



Comprehensive Annual Financial Report



City of Montgomery, Ohio
December 31, 2006



Mary Taylor, CPA
Auditor of State

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 30, 2007

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

Issued by:
Department of Finance
Peter Hames
Director



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INTRODUCTORY SECTION



June 21, 2007

To the Citizens of the City of Montgomery, Ohio:

We are pleased to present the Comprehensive Annual Financial Report for the City of Montgomery for the fiscal year ended December 31, 2006. The report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

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

The Reporting Entity

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

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

CITY OF MONTGOMERY, OHIO

Letter of Transmittal For the Year Ended December 31, 2006

The City of Montgomery

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

City Council

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

The City Council has established various boards and commissions to help in its many efforts - from arts to sister city - to enhance the City. All of these boards and commissions are run by volunteers who live in Montgomery. The following is a brief description of their purposes and goals.

Arts Commission

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

Beautification and Tree Commission

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

Board of Tax Review

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

CITY OF MONTGOMERY, OHIO

Letter of Transmittal For the Year Ended December 31, 2006

Board of Zoning Appeals

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

Civil Service Commission

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

Environmental Advisory Commission

This Commission developed a new mission statement that focuses upon making Montgomery an environmentally-conscious community. To that end, the Commission sponsored two pilot recycling programs: one for plastic bags and one for plastic flower pots. To engage young people, the Commission sponsored a recycling sculpture contest. The Commission also held its second annual computer recycling drive that netted 12,000 pounds of PCs and peripheral equipment.

Landmarks Commission

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

Parks and Recreation Commission

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

Planning Commission

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

***Letter of Transmittal
For the Year Ended December 31, 2006***

Sister Cities Commission

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

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

ECONOMIC CONDITIONS AND OUTLOOK

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

The City's economy is diverse with an ideal mix of residential, office and retail uses. Primary employers include Bethesda North Hospital, the Sycamore Community School District, the world-famous Montgomery Inn, the Ohio National Life Financial Services, and Trihealth, Inc. All of these employers are growing and reflect the economic vitality of the entire Cincinnati region, with its low unemployment and high growth rates. In addition to the economic contributions of those major employers, the City has experienced an expanding medical services sector with a variety of general and specialty medical practitioners and clinics.

The City's historic downtown also offers numerous retail and dining choices for both residents and visitors. Finally, in 2006 the development of the Gateway Center and Triangle Plaza—a key parcel in the City's Heritage District—began in earnest. The businesses and park should be open by July, replacing what was recently a vacant piece of property.

The local economy continued to maintain its strength within the region as reflected in more earnings tax collections in 2006 than in 2005. The City, however, took an economic "hit", the loss of an important top ten employer, Cincinnati Eye Institute. When considering the mixed economic conditions (e.g., rising energy costs; a rising stock market; a housing industry slump), the City has performed well. Even during this period, for example, the value of Montgomery residential and commercial property increased. These rising property values and new construction both contributed to increased property tax collections.

Homearama® is a single-site estate home showcase and the 2007 Homearama® will be held at Montgomery's Vintage Club, a 70 acre undeveloped land parcel. That is a testimony to the City's vibrancy and strength within the Greater Cincinnati region, a region which is home to several Fortune 1000 companies. Greater Cincinnati has experienced consistently low unemployment rates in recent years. The area adjacent to Montgomery contains much of the same business diversity and strength that exists within the City limits.

***Letter of Transmittal
For the Year Ended December 31, 2006***

MAJOR INITIATIVES

Administration

2006 was another year marked by several significant successes and achievements. Following is an overview of them:

A comprehensive survey of all City residences was conducted in 2005. In the survey, 80% said that the municipal services provided to their households are a good value for their property tax dollars. The survey was the foundation for the 2006 update of the City's 2001 strategic plan. The 2006 strategic plan has five new goals:

- Residential and business development needs of the community;
- The Montgomery Road corridor;
- The delivery of efficient, cost effective, high quality and creative services and projects;
- Protection and sustainability of the City's financial resources; and
- A comprehensive marketing and communication program to enhance the City's competitive edge and emphasize the unique characteristics of the community.

In addition, there are 27 strategies that reinforce the City's strengths in residential and business development, the Montgomery Road corridor, the Heritage District, City services and finances, and the trust and cooperation between the community and the City.

On a related note, the City began a comprehensive review of the park system in an effort to identify new park trends and possible future park enhancements. The goal for the completion of this study was identified as October of 2007, when all aspects of the plan will be reviewed by staff, the parks and recreation commission and City council.

Important progress on the Montgomery Gateway Center and Triangle Plaza Park was made in 2006. In addition, The Vintage Club, a mixed use office, retail, and residential village-and site of the 2007 Homearama® showcase - will also open in 2007. More detail about these exciting projects is presented below.

The City hosted several special events, including annual events such as Sensory Sundays; Fourth of July festival, parade and concert; Bastille Day celebration; Harvest Moon; Chilifest; and Holiday in the Village. In addition to these time-tested favorites, the City developed a new attraction, Montgomery Classic Car Show, which took place in August and was greatly enjoyed by all in attendance. Also new in 2006 was the first in a new series of Art in the Park events, sponsored by the arts commission, an effort to showcase local artists. The Blue Ash Montgomery Symphony Orchestra's Valentine Day concert was introduced as a replacement to the Halloween concert and turned out 250 music enthusiasts for this musical lineup of Broadway hits and love-themed songs.

CITY OF MONTGOMERY, OHIO

Letter of Transmittal For the Year Ended December 31, 2006

Members of the City's ten boards and commissions continue to be the backbone of Montgomery's volunteer program. Sharing their valuable time and diversified talents to serve in a leadership capacity, these volunteer groups (see above) include 62 community members who have made the commitment to serve a three or four year term.

In addition, approximately 600 episodic, community volunteers contributed 3,250 hours of service to the City in 2006. This total is exclusive of the extensive time shared by citizens serving on the ten boards and commissions. Using a value of \$17.55 per hour, Montgomery's volunteers provided an estimated \$57,000 in services to enhance the quality of life in our City.

Internally, the City continued to emphasize enhanced customer service in a number of organizational efforts. A department of Customer Service was created and there were also changes in the structures of the Public Works and Community Development departments, resulting in the elimination of the code enforcement officer and project manager positions and the creation of three new positions: City planner, assistant public works director and construction and compliance inspector. This change necessitated the hiring of two new employees and the reclassification of a current employee. These changes were implemented with the goal of maximizing staff efficiency and strengthening the delivery of services from these departments.

City Administration strengthened human resource services by hiring an Assistant City Manager, who provides services to the entire organization, including the recruitment and hiring processes, wage adjustments, employee evaluations and goal setting. The Administration also worked with the City's new IAFF labor union, the Fire Department, to create the first agreement between the City and that Union.

The City and its staff were the recipients of a number of awards in 2006 including the Tree City Growth Award, which marks the 11th consecutive year that the City has received this distinction. Susan Hamm and Matthew Vanderhorst received Public Administrators of the year awards from the Cincinnati Chapter of the American Society for Public Administration. Police officers Paul Payne and Tom Wagner were recognized by the Hamilton County Police Association for their Internet safety program, "Caught in the Web?" Don't Let it Happen to You" aimed at school-age youth.

The City also received its 11th consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its 2005 (CAFR). Susan Hamm and Matthew Vanderhorst received Public Administrators of the year awards from the Cincinnati Chapter of the American Society for Public Administration. Police officers Paul Payne and Tom Wagner were recognized by the Hamilton County Police Association for their Internet safety program, "Caught in the Web? Don't Let it Happen to You" aimed at school-age youth.

Montgomery continued to "spread the word" in 2006, making presentations at the Innovations Group (IG) conference in Dayton on *Successful Collaboration with Labor Unions to Address Health Care Costs*. It is a great honor to be selected by IG to present at its national conferences as this organization represents the "best of the best" in terms of innovative and creative local governments from around the country. Staff from the City also taught three courses at the International

***Letter of Transmittal
For the Year Ended December 31, 2006***

City/County Management Association (ICMA) conference in San Antonio, Texas in September 2006 on our high performance organization (HPO) efforts and our human resource system that has been developed to support HPO. The City also made a presentation at Wright State University on emergency management and preparedness, as well as a discussion on the impact of the new homeland security initiatives on smaller governments

Community Development Department

In 2006, a number of significant construction projects were started in the City. Montgomery Gateway Partners started work on a mixed office and retail development at the southeast corner of Cooper Road and Montgomery Road, the Gateway Center. This complex will feature restaurants and retail on the first floor of the main building and offices on the second floor. A second, smaller building is occupied by Peoples Bank. By year's end the underground parking garage was built and both buildings were under roof.

The largest undeveloped tract in the City, 70 acres, is now under development. At the end of 2005, the City was approached by Great Traditions Land Company concerning the development of a mixed use office, retail, and residential village—the Vintage Club—on the site. In early 2006, the Planning Commission spent a number of meetings reviewing the plans for this planned unit development and considering how to make this project a unique asset for the community. Work began at the end of the summer on Phase I, which consists of 40 estate homes and 22 courtyard homes. When completed, the project will include an additional 26 courtyard homes, 20 single family club homes on smaller lots, and a 14 acre mixed condominium/office/retail section abutting Montgomery Road. The City was pleased that the Home Builders Association of Greater Cincinnati chose the first section of the estate homes for the 2007 Homearama showcase. Work on the Vintage Club complex will continue through 2008.

In 2006 the City adopted legislation creating a new zoning district—the Old Montgomery Gateway district—that extends from the downtown Heritage District to Cross County highway. The OMG district blends elements of the Heritage District design guidelines with the use provisions of a mixed use business district. It is anticipated the OMG guidelines will help promote quality redevelopment on the former Chevrolet site and other properties that may redevelop in the future.

In the Fall, the City adopted an interim development control (IDC) district for the east side of Montgomery Road, between Camargo Cadillac and the City safety center. While some of this land has commercial development, the northern section remains wooded. Through 2007, the City will be working with consultants and property owners to develop a plan for future growth.

Other significant 2006 projects include the substantial renovation of the Sycamore School football stadium, the upgrading of the ball fields at Good Shepherd Church, and several downtown residential projects. Property at the northeast corner of Remington and Main Street is being redeveloped for townhouse condominiums (Montgomery Row), consistent with the Heritage District design guidelines, and a proposal was approved to demolish the existing apartments on Main Street north of Montgomery Row and build 14 deluxe condominiums.

***Letter of Transmittal
For the Year Ended December 31, 2006***

There were 16 teardowns of single family residences in 2006, a drop from 24 in 2005. This reflected a general slowdown in the housing market. In total there were 21 new single family residential building permits issued, which included the upcoming Homearama homes. The total estimated value of these permits is \$15,761,000. An additional \$3,553,000 was reported to be invested in 48 residential remodeling jobs. Both the number and investment value increased from 2005. Commercial investment remained steady, a total of 12 new construction or expansion projects were approved. Additionally, the City processed 121 other zoning and building permits, a decrease from the 156 approved in 2005. Inspectors for the City processed 150 violations of the zoning and property maintenance code, which is less than half the violations in 2005. Most of these violations were for grass and weeds.

Customer Service

The customer service department was created in October 2006 to provide better service to the residents, businesses and visitors to Montgomery. Some of the primary goals of the department are:

- Offer greater accessibility to City services by expanding the e-government offerings on the City website and expanding City hall hours by opening a half-hour earlier and remaining open a half hour later.
- Create a one-stop-shop for common customer transactions such as lodge reservations, class/event registrations, pool memberships, and building and sign permits to create more efficient service and better customer accessibility.
- Co-locating key information systems and processes such as the *Montgomery Bulletin*, website and network data resources to improve the organization, timeliness, and accuracy of information transferred between departments and to the residents and business of Montgomery.

The City website, www.montgomeryohio.org, continues to be a popular source of City information and services. The website went through a major re-design during 2006 to include a more user friendly interface and added e-government services. The new website greatly enhances the City's ability to conduct online transactions with residents and businesses as evidenced by the number of e-government transactions increasing over 300% from 2005. The cost to provide e-government services was also reduced by 70% annually, making more efficient use of tax dollars.

Recognizing the needs of all visitors, the City redesigned the website using techniques to increase accessibility to people with limited dexterity, vision limitations and other disabilities moving the City to be in compliance with furthering the ADA initiatives. These techniques also make the site usable on a larger range of devices such as web-enabled cell phones and personal digital assistants (PDA).

***Letter of Transmittal
For the Year Ended December 31, 2006***

Finance Department

The Finance Department consists of two offices: Earnings Tax and Finance. To provide superior service, the Earnings Tax Office offers extended hours on select weekends and weekday evenings during the tax season. In 2006, earnings tax collections totaled \$6.4 million, a 5.4% increase over 2005. These revenues are distributed into three funds, according to the following allocation: 67% to the general fund; 27% to capital projects; and 7% to the general bond retirement fund. This distribution formula will be changed in 2007 from 63.5%, 21.5% and 15%, respectively, to reflect healthy debt reserves and the need to increase investments in the City's capital assets.

The 2005 CAFR was the second successful year of reporting on the Government Accounting Standards Board's (GASB's) Statement 34, which is a mandated requirement for all local governments. GASB 34 requires municipalities to incorporate the value of all City infrastructure assets (e.g., streets, sidewalks and storm-water sewers) into the annual financial report. Moody's Investor Services continues to recognize the City's credit worthiness by assigning an Aa1 credit rating to our debt. Montgomery is one of eight communities in the State of Ohio to be rated in this investment quality category.

The Finance Department continues to seek improvements to its services, including its presence on the City's website (www.montgomeryohio.gov). In 2006, a few of the enhancements included frequently asked tax questions (FAQs), Montgomery's street listing, links to State and Federal websites and easily downloadable tax forms.

In 2006, the Finance Department continued its participation in the City's performance measurement process. This effort involves tracking and collecting of performance measurement data, which will ultimately be used by the department and the City to benchmark its performance against Finance Departments in other municipalities. The department also added a new web-based budget system and redesigned the tax forms, making them easier to complete.

Fire Department

The department handled 482 fire incidents and 860 emergency medical service incidents for a total of 1,342 incidents in 2006. Emergency medical service (EMS) incidents continue to be a department priority and are responsible for 64% of the total incident volume. Fire loss in 2006 was \$139,500. The department attributes the low number of fire incidents to the fire prevention efforts and the inspections conducted by department staff. Fire inspections are performed on a regular, systematic basis by three certified fire safety inspectors. The program requires all occupancies, except residential properties, to be inspected at least once per year. Total fire inspections for the year were 812.

New equipment that was purchased as part of the capital improvement program included the purchase of replacement fire hose as well as the replacement of some of the firefighter's protective coat and trousers. A major capital improvement for the department came with the delivery of a new rescue pumper and a new ambulance.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Education programs included tours of the safety center, CPR classes, and Fire Prevention Week activities. A total of 72 individual programs were offered, as the department tries to prevent injuries and accidents from occurring in the community.

The Child Car Seat Safety Program has assisted a number of citizens in learning how to properly use and place their children in a car seat. Technicians have received their certifications through Children's Hospital. Since the beginning of this program, in 1999, the department has instructed over 1,471 individuals in the proper installation of child car seats; 143 installations occurred during 2006.

EMS billing of nonproperty owners transported to the hospital collected \$91,180. This is the tenth year of this revenue-generating program. Any person transported by our ambulance, who is not a property owner in Montgomery, is billed for services to assist in defraying the cost of the transport.

Police Department

The police department began an innovative program teaching Internet safety. This educational program was aimed at teaching students, parents and teachers about some of the hidden dangers of using the Internet. Popular Internet websites such as *Myspace*, *Xanga* and *Facebook* were discussed in detail. The program grew in popularity and has received multiple awards for creativity and impact on students' lives. Eventually the officers gave over 15 presentations at nine different school districts during 2006. Several schools have already requested the presentation in 2007. The quality of the program led to these officers being recognized at the 2006 Hamilton County Police Association's awards banquet.

Safety Village remains an extremely popular program within the City. The two-week long safety camp teaches youngsters safety tips and introduces them to the positive side of police officers. In 2006, for the fifth straight year, Safety Village was completely booked within the first week of registration.

The police department officially recorded 286 Part 1 crimes in 2006. Part 1 crimes are defined by the U.S. Justice Department and include the following: homicide, rape, robbery, assault, burglary, theft and auto theft. Reported theft amounted to 216 of the total reported crimes in 2006. Reported assault was at a five year high with 27. The vast majority of these assaults were juvenile fights during school hours. In addition there were 11,867 calls for service and 388 arrests (262 adult and 126 juvenile) during 2006.

Our successful partnership with the Sycamore City School district continued with the assignment of officers in the drug abuse resistance education (DARE) and school resource officer (SRO) programs. Officers worked diligently to maintain the positive working relationship between the School District and the Police Department. Funding for the DARE program was supported by a State grant from the Attorney General's Office. Costs for the SRO assignment were shared between the School District and the City.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The Montgomery Mayor's Court, which is held three times each month, hears most of the City's misdemeanor and traffic cases, including first offenses of driving under the influence of alcohol and driving under suspension. In 2006, the court heard cases involving over 2,140 offenses resulting in \$143,793 in fines, fees and court costs. After assessing the required state fees, the City's portion of the revenue was \$115,991.

Public Works

There were a number of significant public improvement projects, began in 2006, that were designed to develop new public infrastructure. Completed projects include the installation of streetscape and access driveway improvements surrounding the Montgomery Gateway Center development. Other Gateway-related projects that began in 2006, with completion scheduled for 2007, were the installation of brick-paver crosswalks and the resurfacing of roadways immediately surrounding the Gateway Center; traffic signal improvements at the northeast corner of the development; and the completion of design plans and public bidding of the Triangle Plaza, which should be completed mid-July, 2007.

The City also constructed a new public sidewalk, approximately one quarter mile in length, along Tollgate Lane. Capital maintenance projects included the resurfacing of 12 City streets. Routine maintenance, such as crack sealing and filling, and sidewalk repairs, were concentrated in one of four focus areas in the City. A total of 138 sidewalk locations were repaired.

FINANCIAL HIGHLIGHTS

Accounting Controls

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

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

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

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

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

CITY OF MONTGOMERY, OHIO

Letter of Transmittal For the Year Ended December 31, 2006

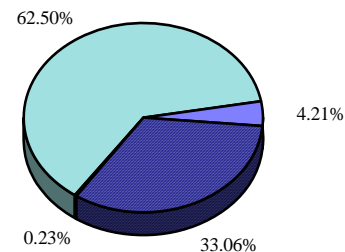
Budgetary Control

Budgetary control is maintained within the personal services, operating expenditures, contractual services, and capital outlay categories within each department through the encumbering of estimated purchase amounts prior to the release of formal purchase orders to vendors. Purchase orders which result in an overrun above appropriated balances are not released until additional appropriations are made available via amendments to the annual appropriations ordinance. Open encumbrances as of December 31, 2006 are reported as reservations of fund balances within this report.

