |
| - | - | 2,817 | - | - | - | - | 6,220 |
| <u>2,279</u> | <u>7,261</u> | <u>211,662</u> | <u>-</u> | <u>10,133</u> | <u>54,902</u> | <u>4,844</u> | <u>1,033,444</u> |
| <u>4,988</u> | <u>8,739</u> | <u>(25,350)</u> | <u>834</u> | <u>1,732</u> | <u>7,700</u> | <u>-</u> | <u>(183,163)</u> |
| - | - | 12,000 | - | - | 10,000 | - | 224,786 |
| 4,988 | 8,739 | (13,350) | 834 | 1,732 | 17,700 | - | 41,623 |
| 11,198 | 10,358 | 97,497 | 12,606 | 10,811 | 608 | - | 341,217 |
| <u>\$ 16,186</u> | <u>\$ 19,097</u> | <u>\$ 84,147</u> | <u>\$ 13,440</u> | <u>\$ 12,543</u> | <u>\$ 18,308</u> | <u>\$ -</u> | <u>\$ 382,840</u> |

Individual Fund Schedules of Revenues, Expenditures and
Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Municipal income tax | \$ 2,215,508 | \$ 2,215,508 | \$ 2,238,604 | \$ 23,096 |
| Property and other taxes | 366,547 | 366,547 | 366,547 | - |
| Charges for services | 275,515 | 275,515 | 269,230 | (6,285) |
| Licenses and permits | 98,124 | 98,124 | 98,124 | - |
| Fines and forfeitures | 8,466 | 8,466 | 8,466 | - |
| Intergovernmental | 452,349 | 471,323 | 492,131 | 20,808 |
| Investment income | 60,917 | 60,917 | 61,887 | 970 |
| Contributions and donations | 1,672 | 1,672 | 1,672 | - |
| Rentals | 13,139 | 13,139 | 13,139 | - |
| Other | 35,483 | 35,483 | 37,372 | 1,889 |
| Total revenue | <u>3,527,720</u> | <u>3,546,694</u> | <u>3,587,172</u> | <u>40,478</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| General government | | | | |
| Office of city council | 46,930 | 48,130 | 45,318 | 2,812 |
| Office of the city manager | 196,219 | 196,219 | 190,110 | 6,109 |
| Department of finance and tax | 344,707 | 344,707 | 325,438 | 19,269 |
| Mayor's court | 27,434 | 29,234 | 27,323 | 1,911 |
| Civil service commission | 11,351 | 11,351 | 7,860 | 3,491 |
| Division of lands and buildings | 96,002 | 108,884 | 84,536 | 24,348 |
| Department of law | 43,536 | 48,332 | 45,047 | 3,285 |
| Miscellaneous | 121,462 | 125,962 | 113,396 | 12,566 |
| Total general government | <u>887,641</u> | <u>912,819</u> | <u>839,028</u> | <u>73,791</u> |
| Security of persons and property | | | | |
| Division of police | 1,119,334 | 1,119,334 | 978,155 | 141,179 |
| Division of fire | 251,788 | 251,788 | 234,223 | 17,565 |
| Division of communications | 256,054 | 256,054 | 229,075 | 26,979 |
| Division of street lighting | 103,796 | 103,796 | 89,911 | 13,885 |
| Department of traffic control maintenance | 7,500 | 7,500 | 7,054 | 446 |
| Total security of persons and property | <u>1,738,472</u> | <u>1,738,472</u> | <u>1,538,418</u> | <u>200,054</u> |
| Public health and welfare | | | | |
| Board of health | 57,906 | 57,906 | 52,123 | 5,783 |
| | | | | (continued) |

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | | |
| Community environment | | | | |
| Division of planning and development | 208,305 | 208,305 | 168,793 | 39,512 |
| Division of housing and building code | 67,741 | 71,441 | 70,066 | 1,375 |
| Total community environment | 276,046 | 279,746 | 238,859 | 40,887 |
| Leisure time activities | | | | |
| Division of parks | 157,994 | 157,994 | 138,765 | 19,229 |
| Senior citizens center | 158,906 | 175,504 | 161,092 | 14,412 |
| Total leisure time activities | 316,900 | 333,498 | 299,857 | 33,641 |
| Other | - | 72,654 | 72,654 | - |
| Total expenditures | 3,276,965 | 3,395,095 | 3,040,939 | 354,156 |
| Excess of revenues over (under) expenditures | 250,755 | 151,599 | 546,233 | 394,634 |
| <u>Other financing sources (uses):</u> | | | | |
| Advances - in | 101,740 | 101,740 | 101,740 | - |
| Advances - out | (101,740) | (111,740) | (101,740) | 10,000 |
| Transfers - in | 75,000 | 75,000 | 75,000 | - |
| Transfers - out | (558,673) | (558,673) | (558,673) | - |
| Total other financing sources (uses) | (483,673) | (493,673) | (483,673) | 10,000 |
| Net change in fund balance | (232,918) | (342,074) | 62,560 | 404,634 |
| Fund balance at beginning of year | 486,615 | 486,615 | 486,615 | - |
| Prior year encumbrances appropriated | 54,077 | 54,077 | 54,077 | - |
| Fund balance at end of year | \$ 307,774 | \$ 198,618 | \$ 603,252 | \$ 404,634 |

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 287,977 | \$ 258,087 | \$ 273,513 | \$ 15,426 |
| Other | 1,533 | 10,737 | 10,737 | - |
| Total revenue | <u>289,510</u> | <u>268,824</u> | <u>284,250</u> | <u>15,426</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Transportation | | | | |
| Division of street maintenance | 386,296 | 425,612 | 415,639 | 9,973 |
| Division of snow and ice removal | 62,276 | 65,145 | 62,276 | 2,869 |
| Total expenditures | <u>448,572</u> | <u>490,757</u> | <u>477,915</u> | <u>12,842</u> |
| Excess of revenues over (under) expenditures | <u>(159,062)</u> | <u>(221,933)</u> | <u>(193,665)</u> | <u>28,268</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers - in | <u>123,290</u> | <u>123,290</u> | <u>123,290</u> | <u>-</u> |
| Net change in fund balance | (35,772) | (98,643) | (70,375) | 28,268 |
| Fund balance at beginning of year | 113,965 | 113,965 | 113,965 | - |
| Prior year encumbrances appropriated | <u>9,927</u> | <u>9,927</u> | <u>9,927</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 88,120</u> | <u>\$ 25,249</u> | <u>\$ 53,517</u> | <u>\$ 28,268</u> |

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|------------------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 20,926 | \$ 20,926 | \$ 22,177 | \$ 1,251 |
| Other | 132 | 878 | 878 | - |
| Total revenue | <u>21,058</u> | <u>21,804</u> | <u>23,055</u> | <u>1,251</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Transportation | | | | |
| Division of street maintenance | 33,125 | 41,227 | 34,900 | 6,327 |
| Division of snow and ice removal | 5,307 | 5,905 | 5,049 | 856 |
| Total expenditures | <u>38,375</u> | <u>47,132</u> | <u>39,949</u> | <u>7,183</u> |
| Excess of revenues over (under) expenditures | <u>(17,317)</u> | <u>(25,328)</u> | <u>(16,894)</u> | <u>8,434</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers - in | 13,442 | 10,997 | 10,996 | (1) |
| Net change in fund balance | (3,875) | (14,331) | (5,898) | 8,433 |
| Fund balance at beginning of year | 15,805 | 15,805 | 15,805 | - |
| Prior year encumbrances appropriated | 805 | 805 | 805 | - |
| Fund balance at end of year | <u>\$ 12,735</u> | <u>\$ 2,279</u> | <u>\$ 10,712</u> | <u>\$ 8,433</u> |

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 71,908 | \$ 71,908 | \$ 72,734 | \$ 826 |
| Investment income | 5,516 | 5,516 | 5,551 | 35 |
| Total revenue | <u>77,424</u> | <u>77,424</u> | <u>78,285</u> | <u>861</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Transportation | | | | |
| Division of street construction | 140,000 | 141,074 | 141,074 | - |
| Excess of revenues over (under) expenditures | <u>(62,576)</u> | <u>(63,650)</u> | <u>(62,789)</u> | <u>861</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Advances - in | - | 68,500 | 101,740 | 33,240 |
| Advances - out | - | (101,740) | (101,740) | - |
| Transfers - in | 67,576 | 101,740 | 68,500 | (33,240) |
| Total other financing sources (uses) | <u>67,576</u> | <u>68,500</u> | <u>68,500</u> | <u>-</u> |
| Net change in fund balance | 5,000 | 4,850 | 5,711 | 861 |
| Fund balance at beginning of year | 4,050 | 4,050 | 4,050 | - |
| Fund balance at end of year | <u>\$ 9,050</u> | <u>\$ 8,900</u> | <u>\$ 9,761</u> | <u>\$ 861</u> |

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

| | <u>Budgeted Amounts</u> | | | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|-------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <u>Revenues:</u> | | | | |
| Intergovernmental | <u>\$ 137,901</u> | <u>\$ 137,901</u> | <u>\$ 137,901</u> | <u>\$ -</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Transportation | | | | |
| Division of street maintenance | <u>142,159</u> | <u>142,159</u> | <u>142,159</u> | <u>-</u> |
| Net change in fund balance | <u>(4,258)</u> | <u>(4,258)</u> | <u>(4,258)</u> | <u>-</u> |
| Fund balance at beginning of year | <u>6,405</u> | <u>6,405</u> | <u>6,405</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 2,147</u></u> | <u><u>\$ 2,147</u></u> | <u><u>\$ 2,147</u></u> | <u><u>\$ -</u></u> |

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Contributions and donations | \$ 5,500 | \$ 1,000 | \$ 1,000 | \$ - |
| <u>Expenditures:</u> | | | | |
| Total expenditures | - | - | - | - |
| Net change in fund balance | 5,500 | 1,000 | 1,000 | - |
| Fund balance at beginning of year | 866 | 866 | 866 | - |
| Fund balance at end of year | <u>\$ 6,366</u> | <u>\$ 1,866</u> | <u>\$ 1,866</u> | <u>\$ -</u> |

City of Louisville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Mayor's Court Computerization Fund
For the Year Ended December 31, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Fines and forfeitures | \$ 7,176 | \$ 7,176 | \$ 7,267 | \$ 91 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Security of persons and property Division of police | 7,500 | 7,500 | 3,579 | 3,921 |
| Net change in fund balance | (324) | (324) | 3,688 | 4,012 |
| Fund balance at beginning of year | 11,198 | 11,198 | 11,198 | - |
| Fund balance at end of year | \$ 10,874 | \$ 10,874 | \$ 14,886 | \$ 4,012 |

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

| | <u>Budgeted Amounts</u> | | | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|-------------------------|-----------------|-----------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <u>Revenues:</u> | | | | |
| Contributions and donations | \$ 16,000 | \$ 16,000 | \$ 16,000 | \$ - |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Security of persons and property | | | | |
| Division of fire | 1,700 | 17,261 | 17,261 | - |
| Net change in fund balance | 14,300 | (1,261) | (1,261) | - |
| Fund balance at beginning of year | 10,358 | 10,358 | 10,358 | - |
| Fund balance at end of year | <u>\$ 24,658</u> | <u>\$ 9,097</u> | <u>\$ 9,097</u> | <u>\$ -</u> |

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Charges for services | \$ 170,000 | \$ 191,107 | \$ 192,797 | \$ 1,690 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Security of persons and property | | | | |
| Division of emergency services | 241,243 | 244,588 | 213,189 | 31,399 |
| Other | 3,345 | 3,345 | 3,345 | - |
| Total expenditures | 244,588 | 247,933 | 216,534 | 31,399 |
| Excess of revenues over (under) expenditures | (74,588) | (56,826) | (23,737) | 33,089 |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers - in | 12,000 | 12,000 | 12,000 | - |
| Net change in fund balance | (62,588) | (44,826) | (11,737) | 33,089 |
| Fund balance at beginning of year | 66,530 | 66,530 | 66,530 | - |
| Prior year encumbrances appropriated | 7,034 | 7,034 | 7,034 | - |
| Fund balance at end of year | \$ 10,976 | \$ 28,738 | \$ 61,827 | \$ 33,089 |

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|------------------|---|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Fines and forfeitures | \$ 2,000 | \$ 809 | \$ 809 | \$ - |
| Other | - | 25 | 25 | - |
| Total revenue | <u>2,000</u> | <u>834</u> | <u>834</u> | <u>-</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Security of persons and property | | | | |
| Division of police | <u>5,000</u> | <u>5,000</u> | <u>-</u> | <u>5,000</u> |
| Net change in fund balance | (3,000) | (4,166) | 834 | 5,000 |
| Fund balance at beginning of year | <u>12,606</u> | <u>12,606</u> | <u>12,606</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 9,606</u> | <u>\$ 8,440</u> | <u>\$ 13,440</u> | <u>\$ 5,000</u> |