Cash Management

Cash that was temporarily idle during the year was invested in interest-bearing demand deposit accounts or in the State Treasurer's investment pool, STAR Ohio. Funds of \$8,257,436 which were determined to be available for longer term investment were invested in U.S. Government Securities. In addition the City invests in certain special assessment bond issued by the City of Montgomery. The City's investment policy is to minimize credit and market risks, while obtaining the highest yield possible on its investments. Accordingly, all funds are either insured by federal depository insurance, held in the City's name or are collateralized. All investments meet the State of Ohio's requirements on allowable investments and the City's official investment policy.

Cash Resources	2006	%
Cash	\$1,050,892	4.21
U S Government Securities	8,257,436	33.06
Investments (City's Debt)	56,329	0.23
STAR Ohio	15,610,945	62.50
Total Resources	<u>\$24,975,602</u>	<u>100.00</u>



Risk Management

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

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

***Letter of Transmittal
For the Year Ended December 31, 2006***

OTHER INFORMATION

Independent Audit

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Montgomery for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2005. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City of Montgomery has received a Certificate of Achievement for the last eleven consecutive years (fiscal years ended December 31, 1995-2005). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

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

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

Respectfully submitted,



Peter Hames
Director of Finance

CITY OF MONTGOMERY, OHIO

***List of Principal Officials
For the Year Ended December 31, 2006***

Elected Officials

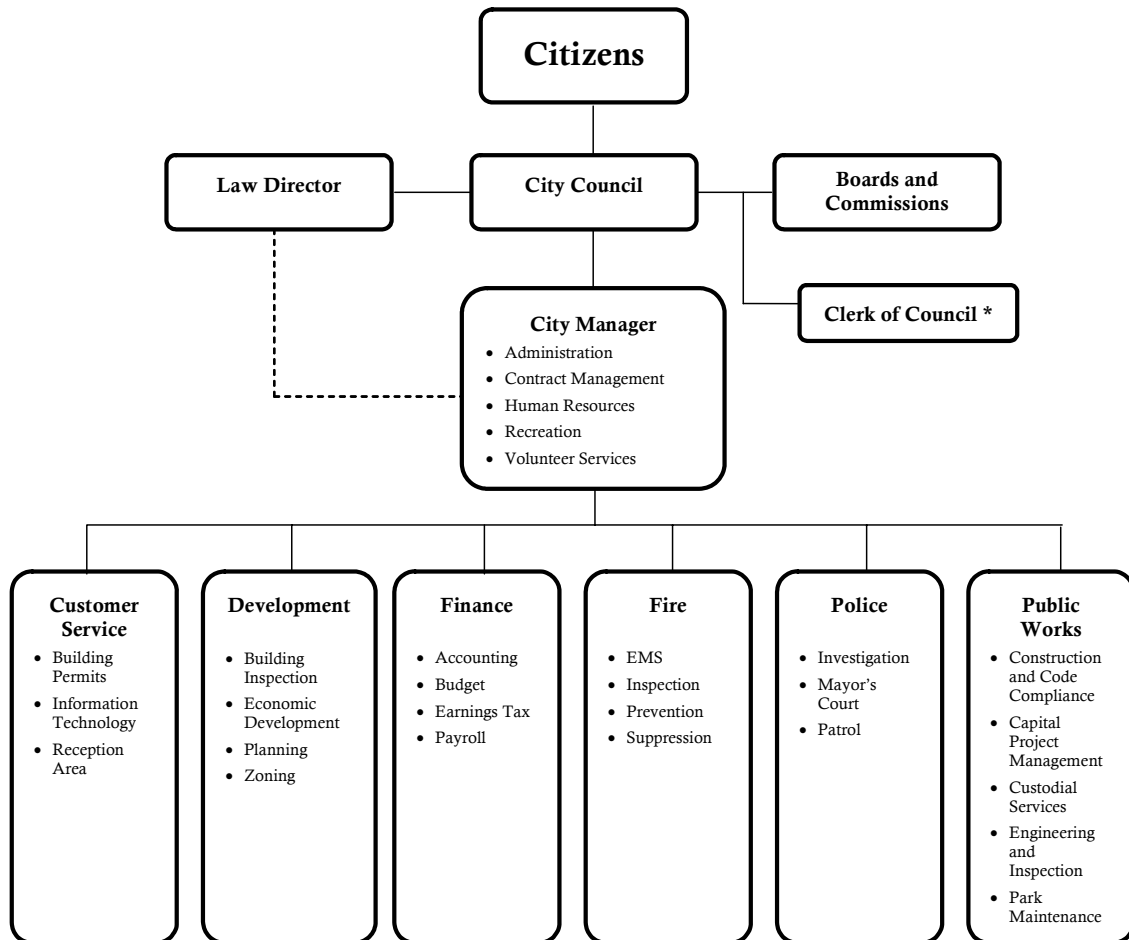
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gerri Harbison	Mayor	December 2007
Ken Suer	Vice Mayor	December 2009
Bill Niehaus	Council	December 2007
Todd Steinbrink	Council	December 2007
Mark Combs	Council	December 2009
Barry Joffe	Council	December 2009
Lynda Roesch	Council	December 2009

Appointed Officials

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

CITY OF MONTGOMERY, OHIO

**City Organizational Chart
For the Year Ended December 31, 2006**



* Clerk of Council functions are provided through the Administrative Coordinator position in the City Manager's Office with City Council confirming the appointment as Clerk of Council

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Montgomery
Ohio

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

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



A handwritten signature in black ink, appearing to read "Ronald J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

FINANCIAL SECTION



Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of City Council
City of Montgomery, Ohio

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Cincinnati, Ohio
June 21, 2007

The discussion and analysis of the City of Montgomery's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets increased \$3,410,212. Net assets of governmental activities increased \$3,429,830, which represents a 6.6% increase from 2005. Net assets of business-type activities declined \$19,618 from 2005.
- ❑ General revenues accounted for \$14,085,863 in revenue or 90.3% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,511,159 or 9.7% of all revenues.
- ❑ The City had \$11,944,898 in expenses related to governmental activities; only \$1,318,865 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,085,863 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$8,927,235 in revenues and \$6,403,202 in expenditures. The general fund's fund balance increased \$2,018,457 to \$13,021,679.
- ❑ Net assets for the enterprise fund decreased slightly. This decline resulted from operating expenses of \$241,912 exceeding revenues and transfers of \$222,294.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets at December 31, 2006 and 2005:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
Current and other assets	\$34,079,977	\$30,835,541	\$83,839	\$52,456	\$34,163,816	\$30,887,997
Capital assets, Net	35,177,023	35,214,842	1,307,747	1,358,748	36,484,770	36,573,590
Total assets	69,257,000	66,050,383	1,391,586	1,411,204	70,648,586	67,461,587
Long-term debt outstanding	9,380,645	10,365,841	0	0	9,380,645	10,365,841
Other liabilities	4,642,024	3,880,041	0	0	4,642,024	3,880,041
Total liabilities	14,022,669	14,245,882	0	0	14,022,669	14,245,882
Net assets						
Invested in capital assets, net of related debt	26,436,802	25,477,396	1,307,747	1,358,748	27,744,549	26,836,144
Restricted	15,777,842	15,362,245	0	0	15,777,842	15,362,245
Unrestricted	13,019,687	10,964,860	83,839	52,456	13,103,526	11,017,316
Total net assets	\$55,234,331	\$51,804,501	\$1,391,586	\$1,411,204	\$56,625,917	\$53,215,705

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CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for fiscal years 2006 and 2005:

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for Services and Sales	\$823,910	\$1,130,038	\$192,294	\$196,663	\$1,016,204	\$1,326,701
Operating Grants and Contributions	494,955	38,350	0	0	494,955	38,350
Capital Grants and Contributions	0	18,768	0	0	0	18,768
General Revenues:						
Property Taxes	4,591,205	4,050,884	0	0	4,591,205	4,050,884
Income Taxes	6,363,549	6,136,151	0	0	6,363,549	6,136,151
Other Local Taxes	222,865	339,367	0	0	222,865	339,367
General Shared Revenues	929,626	1,244,731	0	0	929,626	1,244,731
Investment Earnings	1,118,810	568,358	0	0	1,118,810	568,358
Miscellaneous	859,808	366,128	0	0	859,808	366,128
Total Revenues	15,404,728	13,892,775	192,294	196,663	15,597,022	14,089,438
Program Expenses						
Public Safety	4,857,414	4,813,554	0	0	4,857,414	4,813,554
Parks and Recreation	856,120	819,366	0	0	856,120	819,366
Community Economic Development	435,457	485,651	0	0	435,457	485,651
Public Works	2,798,249	2,044,679	0	0	2,798,249	2,044,679
General Government	2,669,442	2,488,043	0	0	2,669,442	2,488,043
Interest and Fiscal Charges	328,216	350,048	0	0	328,216	350,048
Municipal Pool	0	0	241,912	244,662	241,912	244,662
Total Expenses	11,944,898	11,001,341	241,912	244,662	12,186,810	11,246,003
Excess (deficiency) before Transfers	3,459,830	2,891,434	(49,618)	(47,999)	3,410,212	2,843,435
Transfers	(30,000)	(32,000)	30,000	32,000	0	0
Total Change in Net Assets	3,429,830	2,859,434	(19,618)	(15,999)	3,410,212	2,843,435
Beginning Net Assets	51,804,501	48,945,067	1,411,204	1,427,203	53,215,705	50,372,270
Ending Net Assets	<u>\$55,234,331</u>	<u>\$51,804,501</u>	<u>\$1,391,586</u>	<u>\$1,411,204</u>	<u>\$56,625,917</u>	<u>\$53,215,705</u>

Governmental Activities

Net assets of the City's governmental activities increased by \$3,429,830 due to a combination of factors. . The majority of the increase in the net assets in governmental activities can be attributed to significant increases in several revenue sources that were above projections and/or in excess of receipts collected in 2005. Three of the major revenue increases were income tax collections, general fund property tax collections and investment income which exceeded 2005 collections by 3.7%, 13.3% and 96.8%, respectively. Finally, on the expenditure side and contributing to the increase in net assets, there were expenditures related to the city's Gateway Center- Triangle Park Plaza project that were put off until 2007 and spending was 20% below the appropriation ordinance.

CITY OF MONTGOMERY, OHIO

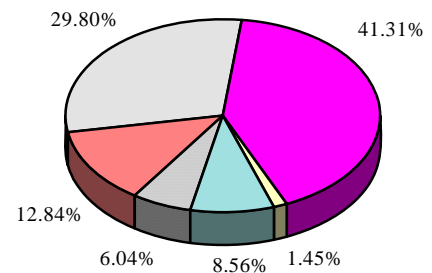
Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

The City has a 1% earnings tax for residents levied on all earned income, which includes, but is not limited to, qualified wages, the net profit of any business income, rental income and gambling winnings. Credit is given to residents employed in another city; the credit is limited to 1%. A 1% earnings tax is levied on all entities doing business within Montgomery, and employers within the City are required to withhold a 1% earning tax on all compensation paid to their employees.

Property taxes and income taxes made up 29.80% and 41.31% respectively of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph indicating 72.56% of total revenues from general tax revenues:

Revenue Sources	2006	Percent of Total
Property Taxes	\$4,591,205	29.80%
Income Taxes	6,363,549	41.31%
Other Local Taxes	222,865	1.45%
Program Revenues	1,318,865	8.56%
Intergovernmental Unrestricted	929,626	6.04%
General Other	1,978,618	12.84%
Total Revenue	\$15,404,728	100.00%



Business-Type Activities

Net assets of the business-type activities decreased by \$19,618. Again, the decrease was due to operating expenditures exceeding operating revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$24,762,075, which is an increase from last year's balance of \$22,034,714. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005:

	Fund Balance December 31, 2006	Fund Balance December 31, 2005	Increase (Decrease)
General	\$13,021,679	\$11,003,222	\$2,018,457
Fire Protection / EMS	3,007,531	2,658,312	349,219
General Obligation			
Bond Retirement	1,241,771	967,900	273,871
Reserve of Montgomery			0
Bond Retirement	61,405	55,645	5,760
Capital Improvement	2,566,568	2,732,685	(166,117)
Triangle Tax Increment	(322,160)	(13,287)	(308,873)
Other Governmental	5,185,281	4,630,237	555,044
Total	\$24,762,075	\$22,034,714	\$2,727,361

CITY OF MONTGOMERY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

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

	2006 Revenues	2005 Revenues	Increase (Decrease)
Taxes	\$6,288,172	\$5,942,882	\$345,290
Intergovernmental Revenues	754,548	518,660	235,888
Charges for Services	220,579	199,745	20,834
Licenses, Permits, and Fees	267,425	330,066	(62,641)
Investment Earnings	767,317	393,736	373,581
Fines and Forfeitures	102,097	128,199	(26,102)
All Other Revenue	527,097	45,390	481,707
Total	\$8,927,235	\$7,558,678	\$1,368,557

General Fund revenues in 2006 increased 18.1% compared to revenues in fiscal year 2005. The most significant factors leading to the increase were the increases in income and property tax collections and the increases in the City's investment income.

	2006 Expenditures	2005 Expenditures	Increase (Decrease)
Public Safety	\$2,566,761	\$2,453,071	\$113,690
Parks and Recreation	650,969	601,438	49,531
Community Economic Development	421,068	467,560	(46,492)
Public Works	336,624	295,828	40,796
General Government	2,423,339	2,267,475	155,864
Capital Outlay	4,441	2,461	1,980
Total	\$6,403,202	\$6,087,833	\$315,369

General Fund expenditures increased by \$315,639 over the prior year mostly due to increases in cost associated with salaries and fringe benefits.

Fire Protection EMS Fund - The fund balance of the Fire Protection EMS Fund, a major governmental fund, increased by \$349,219. While the department received delivery of a rescue pumper and EMS ambulance, the fund balance did increase, with most of the savings coming from personnel-related expenses. As part of its five and ten-year financial plans, the department requires the buildup of a relatively large fund balance to finance capital equipment needs throughout the budgeting cycle.

General Obligation Bond Retirement Fund - The fund balance of the General Obligation Bond Retirement Fund, a major governmental fund, increased by \$273,871 during 2006. This increase was due primarily to the increase in income tax collections, of which 15% are allocated to this fund.

CITY OF MONTGOMERY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

Reserve of Montgomery Bond Retirement Fund - The fund balance of the Reserve of Montgomery Bond Retirement Fund, a major governmental fund, increased by \$5,760 during 2006 due to special assessments that were slightly more than anticipated in the original budgetary projections.

Capital Improvement Fund - The fund balance of the Capital Improvement Fund, a major governmental fund, decreased by \$166,117 during 2006 mainly due to increased construction activity.

Triangle Tax Increment Fund - The fund balance of the Triangle Tax Increment Fund, a major governmental fund, decreased by \$308,873 during 2006 due to increased costs associated with the redevelopment of the Triangle.

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

During the course of fiscal year 2006 the City amended its General Fund once, for the annual housekeeping amendment. The amendment did include the addition of a new capital improvement project, Weller Road improvements, for \$213,973, which will be jointly financed by the City, the county engineer and the Greater Cincinnati Water Works. The actual expenditures came in under the amended appropriations by 9.7%. The City was able to achieve this by controlling costs associated with salaries, insurance, and other projects.

For the General Fund, final budget basis revenue of \$7.4 million did not change over the original budget estimates of \$7.4 million. Actual revenues exceeded final budgeted revenues in the General Fund. Revenues exceeded budgeted amounts due to higher income tax collections from increased prosperity in the City. Higher returns on investments also added to the variance in revenues. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006 the City had \$36,484,770 net of accumulated depreciation invested in land, buildings, infrastructure, equipment and vehicles. Of this total, \$35,177,023 was related to governmental activities and \$1,307,747 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$14,775,785	\$14,775,785	\$0
Buildings	3,341,123	3,341,123	0
Improvements Other than Buildings	3,920,656	3,920,656	0
Infrastructure	22,460,464	21,887,580	572,884
Machinery and Equipment	4,527,211	4,321,068	206,143
Less: Accumulated Depreciation	(13,848,216)	(13,031,370)	(816,846)
Totals	\$35,177,023	\$35,214,842	(\$37,819)

CITY OF MONTGOMERY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

The primary increases occurred in infrastructure and machinery and equipment acquisitions. The City purchased several new police cars and a new fire truck, along with new breathing apparatuses for the fire department.

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Land	\$405,576	\$405,576	\$0
Buildings	683,109	683,109	0
Improvements Other than Buildings	726,142	726,142	0
Machinery and Equipment	69,063	69,063	0
Less: Accumulated Depreciation	(576,143)	(525,142)	(51,001)
Totals	<u>\$1,307,747</u>	<u>\$1,358,748</u>	<u>(\$51,001)</u>

Additional information on the City's capital assets can be found in Note 8.

Debt

At December 31, 2006, the City had \$8,572,758 in general obligation bonds outstanding, \$960,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2006 and 2005:

	2006	2005
Governmental Activities:		
General Obligation Bonds	\$8,572,758	\$9,557,100
Special Assessment Bonds	167,463	180,346
Compensated Absences	640,424	628,395
Total Governmental Activities	<u>\$9,380,645</u>	<u>\$10,565,841</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. At December 31, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

ECONOMIC FACTORS

In 2006:

- Bethesda North Hospital's new parking garage and the shell of the seven-story, 130 bed tower were nearly complete.
- The Montgomery Gateway Center was nearly complete and the People's Bank will be open by March 1. The adjoining Triangle Plaza Park will be complete by the Bastille Day celebration.
- Columbia Chevrolet relocated from its downtown location to the site of its existing used car operation, farther north on Montgomery Road. The move by this dealership will allow for the redevelopment of this important downtown property.

- The City created a new zoning district—the Old Montgomery Gateway district—that extends from the downtown Heritage District to Cross County highway. The OMG guidelines will help promote quality redevelopment on the former Chevrolet site and other properties that may redevelop in the future.
- The value of single-family home building increased from \$11,117,000 in 2005 to \$15,761,000.
- The Vintage Club—the 70 acre mixed office, retail and residential use project—broke ground and utility work began. Phase I, which consists of 40 estate homes and 22 courtyard homes, was selected by the Home Builders Association of Greater Cincinnati to be the 2007 Homearama® site, showcasing both Montgomery and the new gated community.
- Income tax revenues were \$6.4 million, the highest in City history.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If the reader has questions about this report or needs additional financial information please contact Peter Hames, Director of Finance for the City of Montgomery.