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|------------------|---|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Fines and forfeitures | \$ 2,788 | \$ 2,788 | \$ 2,788 | \$ - |
| Other | 11,212 | 77 | 9,077 | 9,000 |
| Total revenue | <u>14,000</u> | <u>2,865</u> | <u>11,865</u> | <u>9,000</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Security of persons and property | | | | |
| Division of police | <u>11,200</u> | <u>11,200</u> | <u>10,097</u> | <u>1,103</u> |
| Net change in fund balance | 2,800 | (8,335) | 1,768 | 10,103 |
| Fund balance at beginning of year | <u>10,811</u> | <u>10,811</u> | <u>10,811</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 13,611</u> | <u>\$ 2,476</u> | <u>\$ 12,579</u> | <u>\$ 10,103</u> |

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Contributions and donations | \$ 17,950 | \$ 53,344 | \$ 53,344 | \$ - |
| Other | - | 9,258 | 9,258 | - |
| Total revenue | 17,950 | 62,602 | 62,602 | - |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Leisure time activities | | | | |
| Special events | 28,500 | 54,902 | 54,902 | - |
| Excess of revenues over (under) expenditures | (10,550) | 7,700 | 7,700 | - |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers - in | 10,000 | 10,000 | 10,000 | - |
| Net change in fund balance | (550) | 17,700 | 17,700 | - |
| Fund balance at beginning of year | 608 | 608 | 608 | - |
| Fund balance at end of year | \$ 58 | \$ 18,308 | \$ 18,308 | \$ - |

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--------------------------------------|------------------|----------|----------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 4,844 | \$ 4,844 | \$ 4,844 | \$ - |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Security of persons and property | | | | |
| Division of fire | 249 | 249 | 249 | - |
| Transportation | | | | |
| Division of street maintenance | 830 | 830 | 830 | - |
| Community environment | | | | |
| Division of planning and development | 670 | 670 | 670 | - |
| Basic utility services | | | | |
| Division of wastewater treatment | 3,095 | 3,095 | 3,095 | - |
| Total expenditures | 4,844 | 4,844 | 4,844 | - |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance at end of year | \$ - | \$ - | \$ - | \$ - |

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Total revenue | \$ - | \$ - | \$ - | \$ - |
| <u>Expenditures:</u> | | | | |
| Debt service: | | | | |
| Principal retirement | 165,772 | 140,000 | 140,000 | - |
| Interest and fiscal charges | 10,115 | 35,887 | 35,887 | - |
| Total expenditures | 175,887 | 175,887 | 175,887 | - |
| Excess of revenues over (under) expenditures | (175,887) | (175,887) | (175,887) | - |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers - in | 175,887 | 175,887 | 175,887 | - |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | 3,702 | 3,702 | 3,702 | - |
| Fund balance at end of year | \$ 3,702 | \$ 3,702 | \$ 3,702 | \$ - |

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Total revenue | \$ - | \$ - | \$ - | \$ - |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| General government | | | | |
| Division of lands and buildings | 46,000 | 46,000 | 46,000 | - |
| Community environment | | | | |
| Division of planning and development | 96,919 | 96,919 | 70,000 | 26,919 |
| Total expenditures | 142,919 | 142,919 | 116,000 | 26,919 |
| Net change in fund balance | (142,919) | (142,919) | (116,000) | 26,919 |
| Fund balance at beginning of year | 78,219 | 78,219 | 78,219 | - |
| Prior year encumbrances appropriated | 101,000 | 101,000 | 101,000 | - |
| Fund balance at end of year | \$ 36,300 | \$ 36,300 | \$ 63,219 | \$ 26,919 |

Individual Fund Schedules of Revenues, Expenses and
Changes in Fund Equity – Budget (Non-GAAP Basis) and Actual

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

| | Budgeted Amounts | | | Variance with Final budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Municipal income tax | \$ 733,624 | \$ 733,624 | \$ 737,719 | \$ 4,095 |
| Charges for services | 580,995 | 596,192 | 598,761 | 2,569 |
| Other | 170,485 | 23,362 | 23,362 | - |
| Total revenue | 1,485,104 | 1,353,178 | 1,359,842 | 6,664 |
| <u>Expenses:</u> | | | | |
| General government | | | | |
| Miscellaneous | 93,950 | 93,950 | 92,497 | 1,453 |
| Basic utility services | | | | |
| Division of water treatment | 528,760 | 528,760 | 506,154 | 22,606 |
| Division of water laboratory | 185 | 185 | 137 | 48 |
| Division of water distribution | 565,616 | 719,054 | 380,348 | 338,706 |
| Office of superintendent | 473 | 473 | 226 | 247 |
| Division of utility billing | 53,754 | 53,754 | 51,232 | 2,522 |
| Total basic utility services | 1,148,788 | 1,302,226 | 938,097 | 364,129 |
| Other | | | | |
| Miscellaneous | 24,711 | 24,711 | 24,711 | - |
| Debt service: | | | | |
| Principal retirement | 138,228 | 138,228 | 138,228 | - |
| Interest and fiscal charges | 125,818 | 125,818 | 86,922 | 38,896 |
| Total expenses | 1,531,495 | 1,684,933 | 1,280,455 | 404,478 |
| Excess of revenues over (under) expenses | (46,391) | (331,755) | 79,387 | 411,142 |

(continued)

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

| | Budgeted Amounts | | Actual | Variance with Final budget Positive (Negative) |
|--|-------------------|--------------------|-------------------|---|
| | Original | Final | | |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers - in | 383,000 | 383,000 | 383,000 | - |
| Transfers - out | <u>(700,000)</u> | <u>(700,000)</u> | <u>(700,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(317,000)</u> | <u>(317,000)</u> | <u>(317,000)</u> | <u>-</u> |
| Net change in fund equity | (363,391) | (648,755) | (237,613) | 411,142 |
| Fund equity at beginning of year | 208,666 | 208,666 | 208,666 | - |
| Prior year encumbrances appropriated | <u>387,266</u> | <u>387,266</u> | <u>387,266</u> | <u>-</u> |
| Fund equity at end of year | <u>\$ 232,541</u> | <u>\$ (52,823)</u> | <u>\$ 358,319</u> | <u>\$ 411,142</u> |

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

| | Budgeted Amounts | | | Variance with Final budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | Actual | |
| <u>Revenues:</u> | | | | |
| Charges for services | \$ 682,206 | \$ 741,634 | \$ 744,810 | \$ 3,176 |
| Other | 9,685 | 9,685 | 9,685 | - |
| Total revenue | 691,891 | 751,319 | 754,495 | 3,176 |
| <u>Expenses:</u> | | | | |
| General government | | | | |
| Miscellaneous | 71,373 | 71,373 | 69,280 | 2,093 |
| Basic utility services | | | | |
| Office of superintendent | 172 | 172 | 165 | 7 |
| Division of sewage laboratory | 185 | 185 | 137 | 48 |
| Division of sanitary sewer pumping | 17,312 | 17,312 | 13,255 | 4,057 |
| Division of sewer maintenance | 47,645 | 47,645 | 16,777 | 30,868 |
| Utility deposits | 57,527 | 57,577 | 34,670 | 22,907 |
| Division of wastewater treatment | 842,421 | 842,421 | 573,758 | 268,663 |
| Miscellaneous | 627 | 627 | 627 | - |
| Total basic utility services | 965,889 | 965,939 | 639,389 | 326,550 |
| Debt service: | | | | |
| Principal retirement | 211,000 | 211,000 | 211,000 | - |
| Interest and fiscal charges | 124,088 | 124,088 | 124,088 | - |
| Total expenses | 1,372,350 | 1,372,400 | 1,043,757 | 328,643 |
| Excess of revenues over (under) expenses | (680,459) | (621,081) | (289,262) | 331,819 |

(continued)

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

| | Budgeted Amounts | | Actual | Variance with Final budget Positive (Negative) |
|--|------------------|-------------------|-------------------|---|
| | Original | Final | | |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers - in | 400,000 | 400,000 | 400,000 | - |
| Net change in fund equity | (280,459) | (221,081) | 110,738 | 331,819 |
| Fund equity at beginning of year | 316,661 | 316,661 | 316,661 | - |
| Prior year encumbrances appropriated | 26,920 | 26,920 | 26,920 | - |
| Fund equity at end of year | <u>\$ 63,122</u> | <u>\$ 122,500</u> | <u>\$ 454,319</u> | <u>\$ 331,819</u> |



STATISTICAL SECTION

CITY OF LOUISVILLE, OHIO

Table 1

Net Assets by Components

Last Two Years (1)

| | <u>2004</u> | <u>2005</u> |
|---|--------------------|---------------------|
| <u>Governmental Activities</u> | | |
| Invested in capital assets, net of related debt | \$ 1,315,265 | \$ 1,571,996 |
| Restricted | 530,515 | 630,692 |
| Unrestricted | 788,495 | 1,158,963 |
| Total governmental activities net assets | <u>\$2,634,275</u> | <u>\$ 3,361,651</u> |
| <u>Business-Type Activities</u> | | |
| Invested in capital assets, net of related debt | \$ 3,504,889 | \$ 3,071,538 |
| Unrestricted | 1,332,745 | 2,356,648 |
| Total business-type activities net assets | <u>\$4,837,634</u> | <u>\$ 5,428,186</u> |
| <u>Primary Government</u> | | |
| Invested in capital assets, net of related debt | \$ 4,820,154 | \$ 4,643,534 |
| Restricted | 530,515 | 630,692 |
| Unrestricted | 2,121,240 | 3,515,611 |
| Total primary government net assets | <u>\$7,471,909</u> | <u>\$ 8,789,837</u> |

Source: 2005-2004 City basic financial statements

(1) Accrual basis will be reported for the last ten years when there are enough years of information available.

CITY OF LOUISVILLE, OHIO

Table 2

Changes in Net Assets
Last Two Years (1)

| | <u>2004</u> | <u>2005</u> |
|---|-----------------------|-----------------------|
| Expenses | | |
| Governmental activities: | | |
| General government | \$ 799,136 | \$ 818,463 |
| Security of persons and property | 1,745,446 | 1,790,354 |
| Public health and welfare | 48,652 | 51,182 |
| Transportation | 427,472 | 777,963 |
| Community environment | 157,208 | 179,959 |
| Basic utility services | 147,327 | 3,323 |
| Leisure time activities | 337,237 | 384,713 |
| Other | 43,152 | 75,999 |
| Interest and fiscal charges | 52,827 | 44,398 |
| Total governmental activities expenses | <u>3,758,457</u> | <u>4,126,354</u> |
| Business-type activities: | | |
| Water | 912,997 | 974,699 |
| Sewer | 872,100 | 873,695 |
| Total business-type activities expenses | <u>1,785,097</u> | <u>1,848,394</u> |
| Total primary government expenses | <u>\$ 5,543,554</u> | <u>\$ 5,974,748</u> |
| Program revenues | | |
| Governmental activities: | | |
| Charges for services and sales: | | |
| General government | \$ 153,639 | \$ 194,949 |
| Security of persons and property | 208,530 | 269,294 |
| Community environment | 27,238 | 25,975 |
| Leisure time activities | 93,835 | 97,213 |
| Operating grants, contributions and interest | 520,083 | 673,568 |
| Capital grants and contributions | 17,650 | 189,505 |
| Total governmental activities program revenues | <u>1,020,975</u> | <u>1,450,504</u> |
| Business-type activities: | | |
| Charges for services and sales: | | |
| Water | 661,149 | 633,311 |
| Sewer | 702,058 | 776,018 |
| Operating grants, contributions and interest | 7,257 | 396,640 |
| Total business-type activities program revenues | <u>1,370,464</u> | <u>1,805,969</u> |
| Total primary government program revenues | <u>\$ 2,391,439</u> | <u>\$ 3,256,473</u> |
| Net (expense)/revenue | | |
| Governmental activities | \$ (2,737,482) | \$ (2,675,850) |
| Business-type activities | (414,633) | (42,425) |
| Total primary government net expense | <u>\$ (3,152,115)</u> | <u>\$ (2,718,275)</u> |

(Continued)

CITY OF LOUISVILLE, OHIO

Table 2

Changes in Net Assets (Continued)

Last Two Years (1)