CITY OF MONTGOMERY, OHIO

**Statement of Net Assets
December 31, 2006**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 16,248,626	\$ 83,839	\$ 16,332,465
Investments	8,313,765	0	8,313,765
Receivables:			
Taxes	4,874,862	0	4,874,862
Accounts	64,470	0	64,470
Intergovernmental	688,636	0	688,636
Interest	80,137	0	80,137
Special Assessments	3,796,998	0	3,796,998
Prepaid Items	12,483	0	12,483
Capital Assets not Being Depreciated	14,775,785	405,576	15,181,361
Capital Assets Being Depreciated, net	20,401,238	902,171	21,303,409
Total Assets	69,257,000	1,391,586	70,648,586
Liabilities:			
Accounts Payable	689,775	0	689,775
Accrued Wages and Benefits	373,514	0	373,514
Intergovernmental Payable	8,014	0	8,014
Unearned Revenue	3,555,103	0	3,555,103
Accrued Interest Payable	15,618	0	15,618
Noncurrent liabilities:			
Due within one year	1,214,069	0	1,214,069
Due in more than one year	8,166,576	0	8,166,576
Total Liabilities	14,022,669	0	14,022,669
Net Assets:			
Invested in Capital Assets, Net of Related Debt	26,436,802	1,307,747	27,744,549
Restricted For:			
Capital Projects	2,543,828	0	2,543,828
Debt Service	7,576,003	0	7,576,003
Public Works	1,737,464	0	1,737,464
Public Safety	3,237,799	0	3,237,799
Other Purposes	682,748	0	682,748
Unrestricted	13,019,687	83,839	13,103,526
Total Net Assets	\$ 55,234,331	\$ 1,391,586	\$ 56,625,917

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Activities
For the Year Ended December 31, 2006**

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Public Safety	\$ 4,857,414	\$ 211,414	\$ 270
Parks and Recreation	856,120	67,919	0
Community Economic Development	435,457	292,730	0
Public Works	2,798,249	31,671	494,685
General Government	2,669,442	220,176	0
Interest and Fiscal Charges	328,216	0	0
Total Governmental Activities	<u>11,944,898</u>	<u>823,910</u>	<u>494,955</u>
Business-Type Activities:			
Municipal Pool	241,912	192,294	0
Total Business-Type Activities	<u>241,912</u>	<u>192,294</u>	<u>0</u>
Totals	<u>\$ 12,186,810</u>	<u>\$ 1,016,204</u>	<u>\$ 494,955</u>

General Revenues

Property Taxes Levied for:

General Purposes

Income Tax

Other Local Taxes

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,645,730)	\$ 0	\$ (4,645,730)
(788,201)	0	(788,201)
(142,727)	0	(142,727)
(2,271,893)	0	(2,271,893)
(2,449,266)	0	(2,449,266)
(328,216)	0	(328,216)
<u>(10,626,033)</u>	<u>0</u>	<u>(10,626,033)</u>
0	(49,618)	(49,618)
0	(49,618)	(49,618)
<u>(10,626,033)</u>	<u>(49,618)</u>	<u>(10,675,651)</u>
4,591,205	0	4,591,205
6,363,549	0	6,363,549
222,865	0	222,865
929,626	0	929,626
1,118,810	0	1,118,810
859,808	0	859,808
<u>(30,000)</u>	<u>30,000</u>	<u>0</u>
<u>14,055,863</u>	<u>30,000</u>	<u>14,085,863</u>
3,429,830	(19,618)	3,410,212
<u>51,804,501</u>	<u>1,411,204</u>	<u>53,215,705</u>
<u>\$ 55,234,331</u>	<u>\$ 1,391,586</u>	<u>\$ 56,625,917</u>

CITY OF MONTGOMERY, OHIO

**Balance Sheet
Governmental Funds
December 31, 2006**

	General	Fire Protection / EMS	General Obligation Bond Retirement
Assets:			
Cash and Cash Equivalents	\$ 7,032,289	\$ 1,833,595	\$ 628,980
Investments	5,443,371	1,420,789	487,375
Receivables:			
Taxes	2,802,056	1,767,628	125,416
Accounts	64,470	0	0
Intergovernmental	349,785	92,579	0
Interest	55,736	14,548	0
Special Assessments	0	0	0
Interfund Loans Receivable	8,700	0	0
Prepaid Items	11,532	412	0
Total Assets	\$ 15,767,939	\$ 5,129,551	\$ 1,241,771
Liabilities:			
Accounts Payable	\$ 78,413	\$ 156,742	\$ 0
Accrued Wages and Benefits Payable	258,777	90,077	0
Intergovernmental Payable	6,782	1,232	0
Interfund Loans Payable	0	0	0
Deferred Revenue	2,402,288	1,873,969	0
Total Liabilities	2,746,260	2,122,020	0
Fund Balances:			
Reserved for Encumbrances	837,285	34,000	0
Reserved for Prepaid Items	11,532	412	0
Reserved for Debt Service	0	0	1,241,771
Undesignated, Unreserved in:			
General Fund	12,172,862	0	0
Special Revenue Funds	0	2,973,119	0
Capital Projects Funds (Deficit)	0	0	0
Total Fund Balances	13,021,679	3,007,531	1,241,771
Total Liabilities and Fund Balances	\$ 15,767,939	\$ 5,129,551	\$ 1,241,771

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

<u>Reserve of Montgomery Bond Retirement</u>	<u>Capital Improvement</u>	<u>Triangle Tax Increment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 61,405	\$ 1,556,793	\$ 932,853	\$ 4,202,711	\$ 16,248,626
0	0	0	962,230	8,313,765
0	179,762	0	0	4,874,862
0	0	0	0	64,470
0	0	0	246,272	688,636
0	0	0	9,853	80,137
3,485,660	0	0	311,338	3,796,998
0	1,052,500	0	0	1,061,200
0	0	0	539	12,483
<u>\$ 3,547,065</u>	<u>\$ 2,789,055</u>	<u>\$ 932,853</u>	<u>\$ 5,732,943</u>	<u>\$ 35,141,177</u>
\$ 0	\$ 222,487	\$ 202,513	\$ 29,620	\$ 689,775
0	0	0	24,660	373,514
0	0	0	0	8,014
0	0	1,052,500	8,700	1,061,200
3,485,660	0	0	484,682	8,246,599
<u>3,485,660</u>	<u>222,487</u>	<u>1,255,013</u>	<u>547,662</u>	<u>10,379,102</u>
0	402,898	475,910	53,215	1,803,308
0	0	0	539	12,483
61,405	0	0	2,491,447	3,794,623
0	0	0	0	12,172,862
0	0	0	2,340,660	5,313,779
0	2,163,670	(798,070)	299,420	1,665,020
61,405	2,566,568	(322,160)	5,185,281	24,762,075
<u>\$ 3,547,065</u>	<u>\$ 2,789,055</u>	<u>\$ 932,853</u>	<u>\$ 5,732,943</u>	<u>\$ 35,141,177</u>

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2006***

Total Governmental Fund Balances		\$ 24,762,075
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		35,177,023
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		4,691,496
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(8,572,758)	
Special Assessment Bonds Payable	(167,463)	
Compensated Absences Payable	(640,424)	
Accrued Interest Payable	(15,618)	(9,396,263)
		<u> </u>
<i>Net Assets of Governmental Activities</i>		<u>\$ 55,234,331</u>
See accompanying notes to the basic financial statements		



CITY OF MONTGOMERY, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006**

	General	Fire Protection / EMS	General Obligation Bond Retirement
Revenues:			
Taxes	\$ 6,288,172	\$ 1,791,714	\$ 954,474
Intergovernmental Revenues	754,548	171,994	0
Charges for Services	220,579	92,502	0
Licenses, Permits and Fees	267,425	0	0
Investment Earnings	767,317	177,172	3,367
Special Assessments	0	0	0
Fines and Forfeitures	102,097	0	0
All Other Revenue	527,097	17,435	0
Total Revenue	8,927,235	2,250,817	957,841
Expenditures:			
Current:			
Public Safety	2,566,761	1,826,698	0
Parks and Recreation	650,969	0	0
Community Economic Development	421,068	0	0
Public Works	336,624	0	0
General Government	2,423,339	0	0
Capital Outlay	4,441	0	0
Debt Service:			
Principal Retirement	0	0	655,000
Interest and Fiscal Charges	0	0	147,970
Total Expenditures	6,403,202	1,826,698	802,970
Excess (Deficiency) of Revenues Over Expenditures	2,524,033	424,119	154,871
Other Financing Sources (Uses):			
Sale of Capital Assets	7,510	44,100	0
Transfers In	0	0	119,000
Transfers Out	(513,086)	(119,000)	0
Total Other Financing Sources (Uses)	(505,576)	(74,900)	119,000
Net Change in Fund Balances	2,018,457	349,219	273,871
Fund Balances at Beginning of Year	11,003,222	2,658,312	967,900
Fund Balances End of Year	\$ 13,021,679	\$ 3,007,531	\$ 1,241,771

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Reserve of Montgomery Bond Retirement	Capital Improvement	Triangle Tax Increment	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 1,368,079	\$ 0	\$ 798,443	\$ 11,200,882
0	0	0	496,369	1,422,911
0	0	0	47,311	360,392
0	0	0	51,983	319,408
0	0	0	133,391	1,081,247
181,302	0	0	81,236	262,538
0	0	0	42,013	144,110
0	213,973	0	71,350	829,855
<u>181,302</u>	<u>1,582,052</u>	<u>0</u>	<u>1,722,096</u>	<u>15,621,343</u>
0	0	0	124,584	4,518,043
0	0	0	22,751	673,720
0	0	0	0	421,068
0	0	0	997,486	1,334,110
5,412	0	0	150,089	2,578,840
0	1,748,169	308,873	1,227	2,062,710
105,000	0	0	262,883	1,022,883
65,130	0	0	91,118	304,218
<u>175,542</u>	<u>1,748,169</u>	<u>308,873</u>	<u>1,650,138</u>	<u>12,915,592</u>
5,760	(166,117)	(308,873)	71,958	2,705,751
0	0	0	0	51,610
0	0	0	571,086	690,086
0	0	0	(88,000)	(720,086)
<u>0</u>	<u>0</u>	<u>0</u>	<u>483,086</u>	<u>21,610</u>
5,760	(166,117)	(308,873)	555,044	2,727,361
55,645	2,732,685	(13,287)	4,630,237	22,034,714
<u>\$ 61,405</u>	<u>\$ 2,566,568</u>	<u>\$ (322,160)</u>	<u>\$ 5,185,281</u>	<u>\$ 24,762,075</u>

CITY OF MONTGOMERY, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2006***

Net Change in Fund Balances - Total Governmental Funds \$ 2,727,361

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

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

Capital Outlay	1,122,470	
Depreciation Expense	<u>(1,138,632)</u>	(16,162)

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (21,657)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (246,568)

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

General Obligation Bond Principal Payment	984,342	
Special Assessment Bond Principal Payment	<u>12,883</u>	997,225

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,660

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

Increase in Compensated Absences		<u>(12,029)</u>
----------------------------------	--	-----------------

Change in Net Assets of Governmental Activities \$ 3,429,830

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,924,479	\$ 5,924,479	\$ 6,333,630	\$ 409,151
Intergovernmental Revenue	591,151	591,151	567,195	(23,956)
Charges for Services	183,097	183,097	218,894	35,797
Licenses, Permits and Fees	164,075	164,075	264,898	100,823
Investment Earnings	330,000	330,000	731,897	401,897
Fines and Forfeitures	146,942	146,942	105,427	(41,515)
All Other Revenues	40,656	40,656	527,365	486,709
Total Revenues	<u>7,380,400</u>	<u>7,380,400</u>	<u>8,749,306</u>	<u>1,368,906</u>
Expenditures:				
Current:				
Public Safety	2,782,086	2,819,965	2,576,514	243,451
Parks and Recreation	749,022	804,367	706,940	97,427
Community Economic Development	450,814	519,820	449,401	70,419
Public Works	366,358	370,040	346,839	23,201
General Government	3,131,104	3,556,283	3,208,896	347,387
Capital Outlay	8,000	9,225	5,809	3,416
Total Expenditures	<u>7,487,384</u>	<u>8,079,700</u>	<u>7,294,399</u>	<u>785,301</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(106,984)	(699,300)	1,454,907	2,154,207
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	7,510	7,510
Transfers Out	(528,336)	(528,336)	(513,086)	15,250
Advances In	0	0	13,000	13,000
Advances Out	0	0	(13,000)	(13,000)
Total Other Financing Sources (Uses):	<u>(528,336)</u>	<u>(528,336)</u>	<u>(505,576)</u>	<u>22,760</u>
Net Change in Fund Balance	(635,320)	(1,227,636)	949,331	2,176,967
Fund Balance at Beginning of Year	10,197,058	10,197,058	10,197,058	0
Prior Year Encumbrances	470,187	470,187	470,187	0
Fund Balance at End of Year	<u>\$ 10,031,925</u>	<u>\$ 9,439,609</u>	<u>\$ 11,616,576</u>	<u>\$ 2,176,967</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Protection / EMS Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,643,928	\$ 1,643,928	\$ 1,791,714	\$ 147,786
Intergovernmental Revenue	235,647	235,647	174,224	(61,423)
Charges for Services	70,250	70,250	92,502	22,252
Investment Earnings	52,909	52,909	168,014	115,105
All Other Revenues	5,900	5,900	17,435	11,535
Total Revenues	<u>2,008,634</u>	<u>2,008,634</u>	<u>2,243,889</u>	<u>235,255</u>
Expenditures:				
Current:				
Public Safety	2,009,119	2,177,395	1,861,195	316,200
Total Expenditures	<u>2,009,119</u>	<u>2,177,395</u>	<u>1,861,195</u>	<u>316,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(485)	(168,761)	382,694	551,455
Other Financing Sources (Uses):				
Sale of Capital Assets	20,000	20,000	44,100	24,100
Transfers Out	(119,000)	(119,000)	(119,000)	0
Total Other Financing Sources (Uses):	<u>(99,000)</u>	<u>(99,000)</u>	<u>(74,900)</u>	<u>24,100</u>
Net Change in Fund Balance	(99,485)	(267,761)	307,794	575,555
Fund Balance at Beginning of Year	2,599,837	2,599,837	2,599,837	0
Prior Year Encumbrances	168,276	168,276	168,276	0
Fund Balance at End of Year	<u>\$ 2,668,628</u>	<u>\$ 2,500,352</u>	<u>\$ 3,075,907</u>	<u>\$ 575,555</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Net Assets
Proprietary Fund
December 31, 2006**

	Business-Type Activities Enterprise Fund <u>Municipal Pool</u>
ASSETS:	
Current assets:	
Cash and Cash Equivalents	\$ 83,839
Total current assets	<u>83,839</u>
Noncurrent assets:	
Capital Assets, Not Being Depreciated	405,576
Capital Assets, Being Depreciated Net	<u>902,171</u>
Total noncurrent assets	<u>1,307,747</u>
Total assets	<u>1,391,586</u>
LIABILITIES	
Total Liabilities	<u>0</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,307,747
Unrestricted	<u>83,839</u>
Total Net Assets	<u>\$ 1,391,586</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2006

	Business-Type Activities Enterprise Fund <u>Municipal Pool</u>
Operating Revenues:	
Charges for Services	\$ 187,692
Total Operating Revenues	<u>187,692</u>
Operating Expenses:	
Materials and Supplies	190,911
Depreciation	51,001
Total Operating Expenses	<u>241,912</u>
Operating Loss	(54,220)
Non-Operating Revenue:	
Interest Income	4,602
Total Non-Operating Revenues	<u>4,602</u>
Loss Before Transfers	(49,618)
Transfers:	
Transfers In	30,000
Total Transfers	<u>(30,000)</u>
Change in Net Assets	(19,618)
Net Assets Beginning of Year	1,411,204
Net Assets End of Year	<u>\$ 1,391,586</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2006

	Business-Type Activities Enterprise Fund <u>Municipal Pool</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$187,692
Cash Payments for Goods and Services	<u>(190,911)</u>
Net Cash Used for Operating Activities	<u>(3,219)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In from Other Funds	<u>30,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>30,000</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	<u>4,602</u>
Net Cash Provided by Investing Activities	<u>4,602</u>
Net Decrease in Cash and Cash Equivalents	31,383
Cash and Cash Equivalents at Beginning of Year	<u>52,456</u>
Cash and Cash Equivalents at End of Year	<u><u>\$83,839</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$54,220)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	<u>51,001</u>
Total Adjustments	<u>51,001</u>
Net Cash Used for Operating Activities	<u><u>(\$3,219)</u></u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

**Statement of Net Assets
Fiduciary Funds
December 31, 2006**

	Private Purpose Trust	
	Special Trust	Agency
Assets:		
Cash and Cash Equivalents	\$ 84,526	\$ 0
Restricted Assets:		
Cash and Cash Equivalents	0	4,066
Cash and Cash Equivalents with Fiscal Agent	0	240,780
Total Assets	<u>84,526</u>	<u>244,846</u>
Liabilities:		
Accounts Payable	0	232,565
Intergovernmental Payable	0	7,391
Due to Others	0	4,890
Total Liabilities	<u>0</u>	<u>244,846</u>
Unrestricted	<u>84,526</u>	<u>0</u>
Total Net Assets	<u>\$ 84,526</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF MONTGOMERY, OHIO

***Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2006***

	Private Purpose Trust <u>Special Trust</u>
Additions:	
Contributions:	
Rental Fees	\$ 16,797
Private Donations	<u>30,473</u>
Total Contributions	<u>47,270</u>
Investment Earnings:	
Interest	<u>4,239</u>
Total Investment Earnings	<u>4,239</u>
Total Additions	<u>51,509</u>
Deductions:	
Administrative Expenses	<u>30,077</u>
Total Deductions	<u>30,077</u>
Change in Net Assets	21,432
Net Assets at Beginning of Year	<u>63,094</u>
Net Assets End of Year	<u>\$ 84,526</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2006 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

Blended Component Unit - The Community Improvement Corporation of the City of Montgomery (the "CIC") was created in accordance with Chapter 1702 of the Ohio Revised Code. As a legally separate not-for-profit corporation, the CIC's purpose is to provide economic development loans. The balances and transactions of the CIC have been reported as a special revenue fund of the primary government because the governing board of the corporation is composed of those persons who are serving as members of the City Council of the City of Montgomery. There was no activity in the CIC during 2006, and the CIC did not report any balances at December 31, 2006.

B. Basis of Presentation - Fund Accounting

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund

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

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2006, but which are not intended to finance 2006 operations, and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue. Property taxes are further described in Note 4.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

E. Budgetary Process

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

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

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources, which states that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources (Continued)

serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or fall short of current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund level, and may only be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the legal level of control. During the year, several supplemental appropriations were necessary to budget note proceeds, contingency funds and intergovernmental grants. The supplemental appropriations increased year end appropriations by approximately 1.7% over the appropriation ordinance approved in January 2006. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non-GAAP Budgetary Basis)" for the General Fund and Major Special Revenue Funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance	
	General Fund	Fire Protection / EMS Fund
GAAP Basis (as reported)	\$2,018,457	\$349,219
Increase (Decrease):		
Accrued Revenues at December 31, 2006 received during 2007	(861,790)	5,487
Accrued Revenues at December 31, 2005 received during 2006	683,861	(12,415)
Accrued Expenditures at December 31, 2006 paid during 2007	343,972	248,051
Accrued Expenditures at December 31, 2005 paid during 2006	(361,077)	(98,103)
2005 Prepays for 2006	13,193	717
2006 Prepays for 2007	(11,532)	(412)
Outstanding Encumbrances	(875,753)	(184,750)
Budget Basis	<u>\$949,331</u>	<u>\$307,794</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2006, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

G. Investments

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	10 - 40
Machinery, Equipment, Furniture and Fixtures	5 - 15
Infrastructure	5 - 100

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

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

K. Compensated Absences

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

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

L. Net Assets

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

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

M. Pensions

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

N. Interfund Transactions

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

The City generally eliminates the effect of interfund activity in the government-wide financial statements to remove indirect expenses, except where the elimination would distort the costs and program revenues reported for the various functions.

O. Intergovernmental Revenues

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund Assets/Liabilities

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

Q. Reservations of Fund Balance

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

R. Estimates

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

S. Operating Revenues and Expenses

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

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

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

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

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

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

Deferred Tax Revenue	\$228,731
Deferred Investment Earnings	75,808
Intergovernmental Revenue Receivable	589,959
Special Assessments Receivable	<u>3,796,998</u>
	\$4,691,496

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

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

Governmental revenues not reported in the funds:

Decrease in Deferred Tax Revenue	(\$23,263)
Increase in Deferred Investment Earnings	37,563
Increase in Intergovernmental Revenue	1,670
Decrease in Special Assessments Revenue	<u>(262,538)</u>
	(\$246,568)

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. The City has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Finance Director to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

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

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

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

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits

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

At year end the carrying amount of the City's deposits was \$1,050,892 and the bank balance was \$1,459,723. Federal depository insurance covered \$100,000 of the bank balance and \$1,359,723 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and uncollateralized	\$1,359,723
Total Balance	<u><u>\$1,359,723</u></u>

B. Investments

The City's investments at December 31, 2006 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$15,610,945	AAAm ¹	\$15,610,945	\$0	\$0
City's Special Assessment Bonds	56,329		0	56,329	0
FRE Discount Note	212,358	AAA ¹ / Aaa ²	212,358	0	0
FHLMC	2,973,700	AAA ¹ / Aaa ²	994,200 a	1,979,500 a	0
FHLB	3,325,212	AAA ¹ / Aaa ²	171,367	165,095	2,988,750
FNMA	1,377,130	AAA ¹ / Aaa ²	1,307,358 a	69,772 a	0
FMAC	199,743	AAA ¹ / Aaa ²	124,800	74,943	0
US Treasury Notes	169,293		169,293	0	0
Total Investments	<u><u>\$23,924,710</u></u>		<u><u>\$18,590,321</u></u>	<u><u>\$2,345,639</u></u>	<u><u>\$2,988,750</u></u>

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

¹ Standard & Poor's

² Moody's Investor Service

a Callable Dates: January 30, 2007, February 10, 2007, March 12, 15, 2007, November 8, 15, 2007

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date, the City has no investment policy beyond Ohio Revised Code relating to interest rate risk.

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 65.25% are STAR Ohio, 12.43% are FHLMC, 13.90% are FHLB, 5.76% are FNMA, and the remaining 2.66% is comprised of other various investments.

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$16,661,837	\$8,313,765
STAR Ohio	<u>(15,610,945)</u>	<u>15,610,945</u>
Per GASB Statement No. 3	<u>\$1,050,892</u>	<u>\$23,924,710</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2005. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

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

The full tax rate for all City operations for the year ended December 31, 2006 was \$10.05 per \$1,000 of assessed value. The assessed value upon which the 2006 tax collections were based was \$486,557,560. This amount constitutes \$468,843,600 in real property assessed value, \$6,513,960 in public utility assessed value and \$11,200,000 in tangible personal property assessed value.

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

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 4 – TAXES (Continued)

B. Income Tax

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

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

NOTE 5 - RECEIVABLES

Receivables at December 31, 2006 consisted of taxes, accounts receivable, special assessments, interfund receivables, interest receivables, and intergovernmental receivables arising from shared revenues. All receivables are considered collectible in full. Those receivables that relate to amounts not intended to finance the current fiscal year are offset by deferred revenue.

NOTE 6 - INTERFUND BALANCES

Individual interfund balances at December 31, 2006 are as follows:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$8,700	\$0
Triangle Tax Increment Fund	0	1,052,500
Capital Improvement Fund	1,052,500	0
Nonmajor Governmental Fund:		
Community Development Grant Fund	0	8,700
Totals	<u>\$1,061,200</u>	<u>\$1,061,200</u>

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

CITY OF MONTGOMERY, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2006:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$513,086
Fire/EMS Protection Fund (Major Special Revenue)	0	119,000
General Obligation Bond Retirement Fund (Major Debt Service)	119,000	0
Municipal Pool Fund (Major Enterprise)	30,000	0
Nonmajor Governmental Funds:		
COPS Grant Fund	39,086	0
Environmental Impact Tax Fund	44,000	88,000
Street Construction, Maintenance, & Repair Fund	488,000	0
Total Nonmajor Governmental Funds	<u>571,086</u>	<u>88,000</u>
Totals	<u>\$720,086</u>	<u>\$720,086</u>

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

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CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2006:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$14,775,785	\$0	\$0	\$14,775,785
<i>Capital assets being depreciated:</i>				
Buildings	3,341,123	0	0	3,341,123
Improvements Other than Buildings	3,920,656	0	0	3,920,656
Infrastructure	21,887,580	647,826	(74,942)	22,460,464
Machinery and Equipment	4,321,068	474,644	(268,501)	4,527,211
Subtotal	<u>33,470,427</u>	<u>1,122,470</u>	<u>(343,443)</u>	<u>34,249,454</u>
Total Cost	<u>\$48,246,212</u>	<u>\$1,122,470</u>	<u>(\$343,443)</u>	<u>\$49,025,239</u>

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$812,549)	(\$82,094)	\$0	(\$894,643)
Improvements Other than Buildings	(2,476,742)	(176,634)	0	(2,653,376)
Infrastructure	(7,325,009)	(444,632)	61,484	(7,708,157)
Machinery and Equipment	(2,417,070)	(435,272)	260,302	(2,592,040)
Total Depreciation	<u>(\$13,031,370)</u>	<u>(\$1,138,632) *</u>	<u>\$321,786</u>	<u>(\$13,848,216)</u>
<i>Net Value:</i>	<u>\$35,214,842</u>			<u>\$35,177,023</u>

* Depreciation expenses were charged to governmental functions as follows:

Public Safety	\$338,550
Parks and Recreation	182,729
Community Economic Development	15,224
Public Works	542,969
General Government	59,160
Total Depreciation Expense	<u>\$1,138,632</u>

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2006:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Capital assets not being depreciated:				
Land	\$405,576	\$0	\$0	\$405,576
Capital assets being depreciated:				
Buildings	683,109	0	0	683,109
Improvements Other than Buildings	726,142	0	0	726,142
Machinery and Equipment	69,063	0	0	69,063
Subtotal	1,478,314	0	0	1,478,314
Total Cost	\$1,883,890	\$0	\$0	\$1,883,890

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$167,428)	(\$17,280)	\$0	(\$184,708)
Improvements Other than Buildings	(295,481)	(28,565)	0	(324,046)
Machinery and Equipment	(62,233)	(5,156)	0	(67,389)
Total Depreciation	(\$525,142)	(\$51,001)	\$0	(\$576,143)
Net Value:	\$1,358,748			\$1,307,747

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$278,070, \$267,952 and \$248,586, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$91,337.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$280,700, \$279,956 and \$257,599 for police and \$126,801, \$141,143 and \$135,696 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$111,560 representing 7.75% of covered payroll for police and \$40,946 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 10 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds, notes, and compensated absences, of the City for the year ended December 31, 2006 is as follows:

				Balance			Balance	Amount
				December 31,	Issued	(Retired)	December 31,	Due Within
				2005			2006	One Year
Governmental Activities:								
General Obligation Bonds:								
2.00%	Public Improvement Refunding	2004	\$3,765,000	\$0	(\$345,000)	\$3,420,000	\$340,000	
	Deferred Loss on Refunding	2004	(307,900)	0	25,658	(282,242)	(25,658)	
2.00-3.80%	Various Purpose Refunding Bonds	2003	6,100,000	0	(665,000)	5,435,000	620,000	
Total General Obligation Bonds			\$9,557,100	\$0	(\$984,342)	\$8,572,758	\$934,342	
Special Assessment Bonds								
With Governmental Commitment:								
6.00%	Swaim Sidewalk Bonds	1994	33,000	0	(3,000)	30,000	4,000	
6.50%	Street Lighting	1997	23,000	0	(2,000)	21,000	2,000	
6.00%	Montgomery Woods Sidewalk	1997	56,000	0	(3,000)	53,000	3,000	
6.00%	Tanager Woods	1999	68,346	0	(4,883)	63,463	4,883	
Total Special Assessment Bonds								
With Governmental Commitment			180,346	0	(12,883)	167,463	13,883	
Other Long-Term Obligations:								
Compensated Absences			628,395	640,424	(628,395)	640,424	265,844	
Total Governmental Activities			\$10,365,841	\$640,424	(\$1,625,620)	\$9,380,645	\$1,214,069	

The principal amount of the City's special assessment debt outstanding at December 31, 2006 of \$167,463 is general obligation debt (backed by the full faith and credit of the City) that is to be retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$91,972 in the Special Assessment Bond Retirement Fund and the balance of \$61,405 in the Reserve of Montgomery Bond Retirement Fund at December 31, 2006 are reserved for the retirement of outstanding special assessment bonds. The Tanager Woods special assessment bond payable is a self-funded debt obligation. The funds used to retire this debt are held in a special assessment bond, which is reported as an investment by the City.

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

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

Principal and interest requirements to retire long-term debt outstanding at December 31, 2006 are as follows:

Years	General Obligation Bonds		Special Assessment Bonds	
	Bonds	Interest	Bonds	Interest
2007	\$960,000	\$272,553	\$13,883	\$9,912
2008	830,000	250,103	13,883	9,362
2009	860,000	229,772	13,883	8,812
2010	860,000	206,622	14,883	8,262
2011	875,000	182,159	14,883	7,652
2012-2016	3,555,000	504,517	75,415	33,022
2017-2021	915,000	78,505	20,633	6,235
Totals	<u>\$8,855,000</u>	<u>\$1,724,231</u>	<u>\$167,463</u>	<u>\$83,257</u>

B. Defeasance of General Obligation and Special Assessment Debt

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

The net proceeds of the 2004 Public Improvement General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$3,245,000 at December 31, 2006, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advanced refunding.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

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

The net proceeds of the 2003 Various Purpose Refunding General Obligation Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, was and will be used to pay the principal and interest on the refunded bonds. The refunded General Obligation Bonds, which have a balance of \$2,415,000 at December 31, 2006 and are not included in the City's outstanding debt since the City has in-substance, satisfied its obligations through the advance refunding.

NOTE 11 – COMPENSATED ABSENCES

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

As of December 31, 2006, the liability for unpaid compensated absences was \$640,424 for all funds of the City, a net increase of \$12,029 from the amount at December 31, 2005 of \$628,395.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2006, the pool has twenty members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote.

CITY OF MONTGOMERY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 12 – RISK MANAGEMENT (Continued)

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

The twenty participating cities and their respective pool contribution factors for the loss year ended December 31, 2006 are:

<u>Entity</u>	<u>Percentage</u>	<u>Entity</u>	<u>Percentage</u>
Beavercreek	5.32 %	Montgomery	2.97 %
Bellbrook	1.85 %	Piqua	6.34 %
Blue Ash	6.18 %	Sidney	6.68 %
Centerville	5.00 %	Springdale	3.75 %
Englewood	2.97 %	Tipp City	2.48 %
Indian Hill	3.58 %	Troy	6.76 %
Kettering	11.95 %	Vandalia	4.54 %
Madeira	3.09 %	West Carrollton	2.73 %
Mason	9.08 %	Wilmington	4.41 %
Miamisburg	7.87 %	Wyoming	2.46 %
Subtotal	<u>56.89 %</u>	Subtotal	<u>43.11 %</u>
		Total	<u>100.00 %</u>

The 2006 pool contribution of the City of Montgomery was \$119,815 representing 2.971% of the total collected from all members for that year's operating costs and projected loss reserves.

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

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

General/Automobile Liability	\$10,000,000	per occurrence
Public Officials Liability	10,000,000	per occurrence
Property	350,000,000	per occurrence
Boiler and Machinery	100,000,000	per occurrence
Flood (Property in Zone B)	20,000,000	aggregate
Earthquake (Property)	20,000,000	aggregate

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 12 – RISK MANAGEMENT (Continued)

The member deductible per occurrence for most types of claims is \$2,500. The pool's self insured retention (SIR) for property claims is \$2,501 - \$200,000 per occurrence except Boiler and Machinery which is \$5,000. The pool's SIR for liability claims is \$1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$9,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2006, because an actuarial opinion issued as of that date reported actual MVRMA loss reserves of \$10,162,500 an amount in excess of the recommended net reserve of \$4,060,226. MVRMA reported Montgomery's loss experience for years 2006, 2005 and 2004 as \$1,500, \$2,000, and \$6389 respectively.

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

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

The City continues to carry commercial insurance public officials liability. The City's liability coverage was increased from \$7,000,000 in 2005 to \$10,000,000 per occurrence in 2006. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 13 – COMPLIANCE AND ACCOUNTABILITY

The deficits at December 31, 2006 of \$322,160 in the Triangle Tax Increment Fund (major governmental fund) was the result of recognizing expenses on the modified accrual basis, which result in expenses greater than those on the cash basis. Deficits did not exist on a cash basis. The General Fund provides transfers, upon City Council's approval, when cash is required, not when accruals occur.

NOTE 14 – CONTINGENCIES

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2006, the City has implemented GASB Statement No. 44, “*Economic Condition Reporting: The Statistical Section*”, GASB Statement No. 46 “*Net Assets Restricted by Enabling Legislation*” and GASB Statement No. 47, “*Accounting for Termination Benefits.*”

GASB Statement No. 44 establishes improved understandability and usefulness of the information that State and local governments present as supplementary information in the statistical section.

GASB Statement No. 46 clarifies when net assets should be restricted based on enabling legislation.

GASB Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

Implementation of GASB Statement No. 44, No. 46 and No. 47 did not affect the presentation of the financial statements of the City.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Memorial Fund

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

Parks and Recreation Fundraising Fund

To account for monies received from gifts and donations given to the City to support projects that will enhance the city's parks and gateways.

Law Enforcement Fund

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

Drug Law Enforcement Fund

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

DUI Enforcement and Education Fund

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

Mayor's Court Technology Fund

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

Community Oriented Policing Services (COPS) Grant Fund

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

Federal Emergency Management Agency (FEMA) Fire Fund

To account for funds provided by FEMA for the purchase of Self-Contained Breathing Apparatus (SCBA). (The Balance Sheet is not presented because there are no assets or liabilities at year end. This fund only exists on a GAAP basis, therefore no budgetary schedule is presented)

Environmental Impact Tax Fund

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

Street Construction, Maintenance and Repair Fund

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

Special Revenue Funds

Arts and Amenities Fund

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

Cemetery Fund

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

Debt Service Funds

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

Special Assessment Bond Retirement Fund

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

Ohio National Tax Increment Fund

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

Capital Projects Funds

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

Special Assessment Capital Projects Fund

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

Community Development Block Grant (CDBG) Fund

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

Urban Redevelopment Fund

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

CITY OF MONTGOMERY, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,403,144	\$ 2,491,447	\$ 308,120	\$ 4,202,711
Investments	962,230	0	0	962,230
Receivables:				
Intergovernmental	246,272	0	0	246,272
Interest	9,853	0	0	9,853
Special Assessments	0	311,338	0	311,338
Prepaid Items	539	0	0	539
Total Assets	\$ 2,622,038	\$ 2,802,785	\$ 308,120	\$ 5,732,943
Liabilities:				
Accounts Payable	\$ 29,620	\$ 0	\$ 0	\$ 29,620
Accrued Wages and Benefits Payable	24,660	0	0	24,660
Interfund Loans Payable	0	0	8,700	8,700
Deferred Revenue	173,344	311,338	0	484,682
Total Liabilities	227,624	311,338	8,700	547,662
Fund Balances:				
Reserved for Encumbrances	53,215	0	0	53,215
Reserved for Prepaid Items	539	0	0	539
Reserved for Debt Service	0	2,491,447	0	2,491,447
Undesignated/Unreserved	2,340,660	0	299,420	2,640,080
Total Fund Balances	2,394,414	2,491,447	299,420	5,185,281
Total Liabilities and Fund Balances	\$ 2,622,038	\$ 2,802,785	\$ 308,120	\$ 5,732,943

CITY OF MONTGOMERY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 0	\$ 706,161	\$ 92,282	\$ 798,443
Intergovernmental Revenues	496,369	0	0	496,369
Charges for Services	47,311	0	0	47,311
Licenses, Permits and Fees	51,983	0	0	51,983
Investment Earnings	133,391	0	0	133,391
Special Assessments	0	81,236	0	81,236
Fines and Forfeitures	42,013	0	0	42,013
All Other Revenue	71,350	0	0	71,350
Total Revenue	842,417	787,397	92,282	1,722,096
Expenditures:				
Current:				
Public Safety	124,584	0	0	124,584
Parks & Recreation	22,751	0	0	22,751
Public Works	997,486	0	0	997,486
General Government	0	149,148	941	150,089
Capital Outlay	0	0	1,227	1,227
Debt Service:				
Principal Retirement	0	262,883	0	262,883
Interest and Fiscal Charges	0	91,118	0	91,118
Total Expenditures	1,144,821	503,149	2,168	1,650,138
Excess (Deficiency) of Revenues Over Expenditures	(302,404)	284,248	90,114	71,958
Other Financing Sources (Uses):				
Transfers In	571,086	0	0	571,086
Transfers Out	(88,000)	0	0	(88,000)
Total Other Financing Sources (Uses)	483,086	0	0	483,086
Net Change in Fund Balances	180,682	284,248	90,114	555,044
Fund Balances at Beginning of Year	2,213,732	2,207,199	209,306	4,630,237
Fund Balances End of Year	\$ 2,394,414	\$ 2,491,447	\$ 299,420	\$ 5,185,281