General revenues and other changes in net assets

| | <u>2004</u> | <u>2005</u> |
|---|---------------------|---------------------|
| Governmental activities: | | |
| Taxes | | |
| Property | \$ 498,705 | \$ 392,154 |
| Income | 2,122,773 | 2,275,376 |
| Grants and entitlements not restricted to specific pr | 313,728 | 468,249 |
| Gain on sale of capital assets | 22,640 | 11,500 |
| Investment earnings | 26,557 | 61,390 |
| Other | 79,781 | 77,557 |
| Transfers | - | (83,000) |
| Total governmental activities | <u>3,064,184</u> | <u>3,203,226</u> |
| Business-type activities: | | |
| Taxes | | |
| Income | 704,467 | 749,977 |
| Contributions | 1,078,106 | - |
| Transfers | - | 83,000 |
| Total business-type activities | <u>1,782,573</u> | <u>832,977</u> |
| Total primary government | <u>\$ 4,846,757</u> | <u>\$ 4,036,203</u> |
| Change in net assets | | |
| Governmental activities | \$ 326,702 | \$ 527,376 |
| Business-type activities | 1,367,940 | 790,552 |
| Total primary government | <u>\$ 1,694,642</u> | <u>\$ 1,317,928</u> |

Source: 2005-2004 City basic financial statements

(1) Accrual basis will be reported for the last ten years when there are enough years of information available.

CITY OF LOUISVILLE, OHIO

Table 3

Fund Balances, Governmental Funds
Last Two Years (1)

| | <u>2004</u> | <u>2005</u> |
|-------------------------------------|-------------------|---------------------|
| General Fund | | |
| Reserved | \$ 105,992 | \$ 112,984 |
| Unreserved | <u>707,650</u> | <u>1,028,901</u> |
| Total general fund | <u>\$ 813,642</u> | <u>\$ 1,141,885</u> |
| | | |
| All Other Governmental Funds | | |
| Reserved | \$ 94,817 | \$ 131,692 |
| Unreserved, reported in: | | |
| Special revenue funds | 332,550 | 306,148 |
| Capital projects funds | 78,219 | 63,219 |
| Debt service funds | <u>3,702</u> | <u>3,702</u> |
| Total all other governmental funds | <u>\$ 509,288</u> | <u>\$ 504,761</u> |

Source: 2005-2004 City basic financial statements

(1) Modified accrual basis will be reported for the last ten years when there are enough years of information available.

CITY OF LOUISVILLE, OHIO
 General Governmental Revenues by Source and
 General Governmental Expenditures by Function
 All Governmental Funds
 Last Ten Years

| | <u>1996</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> |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenues: | | | | | | | | | | |
| Local taxes | \$2,226,045 | \$2,000,677 | \$2,314,349 | \$2,301,901 | \$2,610,426 | \$2,556,953 | \$2,597,995 | \$2,666,051 | \$2,613,502 | \$2,731,169 |
| Intergovernmental revenues | 1,148,210 | 823,713 | 776,649 | 1,267,043 | 868,653 | 658,334 | 771,164 | 843,237 | 823,320 | 1,228,092 |
| Charges for services | 190,052 | 284,577 | 235,133 | 257,876 | 349,856 | 348,242 | 390,075 | 412,921 | 396,839 | 455,542 |
| Fines, licenses, and permits | 82,370 | 76,482 | 80,183 | 95,176 | 103,746 | 88,396 | 116,721 | 113,212 | 109,619 | 116,994 |
| Other revenues | 66,321 | 119,196 | 176,141 | 309,833 | 138,264 | 176,077 | 107,771 | 107,901 | 90,752 | 219,442 |
| Total | \$3,712,998 | \$3,304,645 | \$3,582,455 | \$4,231,829 | \$4,070,945 | \$3,828,002 | \$3,983,726 | \$4,143,322 | \$4,034,032 | \$4,751,239 |
| Expenditures: | | | | | | | | | | |
| General government | \$768,678 | \$663,438 | \$664,781 | \$659,093 | \$662,026 | \$710,883 | \$741,922 | \$749,920 | \$771,987 | \$771,093 |
| Security of persons and property | 1,505,843 | 1,507,263 | 1,521,808 | 1,552,470 | 1,655,688 | 1,583,923 | 1,687,404 | 1,878,135 | 1,688,222 | 1,651,460 |
| Public health and welfare | 28,194 | 28,698 | 30,649 | 30,283 | 29,262 | 51,043 | 51,910 | 50,508 | 48,652 | 51,182 |
| Transportation | 386,444 | 356,965 | 303,475 | 378,728 | 374,057 | 351,005 | 395,796 | 636,157 | 379,941 | 722,731 |
| Community environment | 180,971 | 202,192 | 200,652 | 195,631 | 215,283 | 195,215 | 196,790 | 173,935 | 177,001 | 171,397 |
| Basic utility services | - | - | - | - | - | - | - | 75,273 | 148,215 | 3,095 |
| Leisure time activities | 222,604 | 207,763 | 201,736 | 233,209 | 339,780 | 380,496 | 351,965 | 383,104 | 286,762 | 333,920 |
| Other | 19,064 | 23,564 | 115,864 | 78,030 | 32,071 | 39,135 | 52,398 | 45,584 | 43,152 | 75,999 |
| Capital outlay | 608,022 | 157,228 | 225,108 | 932,496 | 249,314 | 222,354 | 151,068 | 133,937 | 377,320 | 352,105 |
| Debt service | 263,068 | 560,787 | 566,864 | 883,592 | 775,012 | 802,268 | 207,389 | 267,888 | 250,631 | 275,457 |
| Total | \$3,982,888 | \$3,707,898 | \$3,830,937 | \$4,943,532 | \$4,332,493 | \$4,336,322 | \$3,836,642 | \$4,394,441 | \$4,171,883 | \$4,408,439 |

Note: Financial information provided excludes other financing sources and uses.