CITY OF MONTGOMERY, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006**

	Memorial Fund	Law Enforcement	Drug Law Enforcement	DUI Enforcement and Education	Mayor's Court Technology
Assets:					
Cash and Cash Equivalents	\$ 23,779	\$ 4,635	\$ 4,178	\$ 4,251	\$ 57,153
Investments	0	0	0	0	0
Receivables:					
Intergovernmental	0	108	0	127	0
Interest	0	0	0	0	0
Prepaid Items	0	0	0	0	44
Total Assets	\$ 23,779	\$ 4,743	\$ 4,178	\$ 4,378	\$ 57,197
Liabilities:					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
Total Liabilities	0	0	0	0	0
Fund Balances:					
Reserved for Encumbrances	306	0	0	0	256
Reserved for Prepaid Items	0	0	0	0	44
Undesignated/Unreserved	23,473	4,743	4,178	4,378	56,897
Total Fund Balances	23,779	4,743	4,178	4,378	57,197
Total Liabilities and Fund Balances	\$ 23,779	\$ 4,743	\$ 4,178	\$ 4,378	\$ 57,197

CITY OF MONTGOMERY, OHIO

<u>COPS Grant</u>	<u>Environmental Impact Tax</u>	<u>Street Construction, Maintenance, and Repair</u>	<u>Arts and Amenities</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 25,014	\$ 57,873	\$ 810,426	\$ 311,753	\$ 104,082	\$ 1,403,144
0	44,843	595,170	241,567	80,650	962,230
0	0	246,037	0	0	246,272
0	459	6,094	2,474	826	9,853
0	0	495	0	0	539
<u>\$ 25,014</u>	<u>\$ 103,175</u>	<u>\$ 1,658,222</u>	<u>\$ 555,794</u>	<u>\$ 185,558</u>	<u>\$ 2,622,038</u>
\$ 0	\$ 0	\$ 29,620	\$ 0	\$ 0	\$ 29,620
387	0	24,273	0	0	24,660
0	434	169,789	2,340	781	173,344
<u>387</u>	<u>434</u>	<u>223,682</u>	<u>2,340</u>	<u>781</u>	<u>227,624</u>
0	0	47,789	2,110	2,754	53,215
0	0	495	0	0	539
24,627	102,741	1,386,256	551,344	182,023	2,340,660
24,627	102,741	1,434,540	553,454	184,777	2,394,414
<u>\$ 25,014</u>	<u>\$ 103,175</u>	<u>\$ 1,658,222</u>	<u>\$ 555,794</u>	<u>\$ 185,558</u>	<u>\$ 2,622,038</u>

CITY OF MONTGOMERY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Memorial	Law Enforcement	Drug Law Enforcement	DUI Enforcement and Education	Mayor's Court Technology
Revenues:					
Intergovernmental Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	0	0	0	0
Licenses, Permits and Fees	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	25,198	3,817	370	1,572	11,056
All Other Revenue	0	0	0	0	0
Total Revenue	25,198	3,817	370	1,572	11,056
Expenditures:					
Current:					
Public Safety	0	4,004	0	778	12,778
Parks and Recreation	3,631	0	0	0	0
Public Works	0	0	0	0	0
Total Expenditures	3,631	4,004	0	778	12,778
Excess (Deficiency) of Revenues Over Expenditures	21,567	(187)	370	794	(1,722)
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	21,567	(187)	370	794	(1,722)
Fund Balances at Beginning of Year	2,212	4,930	3,808	3,584	58,919
Fund Balances End of Year	\$ 23,779	\$ 4,743	\$ 4,178	\$ 4,378	\$ 57,197

CITY OF MONTGOMERY, OHIO

COPS Grant	FEMA Fire	Environmental Impact Tax	Street Construction, Maintenance, and Repair	Arts and Amenities	Cemetery	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 496,369	\$ 0	\$ 0	496,369
0	0	0	0	15,640	31,671	47,311
0	0	51,983	0	0	0	51,983
0	0	8,113	79,041	34,866	11,371	133,391
0	0	0	0	0	0	42,013
59,481	0	0	10,949	920	0	71,350
<u>59,481</u>	<u>0</u>	<u>60,096</u>	<u>586,359</u>	<u>51,426</u>	<u>43,042</u>	<u>842,417</u>
107,006	18	0	0	0	0	124,584
0	0	0	0	19,120	0	22,751
0	0	0	977,956	0	19,530	997,486
<u>107,006</u>	<u>18</u>	<u>0</u>	<u>977,956</u>	<u>19,120</u>	<u>19,530</u>	<u>1,144,821</u>
(47,525)	(18)	60,096	(391,597)	32,306	23,512	(302,404)
39,086	0	44,000	488,000	0	0	571,086
0	0	(88,000)	0	0	0	(88,000)
<u>39,086</u>	<u>0</u>	<u>(44,000)</u>	<u>488,000</u>	<u>0</u>	<u>0</u>	<u>483,086</u>
(8,439)	(18)	16,096	96,403	32,306	23,512	180,682
33,066	18	86,645	1,338,137	521,148	161,265	2,213,732
<u>\$ 24,627</u>	<u>\$ 0</u>	<u>\$ 102,741</u>	<u>\$ 1,434,540</u>	<u>\$ 553,454</u>	<u>\$ 184,777</u>	<u>\$ 2,394,414</u>

CITY OF MONTGOMERY, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2006**

	Special Assessment Bond Retirement	Ohio National Tax Increment	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 91,972	\$ 2,399,475	\$ 2,491,447
Receivables (net of allowance for doubtful accounts):			
Special Assessments	311,338	0	311,338
Total Assets	<u>\$ 403,310</u>	<u>\$ 2,399,475</u>	<u>\$ 2,802,785</u>
Liabilities:			
Deferred Revenue	\$ 311,338	\$ 0	\$ 311,338
Total Liabilities	<u>311,338</u>	<u>0</u>	<u>311,338</u>
Fund Balances:			
Reserved for Debt Service	91,972	2,399,475	2,491,447
Total Fund Balances	<u>91,972</u>	<u>2,399,475</u>	<u>2,491,447</u>
Total Liabilities and Fund Balances	<u>\$ 403,310</u>	<u>\$ 2,399,475</u>	<u>\$ 2,802,785</u>

CITY OF MONTGOMERY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

	Special Assessment Bond Retirement	Ohio National Tax Increment	Total Nonmajor Debt Service Funds
Revenues:			
Taxes	\$ 0	\$ 706,161	\$ 706,161
Special Assessments	81,236	0	81,236
Total Revenue	<u>81,236</u>	<u>706,161</u>	<u>787,397</u>
Expenditures:			
General Government	1,950	147,198	149,148
Debt Service:			
Principal Retirement	42,883	220,000	262,883
Interest and Fiscal Charges	16,840	74,278	91,118
Total Expenditures	<u>61,673</u>	<u>441,476</u>	<u>503,149</u>
Net Change in Fund Balances	19,563	264,685	284,248
Fund Balances at Beginning of Year	<u>72,409</u>	<u>2,134,790</u>	<u>2,207,199</u>
Fund Balances End of Year	<u>\$ 91,972</u>	<u>\$ 2,399,475</u>	<u>\$ 2,491,447</u>

CITY OF MONTGOMERY, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2006**

	Special Assessment Capital Projects	Community Development Block Grant	Urban Redevelopment	Total Nonmajor Capital Projects Funds
Assets:				
Cash and Cash Equivalents	\$ 98,776	\$ 12,390	\$ 196,954	\$ 308,120
Total Assets	<u>\$ 98,776</u>	<u>\$ 12,390</u>	<u>\$ 196,954</u>	<u>\$ 308,120</u>
Liabilities:				
Interfund Loans Payable	\$ 0	\$ 8,700	\$ 0	\$ 8,700
Total Liabilities	<u>0</u>	<u>8,700</u>	<u>0</u>	<u>8,700</u>
Fund Balances:				
Undesignated/Unreserved	98,776	3,690	196,954	299,420
Total Fund Balances	<u>98,776</u>	<u>3,690</u>	<u>196,954</u>	<u>299,420</u>
Total Liabilities and Fund Balances	<u>\$ 98,776</u>	<u>\$ 12,390</u>	<u>\$ 196,954</u>	<u>\$ 308,120</u>

CITY OF MONTGOMERY, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

	Special Assessment Capital Projects	Community Development Block Grant	Urban Redevelopment	Total Nonmajor Capital Project Funds
Revenues:				
Taxes	\$ 0	\$ 0	\$ 92,282	\$ 92,282
Total Revenue	<u>0</u>	<u>0</u>	<u>92,282</u>	<u>92,282</u>
Expenditures:				
Current:				
General Government	0	0	941	941
Capital Outlay	<u>0</u>	<u>0</u>	<u>1,227</u>	<u>1,227</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>2,168</u>	<u>2,168</u>
Net Change in Fund Balances	0	0	90,114	90,114
Fund Balances at Beginning of Year	<u>98,776</u>	<u>3,690</u>	<u>106,840</u>	<u>209,306</u>
Fund Balances End of Year	<u>\$ 98,776</u>	<u>\$ 3,690</u>	<u>\$ 196,954</u>	<u>\$ 299,420</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,924,479	\$ 5,924,479	\$ 6,333,630	\$ 409,151
Intergovernmental Revenues	591,151	591,151	567,195	(23,956)
Charges for Services	183,097	183,097	218,894	35,797
Licenses, Permits and Fees	164,075	164,075	264,898	100,823
Investment Earnings	330,000	330,000	731,897	401,897
Fines and Forfeitures	146,942	146,942	105,427	(41,515)
All Other Revenues	40,656	40,656	527,365	486,709
Total Revenues	<u>7,380,400</u>	<u>7,380,400</u>	<u>8,749,306</u>	<u>1,368,906</u>
Expenditures:				
Public Safety:				
Police:				
Personal Services	2,252,002	2,252,273	2,082,240	170,033
Material, Supplies, and Services	270,243	299,672	255,797	43,875
Capital Outlay	86,150	86,150	79,527	6,623
Total Police	<u>2,608,395</u>	<u>2,638,095</u>	<u>2,417,564</u>	<u>220,531</u>
Disaster Service:				
Material, Supplies, and Services	6,500	12,700	12,527	173
Total Disaster Service	<u>6,500</u>	<u>12,700</u>	<u>12,527</u>	<u>173</u>
Public Health and Welfare:				
Personal Services	51,204	51,204	37,856	13,348
Total Public Health and Welfare	<u>51,204</u>	<u>51,204</u>	<u>37,856</u>	<u>13,348</u>
Civil Service:				
Material, Supplies, and Services	6,075	7,575	6,814	761
Total Civil Service	<u>6,075</u>	<u>7,575</u>	<u>6,814</u>	<u>761</u>
Total Public Safety	<u>2,672,174</u>	<u>2,709,574</u>	<u>2,474,761</u>	<u>234,813</u>
Parks and Recreation:				
Recreation:				
Personal Services	127,848	127,848	117,598	10,250
Material, Supplies, and Services	78,250	86,085	71,366	14,719
Capital Outlay	5,400	6,250	12,406	(6,156)
Total Recreation	<u>211,498</u>	<u>220,183</u>	<u>201,370</u>	<u>18,813</u>

(Continued)

CITY OF MONTGOMERY, OHIO

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Major Funds – General Fund For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
City Parks:				
Personal Services	195,538	195,538	180,971	14,567
Materials, Supplies, and Services	135,253	155,373	123,926	31,447
Capital Outlay	<u>25,400</u>	<u>36,357</u>	<u>28,706</u>	<u>7,651</u>
Total City Parks	356,191	387,268	333,603	53,665
Lodges:				
Materials, Supplies, and Services	16,168	17,864	12,624	5,240
Capital Outlay	<u>6,000</u>	<u>8,200</u>	<u>9,145</u>	<u>(945)</u>
Total Lodges	22,168	26,064	21,769	4,295
City Beautiful:				
Material, Supplies, and Services	89,390	97,967	90,071	7,896
Capital Outlay	<u>8,000</u>	<u>9,225</u>	<u>5,809</u>	<u>3,416</u>
Total City Beautiful	97,390	107,192	95,880	11,312
Special Events:				
Material, Supplies, and Services	<u>69,775</u>	<u>72,885</u>	<u>60,127</u>	<u>12,758</u>
Total Special Events	69,775	72,885	60,127	12,758
Total Parks and Recreation	<u>757,022</u>	<u>813,592</u>	<u>712,749</u>	<u>100,843</u>
Community Economic Development:				
Landmarks Commission:				
Personal Services	1,176	1,176	875	301
Material, Supplies, and Services	9,000	9,402	7,938	1,464
Capital Outlay	<u>2,100</u>	<u>7,666</u>	<u>5,566</u>	<u>2,100</u>
Total Landmarks Commission	12,276	18,244	14,379	3,865
Development				
Personal Services	247,228	247,228	214,538	32,690
Material, Supplies, and Services	159,200	202,909	196,495	6,414
Capital Outlay	<u>1,400</u>	<u>1,400</u>	<u>1,430</u>	<u>(30)</u>
Total Development	407,828	451,537	412,463	39,074
Planning Commission:				
Personal Services	2,810	2,810	1,417	1,393
Material, Supplies, and Services	2,900	2,900	1,813	1,087
Capital Outlay	<u>25,000</u>	<u>44,329</u>	<u>19,329</u>	<u>25,000</u>
Total Planning Commission	30,710	50,039	22,559	27,480
Total Community Economic Development	<u>450,814</u>	<u>519,820</u>	<u>449,401</u>	<u>70,419</u>

(Continued)

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Public Works:				
Personal Services	267,088	267,088	250,040	17,048
Material, Supplies, and Services	75,670	79,352	79,357	(5)
Capital Outlay	23,600	23,600	17,442	6,158
Total Public Works	<u>366,358</u>	<u>370,040</u>	<u>346,839</u>	<u>23,201</u>
General Government:				
Administration:				
Personal Services	496,319	496,319	395,807	100,512
Material, Supplies, and Services	24,050	29,780	28,040	1,740
Capital Outlay	2,200	3,200	2,443	757
Total Administration	<u>522,569</u>	<u>529,299</u>	<u>426,290</u>	<u>103,009</u>
Finance Administration:				
Personal Services	249,477	249,477	208,027	41,450
Material, Supplies, and Services	47,400	54,550	70,672	(16,122)
Capital Outlay	3,400	3,400	2,114	1,286
Total Finance Administration	<u>300,277</u>	<u>307,427</u>	<u>280,813</u>	<u>26,614</u>
Legal Administration:				
Material, Supplies, and Services	158,000	264,846	247,840	17,006
Capital Outlay	6,000	11,700	11,700	0
Total Legal Administration	<u>164,000</u>	<u>276,546</u>	<u>259,540</u>	<u>17,006</u>
Income Tax:				
Personal Services	158,579	158,579	157,521	1,058
Material, Supplies, and Services	14,650	17,213	16,567	646
Capital Outlay	2,200	2,200	1,424	776
Total Income Tax	<u>175,429</u>	<u>177,992</u>	<u>175,512</u>	<u>2,480</u>
Council:				
Personal Services	19,919	19,919	12,783	7,136
Material, Supplies, and Services	1,200	1,525	1,339	186
Capital Outlay	2,400	2,400	2,130	270
Total Council	<u>23,519</u>	<u>23,844</u>	<u>16,252</u>	<u>7,592</u>
Mayor's Court:				
Personal Services	84,948	84,948	80,506	4,442
Material, Supplies, and Services	34,964	35,443	31,247	4,196
Total Mayor's Court	<u>119,912</u>	<u>120,391</u>	<u>111,753</u>	<u>8,638</u>

(Continued)

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Volunteer Services:				
Personal Services	39,698	39,698	35,729	3,969
Materials, Supplies, and Services	3,979	3,979	3,514	465
Capital Outlay	3,112	3,112	3,577	(465)
Total Volunteer Services	<u>46,789</u>	<u>46,789</u>	<u>42,820</u>	<u>3,969</u>
Information Technology:				
Personal Services	106,063	106,063	104,185	1,878
Materials, Supplies, and Services	22,520	25,017	25,487	(470)
Capital Outlay	14,000	14,161	14,000	161
Total Information Technology	<u>142,583</u>	<u>145,241</u>	<u>143,672</u>	<u>1,569</u>
General Administration:				
Personal Services	2,000	2,764	2,884	(120)
Material, Supplies, and Services	1,223,638	1,465,054	1,290,805	174,249
Capital Outlay	530,300	581,327	570,308	11,019
Total General Administration	<u>1,755,938</u>	<u>2,049,145</u>	<u>1,863,997</u>	<u>185,148</u>
Total General Government	<u>3,251,016</u>	<u>3,676,674</u>	<u>3,320,649</u>	<u>356,025</u>
Total Expenditures	<u>7,487,384</u>	<u>8,079,700</u>	<u>7,294,399</u>	<u>785,301</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(106,984)	(699,300)	1,454,907	2,154,207
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	7,510	7,510
Transfers Out	(528,336)	(528,336)	(513,086)	15,250
Advances In	0	0	13,000	13,000
Advances Out	0	0	(13,000)	(13,000)
Total Other Financing Sources (Uses)	<u>(528,336)</u>	<u>(528,336)</u>	<u>(505,576)</u>	<u>22,760</u>
Net Change in Fund Balance	(635,320)	(1,227,636)	949,331	2,176,967
Fund Balance at Beginning of Year	10,197,058	10,197,058	10,197,058	0
Prior Year Encumbrances	470,187	470,187	470,187	0
Fund Balance at End of Year	<u>\$ 10,031,925</u>	<u>\$ 9,439,609</u>	<u>\$ 11,616,576</u>	<u>\$ 2,176,967</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Fund
For the Year Ended December 31, 2006**

FIRE PROTECTION / EMS FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,643,928	\$ 1,643,928	\$ 1,791,714	\$ 147,786
Intergovernmental Revenues	235,647	235,647	174,224	(61,423)
Charges for Services	70,250	70,250	92,502	22,252
Investment Earnings	52,909	52,909	168,014	115,105
All Other Revenues	5,900	5,900	17,435	11,535
Total Revenues	<u>2,008,634</u>	<u>2,008,634</u>	<u>2,243,889</u>	<u>235,255</u>
Expenditures:				
Public Works:				
Personal Services	1,569,019	1,569,019	1,276,594	292,425
Material, Supplies, and Services	208,800	214,870	178,913	35,957
Capital Outlay	231,300	393,506	405,688	(12,182)
Total Expenditures	<u>2,009,119</u>	<u>2,177,395</u>	<u>1,861,195</u>	<u>316,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(485)	(168,761)	382,694	551,455
Other Financing Sources (Uses):				
Sale of Capital Assets	20,000	20,000	44,100	24,100
Transfers Out	(119,000)	(119,000)	(119,000)	0
Total Other Financing Sources (Uses)	<u>(99,000)</u>	<u>(99,000)</u>	<u>(74,900)</u>	<u>24,100</u>
Net Change in Fund Balance	(99,485)	(267,761)	307,794	575,555
Fund Balance at Beginning of Year	2,599,837	2,599,837	2,599,837	0
Prior Year Encumbrances	168,276	168,276	168,276	0
Fund Balance at End of Year	<u>\$ 2,668,628</u>	<u>\$ 2,500,352</u>	<u>\$ 3,075,907</u>	<u>\$ 575,555</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Debt Service Fund
For the Year Ended December 31, 2006**

GENERAL OBLIGATION BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 924,207	\$ 924,207	\$ 965,212	\$ 41,005
Total Revenues	<u>924,207</u>	<u>924,207</u>	<u>965,212</u>	<u>41,005</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	13,200	13,200	0	13,200
Total General Government	<u>13,200</u>	<u>13,200</u>	<u>0</u>	<u>13,200</u>
Debt Service:				
Principal Retirement	605,000	605,000	655,000	(50,000)
Interest and Fiscal Charges	<u>202,551</u>	<u>202,551</u>	<u>147,970</u>	<u>54,581</u>
Total Expenditures	<u>820,751</u>	<u>820,751</u>	<u>802,970</u>	<u>17,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	103,456	103,456	162,242	58,786
Other Financing Sources (Uses):				
Transfers In	<u>119,000</u>	<u>119,000</u>	<u>119,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>119,000</u>	<u>119,000</u>	<u>119,000</u>	<u>0</u>
Net Change in Fund Balance	222,456	222,456	281,242	58,786
Fund Balance at Beginning of Year	<u>837,265</u>	<u>837,265</u>	<u>837,265</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,059,721</u>	<u>\$ 1,059,721</u>	<u>\$ 1,118,507</u>	<u>\$ 58,786</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Debt Service Fund
For the Year Ended December 31, 2006**

RESERVE OF MONTGOMERY BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Special Assessments	\$ 179,589	\$ 179,589	\$ 181,302	\$ 1,713
Total Revenues	<u>179,589</u>	<u>179,589</u>	<u>181,302</u>	<u>1,713</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	6,255	6,255	5,412	843
Total General Government	<u>6,255</u>	<u>6,255</u>	<u>5,412</u>	<u>843</u>
Debt Service:				
Principal Retirement	105,000	105,000	105,000	0
Interest and Fiscal Charges	<u>65,330</u>	<u>65,330</u>	<u>65,130</u>	<u>200</u>
Total Expenditures	<u>176,585</u>	<u>176,585</u>	<u>175,542</u>	<u>1,043</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,004	3,004	5,760	2,756
Fund Balance at Beginning of Year	<u>55,645</u>	<u>55,645</u>	<u>55,645</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 58,649</u>	<u>\$ 58,649</u>	<u>\$ 61,405</u>	<u>\$ 2,756</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund
For the Year Ended December 31, 2006**

CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 1,337,813	\$ 1,337,813	\$ 1,383,471	\$ 45,658
All Other Revenues	0	0	213,973	213,973
Total Revenues	<u>1,337,813</u>	<u>1,337,813</u>	<u>1,597,444</u>	<u>259,631</u>
Expenditures:				
Capital Outlay:				
Capital Outlay	<u>1,726,650</u>	<u>2,356,482</u>	<u>2,147,554</u>	<u>208,928</u>
Total Expenditures	<u>1,726,650</u>	<u>2,356,482</u>	<u>2,147,554</u>	<u>208,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(388,837)	(1,018,669)	(550,110)	468,559
Other Financing Sources (Uses):				
Advances Out	<u>(525,000)</u>	<u>(525,000)</u>	<u>(525,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(525,000)</u>	<u>(525,000)</u>	<u>(525,000)</u>	<u>0</u>
Net Change in Fund Balance	(913,837)	(1,543,669)	(1,075,110)	468,559
Fund Balance at Beginning of Year	1,600,432	1,600,432	1,600,432	0
Prior Year Encumbrances	415,859	415,859	415,859	0
Fund Balance at End of Year	<u>\$ 1,102,454</u>	<u>\$ 472,622</u>	<u>\$ 941,181</u>	<u>\$ 468,559</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund
For the Year Ended December 31, 2006**

TRIANGLE TAX INCREMENT FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
General Government:				
Total General Government	0	0	0	0
Capital Outlay:				
Capital Outlay	987,500	1,081,740	783,533	298,207
Total Expenditures	987,500	1,081,740	783,533	298,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	(987,500)	(1,081,740)	(783,533)	298,207
Other Financing Sources (Uses):				
Advances In	525,000	525,000	525,000	0
Total Other Financing Sources (Uses)	525,000	525,000	525,000	0
Net Change in Fund Balance	(462,500)	(556,740)	(258,533)	298,207
Fund Balance at Beginning of Year	465,973	465,973	465,973	0
Prior Year Encumbrances	48,240	48,240	48,240	0
Fund Balance at End of Year	<u>\$ 51,713</u>	<u>\$ (42,527)</u>	<u>\$ 255,680</u>	<u>\$ 298,207</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	MEMORIAL FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Fines and Forfeitures	\$ 4,400	\$ 4,400	\$ 25,198	\$ 20,798
Total Revenues	4,400	4,400	25,198	20,798
Expenditures:				
Community Economic Development:				
Material, Supplies, and Services	4,400	5,957	4,632	1,325
Total Expenditures	4,400	5,957	4,632	1,325
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,557)	20,566	22,123
Fund Balance at Beginning of Year	996	996	996	0
Prior Year Encumbrances	1,911	1,911	1,911	0
Fund Balance at End of Year	\$ 2,907	\$ 1,350	\$ 23,473	\$ 22,123

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

PARKS AND RECREATION FUNDRAISING FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 10,000	\$ 10,000	\$ 0	\$ (10,000)
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>
Expenditures:				
Parks and Recreation:				
Capital Outlay	10,000	0	0	0
Total Expenditures	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	10,000	0	(10,000)
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ (10,000)</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

LAW ENFORCEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 800	\$ 800	\$ 3,909	\$ 3,109
All Other Revenues	400	400	0	(400)
Total Revenues	<u>1,200</u>	<u>1,200</u>	<u>3,909</u>	<u>2,709</u>
Expenditures:				
Public Safety:				
Material, Supplies, and Services	400	400	219	181
Capital Outlay	<u>5,500</u>	<u>5,500</u>	<u>3,785</u>	<u>1,715</u>
Total Expenditures	<u>5,900</u>	<u>5,900</u>	<u>4,004</u>	<u>1,896</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,700)	(4,700)	(95)	4,605
Fund Balance at Beginning of Year	<u>4,730</u>	<u>4,730</u>	<u>4,730</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 30</u></u>	<u><u>\$ 30</u></u>	<u><u>\$ 4,635</u></u>	<u><u>\$ 4,605</u></u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

DRUG LAW ENFORCEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 300	\$ 300	\$ 370	\$ 70
Total Revenues	<u>300</u>	<u>300</u>	<u>370</u>	<u>70</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	<u>300</u>	<u>300</u>	<u>0</u>	<u>300</u>
Total Expenditures	<u>300</u>	<u>300</u>	<u>0</u>	<u>300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	370	370
Fund Balance at Beginning of Year	<u>3,808</u>	<u>3,808</u>	<u>3,808</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,808</u>	<u>\$ 3,808</u>	<u>\$ 4,178</u>	<u>\$ 370</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

DUI ENFORCEMENT AND EDUCATION FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 1,000	\$ 1,000	\$ 1,545	\$ 545
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,545</u>	<u>545</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	1,200	1,200	778	422
Total Expenditures	<u>1,200</u>	<u>1,200</u>	<u>778</u>	<u>422</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200)	(200)	767	967
Fund Balance at Beginning of Year	3,484	3,484	3,484	0
Fund Balance at End of Year	<u>\$ 3,284</u>	<u>\$ 3,284</u>	<u>\$ 4,251</u>	<u>\$ 967</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

MAYOR'S COURT TECHNOLOGY FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 20,000	\$ 20,000	\$ 11,420	\$ (8,580)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>11,420</u>	<u>(8,580)</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	17,977	18,213	6,427	11,786
Capital Outlay	<u>10,700</u>	<u>10,700</u>	<u>6,351</u>	<u>4,349</u>
Total Expenditures	<u>28,677</u>	<u>28,913</u>	<u>12,778</u>	<u>16,135</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,677)	(8,913)	(1,358)	7,555
Fund Balance at Beginning of Year	57,459	57,459	57,459	0
Prior Year Encumbrances	<u>236</u>	<u>236</u>	<u>236</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 49,018</u>	<u>\$ 48,782</u>	<u>\$ 56,337</u>	<u>\$ 7,555</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	COPS GRANT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 58,630	\$ 58,630	\$ 59,481	\$ 851
Total Revenues	58,630	58,630	59,481	851
Expenditures:				
Public Works:				
Personal Services	104,516	104,516	103,173	1,343
Material, Supplies, and Services	3,200	3,200	2,868	332
Capital Outlay	1,000	1,000	956	44
Total Expenditures	108,716	108,716	106,997	1,719
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,086)	(50,086)	(47,516)	2,570
Other Financing Sources (Uses):				
Transfers In	39,086	39,086	39,086	0
Total Other Financing Sources (Uses)	39,086	39,086	39,086	0
Net Change in Fund Balance	(11,000)	(11,000)	(8,430)	2,570
Fund Balance at Beginning of Year	33,444	33,444	33,444	0
Fund Balance at End of Year	\$ 22,444	\$ 22,444	\$ 25,014	\$ 2,570

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

ENVIRONMENTAL IMPACT TAX FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Licenses, Permits and Fees	\$ 44,000	\$ 44,000	\$ 51,983	\$ 7,983
Investment Earnings	2,980	2,980	7,825	4,845
Total Revenues	<u>46,980</u>	<u>46,980</u>	<u>59,808</u>	<u>12,828</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,980	46,980	59,808	12,828
Other Financing Sources (Uses):				
Transfers In	44,000	44,000	44,000	0
Transfers Out	<u>(88,000)</u>	<u>(88,000)</u>	<u>(88,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(44,000)</u>	<u>(44,000)</u>	<u>(44,000)</u>	<u>0</u>
Net Change in Fund Balance	2,980	2,980	15,808	12,828
Fund Balance at Beginning of Year	<u>87,106</u>	<u>87,106</u>	<u>87,106</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 90,086</u>	<u>\$ 90,086</u>	<u>\$ 102,914</u>	<u>\$ 12,828</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 486,326	\$ 486,326	\$ 497,210	\$ 10,884
Investment Earnings	34,303	34,303	74,650	40,347
All Other Revenues	4,500	4,500	10,949	6,449
Total Revenues	<u>525,129</u>	<u>525,129</u>	<u>582,809</u>	<u>57,680</u>
Expenditures:				
Public Works:				
Personal Services	802,524	803,350	739,368	63,982
Material, Supplies, and Services	264,799	301,441	268,713	32,728
Capital Outlay	39,300	42,790	34,128	8,662
Total Expenditures	<u>1,106,623</u>	<u>1,147,581</u>	<u>1,042,209</u>	<u>105,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(581,494)	(622,452)	(459,400)	163,052
Other Financing Sources (Uses):				
Transfers In	488,000	488,000	488,000	0
Total Other Financing Sources (Uses)	<u>488,000</u>	<u>488,000</u>	<u>488,000</u>	<u>0</u>
Net Change in Fund Balance	(93,494)	(134,452)	28,600	163,052
Fund Balance at Beginning of Year	1,267,390	1,267,390	1,267,390	0
Prior Year Encumbrances	40,958	40,958	40,958	0
Fund Balance at End of Year	<u>\$ 1,214,854</u>	<u>\$ 1,173,896</u>	<u>\$ 1,336,948</u>	<u>\$ 163,052</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

ARTS AND AMENITIES FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 10,000	\$ 10,000	\$ 15,640	\$ 5,640
Investment Earnings	12,605	12,605	33,024	20,419
All Other Revenues	10,000	10,000	920	(9,080)
Total Revenues	<u>32,605</u>	<u>32,605</u>	<u>49,584</u>	<u>16,979</u>
Expenditures:				
Parks and Recreation:				
Material, Supplies, and Services	17,450	17,814	16,230	1,584
Capital Outlay	5,000	5,000	5,000	0
Total Expenditures	<u>22,450</u>	<u>22,814</u>	<u>21,230</u>	<u>1,584</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,155	9,791	28,354	18,563
Fund Balance at Beginning of Year	523,558	523,558	523,558	0
Prior Year Encumbrances	364	364	364	0
Fund Balance at End of Year	<u>\$ 534,077</u>	<u>\$ 533,713</u>	<u>\$ 552,276</u>	<u>\$ 18,563</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	CEMETERY FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Charges for Services	\$ 39,250	\$ 39,250	\$ 31,671	\$ (7,579)
Investment Earnings	5,494	5,494	10,824	5,330
Total Revenues	<u>44,744</u>	<u>44,744</u>	<u>42,495</u>	<u>(2,249)</u>
Expenditures:				
Public Works:				
Material, Supplies, and Services	30,775	31,517	20,783	10,734
Capital Outlay	9,500	9,500	2,251	7,249
Total Expenditures	<u>40,275</u>	<u>41,017</u>	<u>23,034</u>	<u>17,983</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,469	3,727	19,461	15,734
Fund Balance at Beginning of Year	161,381	161,381	161,381	0
Prior Year Encumbrances	742	742	742	0
Fund Balance at End of Year	<u>\$ 166,592</u>	<u>\$ 165,850</u>	<u>\$ 181,584</u>	<u>\$ 15,734</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

SPECIAL ASSESSMENT BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Special Assessments	\$ 69,112	\$ 69,112	\$ 81,236	\$ 12,124
Total Revenues	<u>69,112</u>	<u>69,112</u>	<u>81,236</u>	<u>12,124</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	1,950	1,950	1,950	0
Total General Government	<u>1,950</u>	<u>1,950</u>	<u>1,950</u>	<u>0</u>
Debt Service:				
Principal Retirement	42,883	42,883	42,883	0
Interest and Fiscal Charges	<u>17,040</u>	<u>17,040</u>	<u>16,840</u>	<u>200</u>
Total Expenditures	<u>61,873</u>	<u>61,873</u>	<u>61,673</u>	<u>200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,239	7,239	19,563	12,324
Fund Balance at Beginning of Year	<u>72,409</u>	<u>72,409</u>	<u>72,409</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 79,648</u>	<u>\$ 79,648</u>	<u>\$ 91,972</u>	<u>\$ 12,324</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

OHIO NATIONAL TAX INCREMENT FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 705,549	\$ 705,549	\$ 706,161	\$ 612
Total Revenues	<u>705,549</u>	<u>705,549</u>	<u>706,161</u>	<u>612</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	146,700	146,700	147,198	(498)
Total General Government	<u>146,700</u>	<u>146,700</u>	<u>147,198</u>	<u>(498)</u>
Debt Service:				
Principal Retirement	220,000	220,000	220,000	0
Interest and Fiscal Charges	<u>75,278</u>	<u>75,278</u>	<u>74,278</u>	<u>1,000</u>
Total Expenditures	<u>441,978</u>	<u>441,978</u>	<u>441,476</u>	<u>502</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	263,571	263,571	264,685	1,114
Fund Balance at Beginning of Year	<u>2,134,790</u>	<u>2,134,790</u>	<u>2,134,790</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,398,361</u>	<u>\$ 2,398,361</u>	<u>\$ 2,399,475</u>	<u>\$ 1,114</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

SPECIAL ASSESSMENT CAPITAL PROJECTS FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Special Assessments	\$ 20,836	\$ 20,836	\$ 0	\$ (20,836)
Total Revenues	<u>20,836</u>	<u>20,836</u>	<u>0</u>	<u>(20,836)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,836	20,836	0	(20,836)
Fund Balance at Beginning of Year	<u>98,776</u>	<u>98,776</u>	<u>98,776</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 119,612</u>	<u>\$ 119,612</u>	<u>\$ 98,776</u>	<u>\$ (20,836)</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 13,000	\$ 13,000	\$ 0	\$ (13,000)
Total Revenues	<u>13,000</u>	<u>13,000</u>	<u>0</u>	<u>(13,000)</u>
Expenditures:				
Capital Outlay:				
Capital Outlay	13,000	13,000	0	13,000
Total Expenditures	<u>13,000</u>	<u>13,000</u>	<u>0</u>	<u>13,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses):				
Advances In	13,000	13,000	13,000	0
Advances Out	0	0	(13,000)	(13,000)
Total Other Financing Sources (Uses)	<u>13,000</u>	<u>13,000</u>	<u>0</u>	<u>(13,000)</u>
Net Change in Fund Balance	13,000	13,000	0	(13,000)
Fund Balance at Beginning of Year	<u>12,390</u>	<u>12,390</u>	<u>12,390</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 25,390</u>	<u>\$ 25,390</u>	<u>\$ 12,390</u>	<u>\$ (13,000)</u>

CITY OF MONTGOMERY, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

URBAN REDEVELOPMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 74,439	\$ 74,439	\$ 92,282	\$ 17,843
Intergovernmental Revenues	8,242	8,242	0	(8,242)
Total Revenues	<u>82,681</u>	<u>82,681</u>	<u>92,282</u>	<u>9,601</u>
Expenditures:				
General Government:				
Material, Supplies, and Services	812	812	941	(129)
Total General Government	<u>812</u>	<u>812</u>	<u>941</u>	<u>(129)</u>
Capital Outlay:				
Capital Outlay	47,100	55,678	1,227	54,451
Total Capital Outlay	<u>47,100</u>	<u>55,678</u>	<u>1,227</u>	<u>54,451</u>
Total Expenditures	<u>47,912</u>	<u>56,490</u>	<u>2,168</u>	<u>54,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,769	26,191	90,114	63,923
Fund Balance at Beginning of Year	98,262	98,262	98,262	0
Prior Year Encumbrances	8,578	8,578	8,578	0
Fund Balance at End of Year	<u>\$ 141,609</u>	<u>\$ 133,031</u>	<u>\$ 196,954</u>	<u>\$ 63,923</u>