CITY OF LOUISVILLE, OHIO
 Direct and Overlapping Property Tax Rates and
 Assessed and Estimated Valuation of Property
 Last Ten Years

| | <u>1996</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>Property tax rates - All direct and overlapping governments (per \$1,000 of assessed tax valuation)</u> | | | | | | | | | | |
| Joint Vocational | \$ 2.00 | 3.50 | 3.50 | 3.30 | 3.30 | 3.20 | 2.00 | 2.00 | 2.00 | 2.00 |
| Stark County | 10.30 | 9.80 | 10.10 | 10.10 | 10.10 | 10.10 | 9.60 | 12.00 | 12.00 | 12.00 |
| Louisville Schools | 49.00 | 49.00 | 49.00 | 49.00 | 49.00 | 49.00 | 55.90 | 55.90 | 55.90 | 55.50 |
| City of Louisville | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 |
| Total | \$ 64.10 | 65.10 | 65.40 | 65.20 | 65.20 | 65.10 | 70.30 | 72.70 | 72.70 | 72.30 |
| <u>Assessed valuation</u> | | | | | | | | | | |
| Real property | \$ 75,457,790 | 78,011,150 | 89,793,620 | 92,523,760 | 95,358,280 | 109,646,050 | 113,920,700 | 116,572,560 | 129,106,510 | 132,639,260 |
| Public utility | 4,481,580 | 4,345,260 | 4,359,640 | 4,415,780 | 4,052,660 | 4,103,090 | 3,374,300 | 3,485,590 | 3,572,100 | 3,689,360 |
| Personal property | 21,421,120 | 24,855,325 | 22,544,697 | 23,654,903 | 22,308,127 | 24,496,624 | 21,806,152 | 18,189,506 | 16,521,012 | 11,334,888 |
| Total | \$ 101,360,490 | 107,211,735 | 116,697,957 | 120,594,443 | 121,719,067 | 138,245,764 | 139,101,152 | 138,247,656 | 149,199,622 | 147,663,508 |
| <u>Estimated valuation</u> | | | | | | | | | | |
| Total | \$ 286,382,851 | 314,082,680 | 333,422,734 | 344,555,551 | 347,768,763 | 394,987,897 | 397,431,863 | 394,993,303 | 426,284,634 | 421,895,737 |

Source: Stark County Auditor's Office

Note: There are no debt service levies in the City millage.

Stark County property tax rate includes .50 millage from the Stark County Park District.

CITY OF LOUISVILLE, OHIO
 Property Tax Levies and Collections
 Last Ten Years and
 Largest Property Taxpayers by Assessment
 Current Year and Nine Years Ago

| | <u>1996</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> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net tax levy | \$ 257,556 | 273,493 | 296,062 | 337,665 | 340,814 | 387,089 | 387,265 | 387,094 | 427,776 | 413,458 |
| Taxes collected | \$ 254,520 | 269,138 | 290,543 | 331,196 | 336,909 | 381,050 | 379,486 | 378,806 | 375,616 | 404,521 |
| Percentage collected | 98.82% | 98.41 | 98.14 | 98.08 | 98.85 | 98.44 | 97.99 | 97.86 | 87.81 | 97.84 |

Largest Property Taxpayers by Assessment (1)

| Name of Taxpayer | 2005 | | 1996 | | Percentage of Total Assessed | Rank | Taxable Assessed Value | Rank | Percentage of Total Assessed |
|-------------------------------------|------------------------|------|------------------------------|----------------------|------------------------------|-------------|------------------------|-------|------------------------------|
| | Taxable Assessed Value | Rank | Percentage of Total Assessed | Rank | | | | | |
| Jewel Acquisition LLC | \$ 5,242,620 | 1 | 3.55 % | - | - | - | - | - | - |
| HP Products Inc. | 3,782,460 | 2 | 2.56 | 2,861,482 | 2 | 2.82 | 2 | 2.82 | 2.82 |
| Ohio Power | 2,383,670 | 3 | 1.61 | 2,015,420 | 3 | 1.99 | 3 | 1.99 | 1.99 |
| Louisville Ventures Ltd. | 1,205,710 | 4 | 0.82 | 1,021,080 | 5 | 1.01 | 5 | 1.01 | 1.01 |
| Mckinley Development Company Ltd. | 1,026,740 | 5 | 0.70 | - | - | - | - | - | - |
| Ohio Bell Telephone | 745,800 | 6 | 0.51 | 1,609,260 | 4 | 1.59 | 4 | 1.59 | 1.59 |
| Roy T Rhodes | 744,560 | 7 | 0.50 | 446,490 | 9 | 0.44 | 9 | 0.44 | 0.44 |
| Parksite, Inc. | 704,530 | 8 | 0.48 | - | - | - | - | - | - |
| Transportation Center of Louisville | 661,250 | 9 | 0.45 | - | - | - | - | - | - |
| Frederick K & Judith R Peters | 610,000 | 10 | 0.41 | - | - | - | - | - | - |
| J&L Specialty Steel Inc. | - | - | - | 15,585,340 | 1 | 15.38 | 1 | 15.38 | 15.38 |
| Samuel Ron | - | - | - | 579,080 | 7 | 0.57 | 7 | 0.57 | 0.57 |
| East Ohio Gas Company | - | - | - | 522,140 | 8 | 0.52 | 8 | 0.52 | 0.52 |
| MagneTek | - | - | - | 966,560 | 6 | 0.95 | 6 | 0.95 | 0.95 |
| Samuel and Bilha Ron | - | - | - | 427,780 | 10 | 0.42 | 10 | 0.42 | 0.42 |
| | <u>\$ 17,107,340</u> | | <u>11.59</u> | <u>\$ 26,034,632</u> | | <u>7.85</u> | | | |
| Total Assessed Valuation | \$ 147,663,508 | | | \$ 101,360,490 | | | | | |

Source: Stark County Auditor
 Notes: Collections presented on a cash basis, same millage for each year.
 (1) Includes Real Estate, Tangible Personal Property and Public Utility Assessed Valuations.

CITY OF LOUISVILLE, OHIO
Ratios of Outstanding Debt by Type
Last Ten Years

Table 7

| Fiscal Year | Governmental Activities (1) | | | Business-Type Activities (1) | | | | | | Total Primary Government |
|-------------|-----------------------------|--------------------------|----------------|------------------------------|-------------------------|--------------------------|------------|------------|----------------|--------------------------|
| | Bond Anticipation Notes | General Obligation Bonds | Capital Leases | Revenue Bonds | Bond Anticipation Notes | General Obligation Bonds | OPWC Loans | OWDA Loans | Capital Leases | |
| 1996 | \$ - | \$ 965,000 | \$395,896 | \$1,575,000 | \$ - | \$3,712,436 | \$488,262 | \$ - | \$ - | \$7,136,594 |
| 1997 | 405,000 | 890,000 | 2,955 | 1,515,000 | - | 3,597,288 | 476,055 | - | - | 6,886,298 |
| 1998 | 702,000 | 815,000 | - | 1,450,000 | 398,000 | 3,475,587 | 451,642 | - | - | 7,292,229 |
| 1999 | 565,000 | 735,000 | 151,048 | 1,385,000 | 635,000 | 3,337,276 | 427,229 | - | 34,887 | 7,270,440 |
| 2000 | - | 650,000 | 109,967 | 1,315,000 | 586,750 | 3,192,179 | 402,816 | - | 25,399 | 6,282,111 |
| 2001 | - | 1,008,000 | 86,493 | 1,245,000 | - | 4,832,240 | 378,403 | 363,527 | 19,977 | 7,933,640 |
| 2002 | - | 889,000 | 61,904 | 1,170,000 | - | 4,592,400 | 819,632 | - | 14,298 | 7,547,234 |
| 2003 | - | 765,000 | 132,099 | 1,090,000 | - | 4,335,603 | 771,340 | - | - | 7,094,042 |
| 2004 | - | 635,000 | 193,285 | - | - | 4,067,738 | 723,048 | - | - | 5,619,071 |
| 2005 | - | 495,000 | 155,417 | - | - | 3,792,687 | 674,756 | 55,457 | - | 5,173,317 |

(1) Details regarding the City's outstanding debt can be found in Note 9 in the basic financial statements.