Fiduciary Funds

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

Agency Funds

Mayor's Court Fund

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

Trust Reimbursement Fund

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

Unclaimed Monies Fund

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

CITY OF MONTGOMERY, OHIO

**Combining Statement Of Changes In Assets And Liabilities
Agency Funds
For the Year Ended December 31, 2006**

	Balance December 31, 2005	Additions	Deductions	Balance December 31, 2006
<u>Mayor's Court</u>				
Assets:				
Restricted Assets:				
Cash with Fiscal Agent	\$1,055	\$145,152	(\$145,383)	\$824
Total Assets	<u>\$1,055</u>	<u>\$145,152</u>	<u>(\$145,383)</u>	<u>\$824</u>
Liabilities:				
Due to Others	\$1,055	\$145,152	(\$145,383)	\$824
Total Liabilities	<u>\$1,055</u>	<u>\$145,152</u>	<u>(\$145,383)</u>	<u>\$824</u>
<u>Trust Reimbursement</u>				
Assets:				
Restricted Assets:				
Cash with Fiscal Agent	\$196,180	\$104,260	(\$60,484)	\$239,956
Total Assets	<u>\$196,180</u>	<u>\$104,260</u>	<u>(\$60,484)</u>	<u>\$239,956</u>
Liabilities:				
Accounts Payable	\$190,413	\$100,392	(\$58,240)	\$232,565
Intergovernmental Payables	5,767	3,868	(2,244)	7,391
Total Liabilities	<u>\$196,180</u>	<u>\$104,260</u>	<u>(\$60,484)</u>	<u>\$239,956</u>
<u>Unclaimed Monies</u>				
Assets:				
Restricted Assets:				
Cash and Cash Equivalents	\$4,066	\$0	\$0	\$4,066
Total Assets	<u>\$4,066</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,066</u>
Liabilities:				
Due to Others	\$4,066	\$0	\$0	\$4,066
Total Liabilities	<u>\$4,066</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,066</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Restricted Assets:				
Cash and Cash Equivalents	\$4,066	\$0	\$0	\$4,066
Cash with Fiscal Agent	197,235	249,412	(205,867)	240,780
Total Assets	<u>\$201,301</u>	<u>\$249,412</u>	<u>(\$205,867)</u>	<u>\$244,846</u>
Liabilities:				
Accounts Payable	\$190,413	\$100,392	(\$58,240)	\$232,565
Intergovernmental Payables	5,767	3,868	(2,244)	7,391
Due to Others	5,121	145,152	(145,383)	4,890
Total Liabilities	<u>\$201,301</u>	<u>\$249,412</u>	<u>(\$205,867)</u>	<u>\$244,846</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF MONTGOMERY, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2006***

Capital Assets:

Land	\$14,775,785
Buildings	3,341,123
Improvements Other than Buildings	3,920,656
Infrastructure	22,460,464
Machinery and Equipment	4,527,211
Total Capital Assets	<u>\$49,025,239</u>

Investment in Capital Assets from:

General Fund	\$11,762,120
Special Revenue Funds	4,521,425
Capital Projects Funds	32,625,501
Private Purpose Trust Funds	116,193
Total Investment in Capital Assets	<u>\$49,025,239</u>

CITY OF MONTGOMERY, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2006**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Infrastructure
<u>General Government:</u>				
Administration	\$0	\$286,177	\$417,493	\$0
Finance	0	0	0	0
Mayor's Court	0	0	0	0
Total	<u>0</u>	<u>286,177</u>	<u>417,493</u>	<u>0</u>
<u>Public Safety</u>				
Police	278,400	1,799,140	0	0
Fire/EMS	0	0	0	0
Communications	0	0	0	0
Total	<u>278,400</u>	<u>1,799,140</u>	<u>0</u>	<u>0</u>
<u>Public Works</u>				
Street/Service	8,685,273	795,875	101,409	22,460,464
Cemetery	274,743	0	4,313	0
Total	<u>8,960,016</u>	<u>795,875</u>	<u>105,722</u>	<u>22,460,464</u>
<u>Parks and Recreation</u>				
Parks/Recreation	<u>4,284,640</u>	<u>189,567</u>	<u>3,222,082</u>	<u>0</u>
<u>Community Economic Development:</u>				
Development	1,252,729	270,364	73,167	0
Historic Trust	0	0	102,192	0
Total	<u>1,252,729</u>	<u>270,364</u>	<u>175,359</u>	<u>0</u>
Total Capital Assets	<u>\$14,775,785</u>	<u>\$3,341,123</u>	<u>\$3,920,656</u>	<u>\$22,460,464</u>

CITY OF MONTGOMERY, OHIO

<u>Machinery and Equipment</u>	<u>Total</u>
\$271,525	\$975,195
67,314	67,314
<u>47,052</u>	<u>47,052</u>
<u>385,891</u>	<u>1,089,561</u>
584,045	2,661,585
2,080,543	2,080,543
<u>17,161</u>	<u>17,161</u>
<u>2,681,749</u>	<u>4,759,289</u>
1,084,558	33,127,579
<u>6,814</u>	<u>285,870</u>
<u>1,091,372</u>	<u>33,413,449</u>
<u>271,183</u>	<u>7,967,472</u>
92,196	1,688,456
<u>4,820</u>	<u>107,012</u>
<u>97,016</u>	<u>1,795,468</u>
<u>\$4,527,211</u>	<u>\$49,025,239</u>

CITY OF MONTGOMERY, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2006***

Function and Activity	December 31, 2005	Additions	Deletions	December 31, 2006
<u>General Government:</u>				
Administration	\$960,201	\$14,994	\$0	\$975,195
Finance	67,314	0	0	67,314
Mayor's Court	41,700	5,352	0	47,052
Total	<u>1,069,215</u>	<u>20,346</u>	<u>0</u>	<u>1,089,561</u>
<u>Public Safety</u>				
Police	2,623,252	78,834	(40,501)	2,661,585
Fire/EMS	2,117,993	190,550	(228,000)	2,080,543
Fire/EMS	17,161	0	0	17,161
Total	<u>4,758,406</u>	<u>269,384</u>	<u>(268,501)</u>	<u>4,759,289</u>
<u>Public Works</u>				
Street/Service	32,391,290	811,231	(74,942)	33,127,579
Cemetery	283,619	2,251	0	285,870
Total	<u>32,674,909</u>	<u>811,231</u>	<u>(74,942)</u>	<u>33,127,579</u>
<u>Leisure Time Activities:</u>				
Parks/Recreation	7,948,214	19,258	0	7,967,472
<u>Community Environment:</u>				
Development	1,688,456	0	0	1,688,456
Historic Trust	107,012	0	0	107,012
Total	<u>1,795,468</u>	<u>0</u>	<u>0</u>	<u>1,795,468</u>
Total Capital Assets	<u>\$48,246,212</u>	<u>\$1,122,470</u>	<u>(\$343,443)</u>	<u>\$49,025,239</u>

STATISTICAL SECTION



STATISTICAL TABLES

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

Contents

Financial Trends	S 3 – S 11
These schedules contain trend information to help the reader understand how the city’s financial position has changed over time.	
Revenue Capacity	S 12 – S 15
These schedules contain information to help the reader understand and assess the factors affecting the city’s ability to generate its most significant local revenue sources, the property tax and the sales tax.	
Debt Capacity	S 16 – S 23
These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 24 – S 27
These schedules offer economic and demographic indicators to help the reader understand the environment within which the city’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 28 – S 33
These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.	

Sources Note:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.



City of Montgomery

*Net Assets by Component
Last Three Years
(accrual basis of accounting)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:			
Invested in Capital Assets, Net of Related Debt	\$23,841,752	\$25,169,496	\$26,436,802
Restricted	14,660,323	15,362,245	15,777,842
Unrestricted	<u>10,442,992</u>	<u>11,272,760</u>	<u>13,019,687</u>
Total Governmental Activities Net Assets	<u><u>\$48,945,067</u></u>	<u><u>\$51,804,501</u></u>	<u><u>\$55,234,331</u></u>
Business-type Activities:			
Invested in Capital Assets, Net of Related Debt	\$1,410,112	\$1,358,748	\$1,307,747
Unrestricted	<u>17,091</u>	<u>52,456</u>	<u>83,839</u>
Total Business-type Activities Net Assets	<u><u>\$1,427,203</u></u>	<u><u>\$1,411,204</u></u>	<u><u>\$1,391,586</u></u>
Primary Government:			
Invested in Capital Assets, Net of Related Debt	\$25,251,864	\$26,528,244	\$27,744,549
Restricted	14,660,323	15,362,245	15,777,842
Unrestricted	<u>10,460,083</u>	<u>11,325,216</u>	<u>13,103,526</u>
Total Primary Government Net Assets	<u><u>\$50,372,270</u></u>	<u><u>\$53,215,705</u></u>	<u><u>\$56,625,917</u></u>

Source: City Finance Director's Office

City of Montgomery

*Changes in Net Assets
Last Three Years
(accrual basis of accounting)*

	2004	2005	2006
Expenses			(1)
Governmental Activities:			
Public Safety	\$4,034,433	\$4,813,554	\$4,857,414
Parks and Recreation	725,148	819,366	856,120
Community Economic Development	493,830	485,651	435,457
Public Health and Welfare Services	63,586	0	0
Public Works	2,008,508	2,044,679	2,798,249
General Government	2,697,782	2,488,043	2,669,442
Interest and Fiscal Charges	346,420	350,048	328,216
<i>Total Governmental Activities Expenses</i>	<u>10,369,707</u>	<u>11,001,341</u>	<u>11,944,898</u>
Business-type Activities:			
Municipal Pool	227,144	244,662	241,912
<i>Total Business-type Activities Expenses</i>	<u>227,144</u>	<u>244,662</u>	<u>241,912</u>
<i>Total Primary Government Expenses</i>	<u>\$10,596,851</u>	<u>\$11,246,003</u>	<u>\$12,186,810</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
Public Safety	\$259,563	\$217,513	\$211,414
Parks and Recreation	35,072	39,053	67,919
Community Economic Development	162,406	624,099	292,730
Public Health and Welfare Services	34,424	45,375	0
Public Works	0	0	31,671
General Government	251,629	203,998	220,176
Operating Grants and Contributions	148,639	38,350	494,955
Capital Grants and Contributions	55,700	18,768	0
<i>Total Governmental Activities Program Revenues</i>	<u>947,433</u>	<u>1,187,156</u>	<u>1,318,865</u>

(Continued)

(1) In 2006 the City realigned certain departmental expenditures for financial reporting purposes. The 2005 expenditures have been adjusted for comparison purposes.

City of Montgomery

Changes in Net Assets Last Three Years (accrual basis of accounting)

	2004	2005	2006
Business-type Activities:			
Charges for Services			
Municipal Pool	164,162	196,663	192,294
Operating Grants and Contributions	0	0	0
Capital Grants and Contributions	0	0	0
<i>Total Business-type Activities Program Revenues</i>	164,162	196,663	192,294
<i>Total Primary Government Program Revenues</i>	1,111,595	1,383,819	1,511,159
Net (Expense)/Revenue			
Governmental Activities	(9,422,274)	(9,814,185)	(10,626,033)
Business-type Activities	(62,982)	(47,999)	(49,618)
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$9,485,256)	(\$9,862,184)	(\$10,675,651)
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Property Taxes Levied for:			
General Purposes	\$4,001,114	\$4,050,884	\$4,591,205
Income Taxes	5,460,795	6,136,151	6,363,549
Other Local Taxes	539,802	339,367	222,865
Intergovernmental Revenue, Unrestricted	1,144,087	1,244,731	929,626
Investment Earnings	282,737	568,358	1,118,810
Miscellaneous	307,796	366,128	859,808
Transfers	(10,000)	(32,000)	(30,000)
<i>Total Governmental Activities</i>	11,726,331	12,673,619	14,055,863
Business-type Activities:			
Transfers	10,000	32,000	30,000
<i>Total Business-type Activities</i>	10,000	32,000	30,000
<i>Total Primary Government</i>	\$11,736,331	\$12,705,619	\$14,085,863
Change in Net Assets			
Governmental Activities	\$2,304,057	\$2,859,434	\$3,429,830
Business-type Activities	(52,982)	(15,999)	(19,618)
<i>Total Primary Government Change in Net Assets</i>	\$2,251,075	\$2,843,435	\$3,410,212

Source: City Finance Director's Office

City of Montgomery

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$3,009	\$45,945	\$249,859	\$142,976
Unreserved	<u>2,183,709</u>	<u>3,964,482</u>	<u>4,090,218</u>	<u>6,521,080</u>
<i>Total General Fund</i>	<u>2,186,718</u>	<u>4,010,427</u>	<u>4,340,077</u>	<u>6,664,056</u>
All Other Governmental Funds				
Reserved	754,984	1,290,917	1,808,258	2,693,666
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	1,191,991	1,182,147	927,724	1,623,952
Capital Projects Funds	<u>151,685</u>	<u>146,709</u>	<u>438,137</u>	<u>877,359</u>
Total All Other Governmental Funds	<u>2,098,660</u>	<u>2,619,773</u>	<u>3,174,119</u>	<u>5,194,977</u>
<i>Total Governmental Funds</i>	<u><u>\$4,285,378</u></u>	<u><u>\$6,630,200</u></u>	<u><u>\$7,514,196</u></u>	<u><u>\$11,859,033</u></u>

Source: City Finance Director's Office

City of Montgomery

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$194,681	\$232,441	\$226,587	\$303,486	\$369,159	\$848,817
<u>8,034,076</u>	<u>8,856,718</u>	<u>8,956,731</u>	<u>9,784,276</u>	<u>10,634,063</u>	<u>12,172,862</u>
<u>8,228,757</u>	<u>9,089,159</u>	<u>9,183,318</u>	<u>10,087,762</u>	<u>11,003,222</u>	<u>13,021,679</u>
3,004,244	4,052,400	2,967,622	4,007,598	3,889,218	4,761,597
2,305,831	2,628,647	3,723,168	3,901,646	4,679,988	5,313,779
<u>1,354,460</u>	<u>909,203</u>	<u>2,331,912</u>	<u>2,151,261</u>	<u>2,462,286</u>	<u>1,665,020</u>
<u>6,664,535</u>	<u>7,590,250</u>	<u>9,022,702</u>	<u>10,060,505</u>	<u>11,031,492</u>	<u>11,740,396</u>
<u>\$14,893,292</u>	<u>\$16,679,409</u>	<u>\$18,206,020</u>	<u>\$20,148,267</u>	<u>\$22,034,714</u>	<u>\$24,762,075</u>

City of Montgomery

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	1997	1998	1999	2000
Revenues:				
Taxes	\$6,955,554	\$7,815,545	\$7,998,679	\$10,921,055
Intergovernmental Revenues	549,159	314,739	529,898	122,067
Charges for Services	350,962	253,453	212,272	236,043
Licenses, Permits and Fees	179,103	162,761	159,297	214,031
Investment Earnings	354,618	368,884	298,124	614,128
Special Assessments	574,294	855,887	264,124	244,251
Fines and Forfeitures	202,904	297,359	153,457	173,629
All Other Revenue	72,876	280,898	78,324	525,916
Total Revenue	9,239,470	10,349,526	9,694,175	13,051,120
Expenditures:				
Current:				
Public Safety	2,674,436	2,406,355	3,322,830	3,024,669
Public Health and Welfare Services	54,003	59,926	62,852	47,900
Parks and Recreation	599,505	326,311	431,869	507,291
Community Economic Development	357,371	373,941	310,787	350,474
Basic Utility Services	358,415	328,556	1,152	0
Public Works	750,492	734,320	965,784	1,029,656
General Government	1,251,736	1,368,527	1,985,387	1,924,549
Capital Outlay	2,644,681	507,448	562,123	301,955
Debt Service:				
Principal Retirement	1,151,941	1,291,481	683,000	714,883
Interest and Fiscal Charges	1,011,112	947,125	858,454	811,141
Total Expenditures	10,853,692	8,343,990	9,184,238	8,712,518
Excess (Deficiency) of Revenues Over Expenditures	(1,614,222)	2,005,536	509,937	4,338,602

City of Montgomery

2001	2002	2003	2004	2005	2006 (1)
\$10,511,251	\$11,102,193	\$10,730,132	\$10,234,237	\$10,629,284	\$11,200,882
362,873	432,545	1,303,807	1,360,965	1,343,674	1,422,911
279,623	343,799	300,191	337,765	328,218	360,392
149,867	205,731	550,360	237,850	611,953	319,408
540,132	301,023	222,096	249,354	563,496	1,081,247
239,639	239,645	246,398	247,410	280,046	262,538
163,973	152,069	203,435	166,726	148,433	144,110
141,268	79,439	79,523	241,942	293,656	829,855
<u>12,388,626</u>	<u>12,856,444</u>	<u>13,635,942</u>	<u>13,076,249</u>	<u>14,198,760</u>	<u>15,621,343</u>
3,086,716	3,294,040	4,207,246	3,772,691	4,521,403	4,518,043
61,217	36,500	71,191	63,370	0	0
539,682	504,812	543,956	547,032	636,971	673,720
322,334	340,702	480,298	474,413	468,000	421,068
0	0	0	0	0	0
907,814	794,995	931,182	923,703	1,300,709	1,334,110
2,156,817	2,440,323	2,654,358	2,655,321	2,416,707	2,578,840
926,712	2,131,054	1,512,227	1,147,304	1,418,266	2,062,710
734,883	770,883	2,141,883	1,234,883	1,207,883	1,022,883
764,383	729,024	638,932	360,787	329,594	304,218
<u>9,500,558</u>	<u>11,042,333</u>	<u>13,181,273</u>	<u>11,179,504</u>	<u>12,299,533</u>	<u>12,915,592</u>
2,888,068	1,814,111	454,669	1,896,745	1,899,227	2,705,751

(Continued)

City of Montgomery

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	1997	1998	1999	2000
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	317,019	212,312	276,415	6,235
Proceeds from Capital Leases	126,846	0	0	0
Proceeds from Special Assessment Bonds	0	0	97,644	0
Proceeds from the Sale of Bonds	6,008,830	0	0	0
Proceeds from Bond Anticipaion Notes	0	0	0	0
Proceeds from Refunding Bonds	0	0	0	0
Payment to Refunding Bond Escrow Agent	0	0	0	0
State Infrastucture Bank Loan	0	0	0	0
Transfers In	1,971,642	1,899,896	1,416,631	987,150
Transfers Out	(1,971,642)	(1,772,921)	(1,416,631)	(987,150)
Total Other Financing Sources (Uses)	<u>6,452,695</u>	<u>339,287</u>	<u>374,059</u>	<u>6,235</u>
Net Change in Fund Balance	<u>\$4,838,473</u>	<u>\$2,344,823</u>	<u>\$883,996</u>	<u>\$4,344,837</u>
Debt Service as a Percentage of Noncapital Expenditures	35.78%	39.99%	21.56%	22.63%

Source: City Finance Director's Office

(1) In 2006 the City realigned certain departmental expenditures for financial reporting purposes.
The 2005 expenditures have been adjusted for comparison purposes.

City of Montgomery

2001	2002	2003	2004	2005	2006 (1)
26,470	2,006	16,663	24,060	19,220	51,610
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	4,495,000	0	0
0	0	1,000,000	0	0	0
0	0	7,895,000	0	0	0
0	0	(7,828,113)	(4,463,558)	0	0
0	0	0	0	0	0
979,820	1,373,817	2,512,374	937,510	1,300,443	690,086
(979,820)	(1,403,817)	(2,532,374)	(947,510)	(1,332,443)	(720,086)
<u>26,470</u>	<u>(27,994)</u>	<u>1,063,550</u>	<u>45,502</u>	<u>(12,780)</u>	<u>21,610</u>
<u>\$2,914,538</u>	<u>\$1,786,117</u>	<u>\$1,518,219</u>	<u>\$1,942,247</u>	<u>\$1,886,447</u>	<u>\$2,727,361</u>
19.92%	18.15%	29.57%	15.62%	16.07%	12.68%

City of Montgomery

*Income Tax Revenues by Source, Governmental Funds
Last Ten Years*

Tax year	1997	1998	1999	2000
Income Tax Rate	1.00%	1.00%	1.00%	1.00%
Estimated Personal Income	\$286,689	\$309,287	\$314,651	\$341,141
Total Tax Collected	\$4,025,349	\$4,270,756	\$4,557,744	\$5,041,316
Income Tax Receipts				
Withholding	2,779,128	2,980,247	3,039,358	3,361,445
Percentage	69.0%	69.8%	66.7%	66.7%
Corporate	284,608	292,022	339,915	366,462
Percentage	7.1%	6.8%	7.5%	7.3%
Individuals	961,613	998,487	1,178,471	1,313,409
Percentage	23.9%	23.4%	25.9%	26.1%

Source: City Income Tax Department

City of Montgomery

2001	2002	2003	2004	2005	2006
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
\$353,083	\$367,453	\$378,633	\$401,103	\$405,880	\$405,880
\$5,345,954	\$5,516,114	\$5,846,363	\$5,841,251	\$6,100,942	\$6,434,747
3,619,820	3,753,456	4,146,652	4,194,245	4,317,030	4,519,322
67.7%	68.0%	70.9%	71.8%	70.8%	70.2%
426,785	415,531	427,923	439,111	466,028	555,189
8.0%	7.5%	7.3%	7.5%	7.6%	8.6%
1,299,349	1,347,127	1,271,788	1,207,895	1,317,884	1,360,236
24.3%	24.4%	21.8%	20.7%	21.6%	21.1%



City of Montgomery

Income Tax Statistics Current Year and Nine Years Ago

Calendar Year 2006				
Income Level	Number of Filers	Percent of Total	Local Taxable Income	Percent of Income
\$0 - \$19,999	1,001	26.45%	\$62,564	1.44%
20,000 - 49,999	588	15.54%	203,300	4.68%
50,000 - 74,999	357	9.43%	223,525	5.14%
75,000 - 99,999	374	9.88%	325,011	7.48%
Over 100,000	1,465	38.70%	3,533,136	81.26%
Total	3,785	100.00%	\$4,347,536	100.00%

Local Taxes Paid by Residents	Tax Dollars
Taxes Credited to Other Municipalities	\$3,141,119
	\$3,141,119

Calendar Year 1997				
Income Level	Number of Filers	Percent of Total	Local Taxable Income	Percent of Income
\$0 - \$19,999	1,180	29.52%	\$74,625	2.32%
20,000 - 49,999	717	17.94%	248,246	7.72%
50,000 - 74,999	547	13.69%	340,286	10.58%
75,000 - 99,999	524	13.11%	455,523	14.16%
Over 100,000	1,029	25.74%	2,098,974	65.22%
Total	3,997	100.00%	\$3,217,654	100.00%

Local Taxes Paid by Residents	Tax Dollars
Taxes Credited to Other Municipalities	\$2,388,730
	\$2,388,730

Source: City Finance Director's Office

City of Montgomery

Ratio of Outstanding Debt By Type Last Ten Years

	1997	1998	1999	2000
Governmental Activities (1)				
General Obligation Bonds Payable	\$13,915,000	\$12,745,000	\$12,125,000	\$11,480,000
Special Assessment Bonds	3,017,830	2,958,000	2,992,644	2,922,761
Long-Term Notes Payable	0	0	0	0
Capital Leases	126,845	65,195	0	0
Total Primary Government	<u>\$17,059,675</u>	<u>\$15,768,195</u>	<u>\$15,117,644</u>	<u>\$14,402,761</u>
Population (2)				
City of Montgomery	9,753	9,753	9,753	10,163
Outstanding Debt Per Capita	\$1,749	\$1,617	\$1,550	\$1,417
Income (3)				
Personal (in thousands)	286,689	309,287	314,651	341,141
Percentage of Personal Income	5.95%	5.10%	4.80%	4.22%

Sources:

- (1) City Finance Director's Office
- (2) US Bureau of Census, Population Division
- (3) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation

City of Montgomery

2001	2002	2003	2004	2005	2006
\$10,820,000	\$10,130,000	\$11,500,000	\$10,526,442	\$9,557,100	\$8,572,758
2,847,878	2,766,995	204,112	193,229	180,346	167,463
0	0	419,000	200,000	0	0
0	0	0	0	0	0
<u>\$13,667,878</u>	<u>\$12,896,995</u>	<u>\$12,123,112</u>	<u>\$10,919,671</u>	<u>\$9,737,446</u>	<u>\$8,740,221</u>

10,163	10,163	10,163	10,163	10,163	10,163
\$1,345	\$1,269	\$1,193	\$1,074	\$958	\$860

353,083	367,453	378,633	401,103	405,880	405,880
3.87%	3.51%	3.20%	2.72%	2.40%	2.15%

City of Montgomery

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	1997	1998	1999	2000
Population (1)	9,753	9,753	9,753	10,163
Assessed Value (2)	\$302,704,730	\$307,260,770	\$346,452,860	\$354,008,780
General Bonded Debt (3)				
General Obligation Bonds	\$13,915,000	\$12,745,000	\$12,125,000	\$11,480,000
Resources Available to Pay Principal (4)	\$1,158,782	\$1,236,819	\$1,387,485	\$2,426,477
Net General Bonded Debt	\$12,756,218	\$11,508,181	\$10,737,515	\$9,053,523
Ratio of Net Bonded Debt to Estimated Actual Value	4.21%	3.75%	3.10%	2.56%
Net Bonded Debt per Capita	\$1,307.93	\$1,179.96	\$1,100.94	\$890.83

Source:

- (1) U.S. Bureau of Census of Population
- (2) Hamilton County Auditor
- (3) Includes all general obligation bonded debt supported by property taxes.
There were no General Obligation Bonds prior to 1999.
- (4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

City of Montgomery

2001	2002	2003	2004	2005	2006
10,163	10,163	10,163	10,163	10,163	10,163
\$360,441,670	\$406,581,220	\$404,624,600	\$413,822,990	\$481,924,300	\$486,557,560
\$10,820,000	\$10,130,000	\$11,500,000	\$10,526,442	\$9,557,100	\$8,572,758
\$1,456,375	\$1,475,475	\$1,011,136	\$951,899	\$967,900	\$1,241,771
\$9,363,625	\$8,654,525	\$10,488,864	\$9,574,543	\$8,589,200	\$7,330,987
2.60%	2.13%	2.59%	2.31%	1.78%	1.51%
\$921.34	\$851.57	\$1,032.06	\$942.10	\$845.14	\$721.34



City of Montgomery

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2006*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Montgomery</u>	<u>Amount Applicable to the City of Montgomery</u>
Direct:			
City of Montgomery	\$8,740,221	100.00%	\$8,740,221
Overlapping:			
Sycamore Community School District	36,718,584	27.43%	10,071,908
Great Oaks Joint Vocational School District	13,325,000	2.48%	330,460
Hamilton County	123,296,000	2.28%	<u>2,811,149</u>
		Subtotal	<u>13,213,517</u>
		Total	<u><u>\$21,953,738</u></u>

Source: Ohio Municipal Advisory Council

City of Montgomery

Debt Limitations Last Ten Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$302,704,730	\$307,260,770	\$346,452,860	\$354,008,780
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	31,783,997	32,262,381	36,377,550	37,170,922
City Debt Outstanding (2)	10,495,000	9,400,000	8,860,000	8,310,000
Less: Applicable Debt Service Fund Amounts	<u>(652,456)</u>	<u>(1,158,782)</u>	<u>(608,266)</u>	<u>(1,316,308)</u>
Net Indebtedness Subject to Limitation	<u>9,842,544</u>	<u>8,241,218</u>	<u>8,251,734</u>	<u>6,993,692</u>
Overall Legal Debt Margin	<u><u>\$21,941,453</u></u>	<u><u>\$24,021,163</u></u>	<u><u>\$28,125,816</u></u>	<u><u>\$30,177,230</u></u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$302,704,730	\$307,260,770	\$346,452,860	\$354,008,780
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	16,648,760	16,899,342	19,054,907	19,470,483
City Debt Outstanding (2)	9,465,000	8,420,000	7,940,000	7,450,000
Less: Applicable Debt Service Fund Amounts	<u>(442,883)</u>	<u>(888,871)</u>	<u>(291,902)</u>	<u>(901,633)</u>
Net Indebtedness Subject to Limitation	<u>9,022,117</u>	<u>7,531,129</u>	<u>7,648,098</u>	<u>6,548,367</u>
Overall Legal Debt Margin	<u><u>\$7,626,643</u></u>	<u><u>\$9,368,213</u></u>	<u><u>\$11,406,809</u></u>	<u><u>\$12,922,116</u></u>

(1) Direct Debt Limitation based upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

Source: City Finance Director's Office

City of Montgomery

2001	2002	2003	2004	2005	2006
\$360,441,670	\$406,581,220	\$404,624,600	\$413,822,990	\$481,924,300	\$486,557,560
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
37,846,375	42,691,028	42,485,583	43,451,414	50,602,052	51,088,544
7,750,000	7,165,000	11,500,000	10,860,000	9,865,000	8,855,000
(1,456,375)	(1,475,475)	(1,011,136)	(951,899)	(967,900)	(1,241,771)
6,293,625	5,689,525	10,488,864	9,908,101	8,897,100	7,613,229
\$31,552,750	\$37,001,503	\$31,996,719	\$33,543,313	\$41,704,952	\$43,475,315

\$360,441,670	\$406,581,220	\$404,624,600	\$413,822,990	\$481,924,300	\$486,557,560
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
19,824,292	22,361,967	22,254,353	22,760,264	26,505,837	26,760,666
6,950,000	6,433,000	11,500,000	10,860,000	9,865,000	8,855,000
(935,324)	(1,059,386)	(1,011,136)	(951,899)	(967,900)	(1,241,771)
6,014,676	5,373,614	10,488,864	9,908,101	8,897,100	7,613,229
\$13,809,616	\$16,988,353	\$11,765,489	\$12,852,163	\$17,608,737	\$19,147,437

City of Montgomery

Demographic and Economic Statistics Last Ten Years

Calendar Year	1997	1998	1999	2000
Population ⁽¹⁾				
City of Montgomery	9,753	9,753	9,753	10,163
Hamilton County	866,228	866,228	866,228	845,303
Income ^{(2) (a)}				
Total Personal (in thousands)	286,689	309,287	314,651	341,141
Hamilton County Per Capita	29,395	31,712	32,262	33,567
Unemployment Rate ⁽³⁾				
Federal	5.4%	4.9%	4.5%	4.2%
State	4.8%	4.6%	4.3%	4.3%
Hamilton County	3.5%	3.3%	3.4%	3.5%
Civilian Work Force Estimates ⁽³⁾				
State	5,710,000	5,678,000	5,749,000	5,900,400
Hamilton County	444,300	439,400	439,400	436,300

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis

(a) Per Capita Income is only available by County, Total Personal Income is a calculation

(3) State Department of Labor Statistics

City of Montgomery

2001	2002	2003	2004	2005	2006
10,163	10,163	10,163	10,163	10,163	10,163
845,303	845,303	845,303	845,303	786,982	786,982
353,083	367,453	378,633	401,103	405,880	405,880
34,742	36,156	37,256	39,467	39,937	39,937
3.8%	4.8%	5.8%	6.0%	5.5%	5.0%
3.7%	4.3%	5.7%	6.1%	6.0%	5.9%
6.3%	4.8%	4.5%	5.1%	5.6%	3.5%
5,857,000	5,828,000	5,915,000	5,875,300	5,900,400	5,934,000
444,100	435,200	437,900	422,200	426,800	423,500



City of Montgomery

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2006		
		Number of Employees	Rank	Percentage of Total Employment
Bethesda Hospital	Medical	2,920	1	17%
Sycamore Schools	Educational	1,129	2	7%
Ohio National Financial Services	Financial	779	3	5%
Montgomery Inn, Inc.	Restaurant	365	4	2%
CEI Physicians PSC, Inc.	Medical	362	5	2%
Tri-Health Inc.	Medical	291	6	2%
Meadowbrook Care Center	Medical	261	7	2%
American Nursing Care	Medical	244	8	1%
Kroger Limited Partnership	Retail	243	9	1%
Twin Lakes	Medical	211	10	1%
Total		<u>6,805</u>		
Total Employment within the City		<u><u>16,983</u></u>		

Employer	Nature of Business	1997		
		Number of Employees	Rank	Percentage of Total Employment
Bethesda Hospital	Medical	2,234	1	15%
Ohio National Financial Services	Financial	594	2	4%
Montgomery Inn, Inc.	Restaurant	478	3	3%
Sycamore Schools	Educational	307	4	2%
Kroger Limited Partnership	Retail	289	5	2%
Meadowbrook Care Center	Medical	284	6	2%
Cincinnati Bell Telephone	Service	279	7	2%
Duke Energy of Ohio	Service	221	8	1%
PRG Ohio III, Inc.	Medical	213	9	1%
Williams Ford Sales, Inc.	Retail	188	10	1%
Total		<u>5,087</u>		
Total Employment within the City		<u><u>15,210</u></u>		

Sources:

City Income Tax Department

City of Montgomery

Full Time Equivalent Employees by Function Last Ten Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Governmental Activities					
General Government					
Finance	5.50	5.50	5.50	5.00	6.00
Legal/Court	1.50	1.50	1.50	1.50	1.50
Administration	4.50	4.50	4.50	4.50	5.50
Maintenance	0.00	1.00	1.00	1.00	1.00
Public Safety					
Police	22.00	22.00	22.00	22.00	22.00
Fire	21.50	22.50	22.50	24.50	24.50
Public Works					
Street	8.00	9.00	12.25	12.25	12.50
Parks and Recreation					
Parks and Recreation	4.25	6.00	6.00	6.00	6.00
Community Environment					
Service	6.00	6.00	3.00	3.00	3.00
Business-Type Activities					
Municipal Pool	0.00	4.50	4.75	4.75	0.00
<i>Total Employees</i>	<u>73.25</u>	<u>82.50</u>	<u>83.00</u>	<u>84.50</u>	<u>82.00</u>

Method: 1.00 for each full-time, 0.50 for each part-time and 0.25 for each seasonal employee

Source: City Finance Director's Office

City of Montgomery

2002	2003	2004	2005	2006
6.00	6.00	6.00	6.00	6.00
1.50	1.50	1.50	1.50	1.50
5.75	5.50	5.50	5.50	5.50
1.00	1.00	1.50	1.50	1.50
23.00	23.00	23.00	23.00	24.00
24.50	24.50	24.50	25.00	25.00
12.50	12.75	12.50	12.50	12.50
6.00	6.00	6.00	5.25	5.25
3.00	3.00	3.00	3.00	3.00
0.00	0.00	0.00	0.00	0.00
<u>83.25</u>	<u>83.25</u>	<u>83.50</u>	<u>83.25</u>	<u>84.25</u>

City of Montgomery

Operating Indicators by Function Last Five Years

	2002	2003	2004	2005
Governmental Activities				
General Government				
Court				
Number of Traffic Cases	2,148	2,604	2,169	1,976
Licenses and Permits				
Number of Building Permits	122	193	252	268
Number of Building Inspections	N/A	762	1,630	1,483
Information Technology				
Number of Website Visitors	51,811	87,654	148,370	213,108
Number of Online Transactions	24	101	818	906
Average Cost per Online Transactions	\$ 925.00	\$ 220.00	\$ 31.00	\$ 24.00
Public Safety				
Police				
Number of Moving Citations Issued	1,269	1,666	1,153	1,316
Number of Non-moving Citations Issued	322	461	390	312
Number of Felony Arrests	19	12	15	15
Number of Misdemeanor Arrests	94	188	143	134
Number of Juvenile Arrests	90	90	98	97
Number of DUI/OVI Arrests	36	94	55	79
Number of Auto Accident Reports	662	694	554	537
Fire				
Number of Fire Calls	478	465	457	447
Number of EMS Runs	915	887	867	871
Number of Car Seat Inspections	225	320	208	195
Number of Inspections	N/A	1,068	1,173	589
Public Works				
Street				
Centerline Miles of Streets Resurfaced	N/A	N/A	3.37	2.87
Number of Public Trees Trimmed	N/A	N/A	30	51
Number of Households Receiving Curbside Brush Chipping	N/A	N/A	465	447
Number of Sidewalk Locations Required	N/A	N/A	1,777	93
Parks and Recreation				
Parks and Recreation				
Number of Classes / Events	N/A	N/A	N/A	54
Business-Type Activities				
Pool				
Number of Pool Passes Sold	517	542	528	555
Number of Daily Patrons	4,848	3,400	4,200	4,500

Source: City Finance Director's Office

City of Montgomery

2006

1,759

453

986

209,293

903

\$ 12.00

1,151

363

19

129

106

92

536

482

860

143

334

1.97

443

600

138

137

556

4,900

City of Montgomery

Capital Asset Statistics by Function Last Ten Years

	1997	1998	1999	2000	2001
Governmental Activities					
General Government					
Public Land and Buildings					
Land (acres)	24	24	23	23	23
Buildings	9	9	8	8	8
Public Safety					
Police					
Stations	1	1	1	1	1
Vehicles	7	7	7	7	7
Fire					
Stations	1	1	1	1	1
Vehicles	2	2	2	4	5
Public Works					
Street					
Streets (lane miles)	45	45	46	46	46
Street Lights	184	207	207	207	207
Vehicles	6	7	7	9	11
Parks and Recreation					
Parks and Recreation					
Land (acres)	80	80	80	80	80
Buildings	3	3	3	3	3
Parks	5	5	6	6	7
Playgrounds	5	5	6	6	6
Tennis Courts	6	6	10	10	10
Baseball/Softball Diamonds	10	10	13	13	13
Business-Type Activities					
Municipal Pool					
Land (acres)	2	2	2	2	2
Buildings	1	1	1	1	1

Source: City Finance Director's Office

City of Montgomery

2002	2003	2004	2005	2006
23	23	23	23	23
8	8	8	8	8
1	1	1	1	1
11	11	12	12	12
1	1	1	1	1
6	6	6	7	9
46	46	46	46	46
207	207	233	23	233
12	15	15	15	16
80	80	81	81	81
3	3	3	3	3
7	7	7	7	7
6	6	6	6	6
10	10	10	10	10
13	13	13	13	13
2	2	2	2	2
2	2	2	2	2



Bastin & Company, LLC

Certified Public Accountants

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

The Honorable Members of City Council
City of Montgomery, Ohio

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Cincinnati, Ohio
June 21, 2007



Mary Taylor, CPA
Auditor of State

CITY OF MONTGOMERY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2007**