CITY OF LOUISVILLE, OHIO

Table 8

Direct and Overlapping Governmental Activities Debt
December 31, 2005

Overlapping Debt Allocations:

| | <u>Assessed valuations</u> | <u>Net debt outstanding</u> | <u>Percentage applicable to City</u> | <u>Amount applicable to City</u> |
|-----------------------------------|----------------------------|---------------------------------|--|--|
| Direct: | | | | |
| City of Louisville | \$ 147,663,508 | <u>\$ 5,125,213</u> | 100.00% | <u>\$ 5,125,213</u> |
| Overlapping: | | | | |
| Louisville Schools | 328,873,522 | 24,370,000 | 44.9% | 11,527,010 |
| Stark County, Ohio | 7,141,153,510 | <u>6,540,000</u> | 2.1% | <u>143,880</u> |
| Total overlapping: | | <u>30,910,000</u> | | <u>11,670,890</u> |
| Total direct and overlapping debt | | <u>\$ 36,035,213</u> | | <u>\$ 16,796,103</u> |

Sources: Stark County Auditor's Office and Louisville City Schools

CITY OF LOUISVILLE, OHIO
Legal Debt Margin Information
Last Ten Years

Table 9

| Legal Debt Margin Calculation for Year Ending December 31, 2005 | Unvoted | Overall | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|----------------|----------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total assessed valuation | \$ 147,663,508 | 147,663,508 | | | | | | | | | | |
| Debt limitation - 5.5% of assessed valuation | 8,121,493 | | | | | | | | | | | |
| Debt limitation - 10.5% of assessed valuation | | 15,504,668 | | | | | | | | | | |
| Debt applicable to limitation: | | | | | | | | | | | | |
| Total bonded debt and loans | \$ 5,125,213 | 5,125,213 | | | | | | | | | | |
| Exempt debt: | | | | | | | | | | | | |
| OWDA loans | 55,457 | 55,457 | | | | | | | | | | |
| OPWC loans | 674,756 | 674,756 | | | | | | | | | | |
| Debt payable from income tax | 4,395,000 | 4,395,000 | | | | | | | | | | |
| Total debt applicable to limitation | - | - | | | | | | | | | | |
| Legal debt margin | \$ 8,121,493 | 15,504,668 | | | | | | | | | | |
| Debt limit | \$10,642,851 | 12,253,285 | 10,642,851 | 11,257,232 | 12,253,285 | 12,662,417 | 14,284,341 | 14,515,805 | 14,605,621 | 14,516,004 | 15,665,960 | 15,504,668 |
| Total net debt applicable to limit | - | 702,000 | - | 405,000 | 702,000 | 565,000 | 593,250 | - | - | - | - | - |
| Legal debt margin | \$10,642,851 | 11,551,285 | \$10,642,851 | 10,852,232 | 11,551,285 | 12,097,417 | 13,691,091 | 14,515,805 | 14,605,621 | 14,516,004 | 15,665,960 | 15,504,668 |
| Total net debt applicable to limit as a percentage of debt limit | 0.00% | 5.73% | 0.00% | 3.60% | 5.73% | 4.46% | 4.15% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

CITY OF LOUISVILLE, OHIO
 Ratio of Outstanding General Obligation Debt to Assessed Value and per Capita
 and Ratio of Annual Debt Service Expenditures for General Bonded Debt
 to Total General Governmental Expenditures and
 Revenue Bond Coverage
 Last Ten Years

| | <u>1996</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>General Obligation Debt</u> | | | | | | | | | | |
| Assessed value | \$ 101,360,490 | 107,211,735 | 116,697,957 | 120,594,443 | 121,719,067 | 138,245,764 | 139,101,152 | 138,247,656 | 149,199,622 | 147,663,508 |
| Population | 8,596 | 8,652 | 8,728 | 8,818 | 8,904 | 8,904 | 8,904 | 8,904 | 8,904 | 8,904 |
| Debt outstanding | \$ 5,080,000 | 5,255,000 | 5,715,000 | 5,560,000 | 5,275,000 | 6,060,000 | 5,670,000 | 5,260,000 | 4,835,000 | 4,395,000 |
| Ratio of debt to assessed value | 5.28% | 5.01 | 4.90 | 4.61 | 4.33 | 4.38 | 4.08 | 3.80 | 3.24 | 2.98 |
| Debt per capita | \$ 590.97 | 607.37 | 654.79 | 630.53 | 592.43 | 680.59 | 636.79 | 590.75 | 543.01 | 493.60 |
| <u>General Bonded Debt</u> | | | | | | | | | | |
| Debt service | \$ 139,103 | 139,938 | 135,363 | 135,675 | 135,555 | 199,691 | 178,691 | 176,275 | 174,336 | 175,887 |
| General governmental expenditures | \$ 3,982,888 | 3,707,898 | 3,830,937 | 4,943,532 | 4,332,493 | 4,336,322 | 3,836,642 | 4,394,441 | 4,171,883 | 4,408,439 |
| Ratio of debt service to general governmental expenditures | 3.49% | 3.77 | 3.53 | 2.74 | 3.13 | 4.61 | 4.66 | 4.01 | 4.18 | 3.99 |
| <u>Water Revenue Bond</u> | | | | | | | | | | |
| Revenues ¹ | \$ 940,252 | 730,767 | 1,004,656 | 1,069,591 | 865,221 | 1,430,722 | 1,191,649 | 1,151,014 | 1,023,823 | 978,385 |
| Operating expenses ² | \$ 585,479 | 632,378 | 555,612 | 677,359 | 647,493 | 411,892 | 1,011,375 | 640,579 | 545,641 | 680,183 |
| Net revenue available for debt service | \$ 354,773 | 98,389 | 449,044 | 392,232 | 217,728 | 1,018,830 | 180,274 | 510,435 | 478,182 | 298,202 |
| Debt service requirements | \$ 147,118 | 144,718 | 147,198 | 144,338 | 146,413 | 143,158 | 144,798 | 146,123 | 147,123 | - |
| Coverage | \$ 2.41 | 0.68 | 3.05 | 2.72 | 1.49 | 7.12 | 1.25 | 3.49 | 3.25 | - |

Notes: ¹ Total revenue including local taxes and interest. ² Total operating expenses exclusive of depreciation.

CITY OF LOUISVILLE, OHIO
 Residential and Commercial Building Permits,
 Bank Deposits - Stark County, Ohio - and Unemployment Rates
 Last Ten Years

| | <u>1996</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>Building permits</u> | | | | | | | | | | |
| <i>Residential:</i> | | | | | | | | | | |
| Number issued | 40 | 32 | 34 | 34 | 51 | 42 | 53 | 51 | 64 | 61 |
| Value | \$4,106,444 | 4,107,800 | 5,013,650 | 4,606,083 | 8,122,510 | 7,368,020 | 7,483,695 | 8,041,164 | 9,612,196 | 9,055,405 |
| <i>Commercial:</i> | | | | | | | | | | |
| Number issued | 3 | 7 | 4 | 8 | 3 | 3 | 1 | 1 | 1 | N/A |
| Value | \$ 730,000 | 2,565,000 | 1,040,000 | 4,084,500 | 9,765,000 | 477,000 | 13,231,000 | 300,000 | 720,000 | N/A |
| <u>Bank deposits (\$000's omitted)</u> | | | | | | | | | | |
| Stark County | \$ 1,570,223 | 1,623,273 | 843,638 | 916,844 | 1,021,596 | 1,029,891 | 2,153,245 | 2,197,639 | 2,081,380 | 2,041,744 |
| <u>Unemployment rates</u> | | | | | | | | | | |
| Stark County | 5.4% | 4.8 | 4.1 | 4.3 | 4.1 | 4.1 | 5.5 | 6.0 | 6.5 | 5.9 |
| State of Ohio | 4.9% | 4.6 | 3.9 | 4.3 | 4.1 | 4.8 | 5.7 | 6.0 | 5.2 | 5.9 |
| United States | 5.4% | 4.4 | 4.3 | 4.2 | 4.0 | 5.8 | 5.8 | 5.7 | 5.7 | 4.9 |

Sources: City of Louisville, Building Department
 Federal Reserve Bank of Cleveland, Ohio
 Ohio Department of Job and Family Services, Division of Research and Statistics

CITY OF LOUISVILLE, OHIO

Table 12

**Largest Employers Within City Corporate Limits and
Income Tax Collections Last Ten Years**

| <u>Employer</u> | <u>Industry</u> | <u>Number of Employees</u> |
|-------------------------|-------------------------|--------------------------------|
| H-P Products | Specialty tubing | 406 |
| Louisville City Schools | Public education | 387 |
| St. Joseph's Hospice | Hospice facility | 235 |
| Tamarkin, Inc. | Grocery | 128 |
| Jewel Acquisition LLC | Steel | 128 |
| St. Thomas Aquinas | Private High School | 119 |
| City of Louisville | Municipal Government | 88 |
| Midlake Products | Fasteners manufacturing | 79 |
| Trilogy Plastics | Plastics Manufacturing | 76 |
| Montrose Chrysler | Car Dealership | 64 |

| <u>Year</u> | <u>Collections</u> |
|-------------|--------------------|
| 1996 | \$ 2,595,461 |
| 1997 | 2,410,044 |
| 1998 | 2,548,673 |
| 1999 | 2,671,288 |
| 2000 | 2,929,773 |
| 2001 | 2,796,610 |
| 2002 | 2,757,672 |
| 2003 | 2,842,964 |
| 2004 | 2,909,059 |
| 2005 | 2,910,456 |

Source: City of Louisville, Income Tax Department

Note: Presented on a cash basis.

CITY OF LOUISVILLE, OHIO

Table 13

Miscellaneous Statistics, December 31, 2005 and
Population and School Enrollment Last Ten Years

| | | | |
|--|-----------------|--|-----------|
| Date of incorporation | 1872 | Area (square miles) | 5.40 |
| Form of government | Council-Manager | Miles of Streets | 45.7 |
| Employees | | Number of street lights | 687 |
| Classified service | 50 | Number of traffic lights | 7 |
| Exempt | 37 | Wastewater Treatment Department | |
| Fire Protection | | Number of treatment plants | 1 |
| Number of stations | 1 | Number of customers | 3,880 |
| Number of part-time personnel | 27 | Treatment plant capacity (million gallons/day) | 2 |
| Police Protection | | Average flow treated daily (gallons) | 1,400,000 |
| Number of stations | 1 | Percent of capacity | 69 |
| Number of full-time officers | 9 | Collection system (miles) | 45.00 |
| Number of part-time officers | 10 | Recreation and cultural | |
| Municipal Water Department | | Number of parks | 7 |
| Number of treatment plants | 1 | Total park acreage | 126 |
| Number of customers | 3,820 | Number of libraries | 1 |
| Treatment plant capacity (million gallons/day) | 1.5 | Number of volumes in library | 110,000 |
| Average water treated daily (gallons) | 960,330 | | |
| Percent of capacity | 56 | | |
| Distribution system (miles) | 41.00 | | |

Population and School Enrollment

| <u>Year</u> | <u>Population</u> | <u>School Enrollment</u> |
|-------------|-------------------|--------------------------|
| 1996 | 8,596 | 3,085 |
| 1997 | 8,652 | 3,076 |
| 1998 | 8,728 | 3,108 |
| 1999 | 8,818 | 3,187 |
| 2000 | 8,904 | 3,150 |
| 2001 | 8,904 | 3,186 |
| 2002 | 8,904 | 3,240 |
| 2003 | 8,904 | 3,239 |
| 2004 | 8,904 | 3,240 |
| 2005 | 8,904 | 3,239 |

Source: City of Louisville, Department of Finance
Population: 2000 - United States Census Bureau;
all other years - Ohio Data Users Center,
Enrollment: Louisville City Schools Web page



**Auditor of State
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CITY OF LOUISVILLE

STARK 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
NOVEMBER 30, 2006**