

City of Portsmouth

Scioto County

Single Audit

January 1, 2006 through December 31, 2006

Fiscal Year Audited Under GAGAS: 2006

Caudill & Associates, CPA's

725 5th Street

Portsmouth, OH 45662



Mary Taylor, CPA
Auditor of State

City Council
City of Portsmouth
728 Second Street
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the City of Portsmouth, Scioto County, prepared by Caudill & Associates, CPAs, 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 Portsmouth is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 7, 2007

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**CITY OF PORTSMOUTH
SCIOTO COUNTY**

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**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2006**

Federal Grantor / Pass Through Grantor Program Title	Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through Ohio Department of Development</i>			
Community Development Block Grants/State's Program	AF-05	14.228	\$ 176,709
Total U.S. Department of Housing and Urban Development			<u>176,709</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed through Office of Criminal Justice</i>			
Bulletproof Vest Partnership Program	N/A	16.607	1,158
Edward Byrne Memorial Justice Assistance Grant Program	2005-DJ-BX-1111	16.738	94
Local Law Enforcement Block GrantS Program	2004-LB-BX-1609	16.592	7,245
Public Safety Partnership and Community Policing Grants	N/A	16.710'	<u>30,642</u>
Total U.S. Department of Justice			<u>39,139</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed through Ohio Department of Public Safety</i>			
State and Community Highway Safety Grant	N/A	20.600	<u>48,001</u>
Total U.S. Department of Transportation			<u>48,001</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed through Ohio Environmental Protection Agency</i>			
Air Pollution Control Program Support	N/A	66.001	<u>150,616</u>
Total U.S. Environmental Protection Agency			<u>150,616</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed through Ohio Department of Health</i>			
Center for Disease Control and Prevention_Investigations and Technical Assistance	73-2-0001-2-BI-06	93.283	164,110
HIV Prevention Activities_Health Department Based	73-2-001-CF	93.940	510,340
Preventive Health Services_Sexually Transmitted Diseases Control Grant	73-2-001-2-BX	93.977	30,000
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	H76HA04400AO	93.918	223,454
Maternal and Child Health Federal Consolidated Programs	N/A	93.110'	108,289
Maternal and Child Health Services Block Grant to the States	73-2-001-1-A1	93.994	122,341
Preventive Health and Health Services Block Grant	73-2-001-2-EE-06	93.991	34,975
Family Planning Services	73-2-001-1-XX-05	93.217	<u>241,048</u>
Total U.S. Department of Health and Human Services			<u>1,434,557</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through Ohio Department of Public Safety</i>			
Assistance to Firefighters Grant	N/A	97.044	<u>99,000</u>
Total U.S. Department of Homeland Security			<u>99,000</u>
Total			<u>\$ 1,948,022</u>

The Notes to the Schedule of Federal Awards Expenditures is an integral part of the Schedule.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE A - BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING
LOAN PROGRAMS**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. No new loans were issued during our audit period. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2006, the gross amount of loans outstanding under this program was \$411,600.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of 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*

City Council
City of Portsmouth
Scioto County
728 Second Street
Portsmouth, OH 45662

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Scioto County, Ohio (the "City") as of and for the year ended December 31, 2006, which collectively comprise the City's financial statements and have issued our report thereon dated June 22, 2007. As disclosed in Note 3 to the basic financial statements, the City restated net assets due to the City's Governmental Activities reporting infrastructure retroactively. 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 audit procedures for expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting: 2006-004.

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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiency described above is material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2006-001, 2006-002 and 2006-003.

We did note certain noncompliance that we reported to the City's management in a separate letter dated June 22, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPAs

Caudill & Associates, CPA's
June 22, 2007

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

City Council
City of Portsmouth
Scioto County
728 Second Street
Portsmouth, OH 45662

Compliance

We have audited the compliance of the City of Portsmouth, Scioto County, Ohio ("the City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

City of Portsmouth

Scioto County

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2006, and have issued our report thereon dated June 22, 2007. Our audit was performed for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City's management, City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

June 22, 2007

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified for HIV Prevention Activities _Health Department Based (CFDA#93.940), Family Planning Services (CFDA#93.217) and Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (CFDA#93.918)
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	HIV Prevention Activities _Health Department Based (CFDA#93.940), Family Planning Services (CFDA#93.217) and Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (CFDA#93.918)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
*OMB CIRCULAR A-133 §.505***

FOR THE YEAR ENDED DECEMBER 31, 2006

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires, in part, that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars.

A government employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Utility Department and Probation Department did not deposit utility receipts and restitution receipts on the next business day following the day of receipt with the City Auditor for sixty three percent and one hundred percent respectively of the utility batch receipts and restitution receipts tested and the City does not have a policy to permit their officials to hold money as indicated above.

We recommend the Utility Department and Probation Department deposit receipts with the City Auditor by the next business day. Alternatively, if the amount of the daily collection does not exceed \$1,000, City Council could adopt a policy allowing departments to deposit receipts with the City Auditor within three business days as long as the receipts can be safeguarded.

City Response:

City officials will work on a written policy to correct this situation.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
*OMB CIRCULAR A-133 §.505***

**FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

<p>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
--

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code Section 735.051 states that in case of real and present emergency arising in connection with the operation and maintenance of the department of public safety, including all municipally owned utilities, the department of public safety, or any other department, division, commission, bureau, or any other department, division, commission, bureau, or board of the municipality, the legislative authority of the municipality may by a two-thirds vote of all the members elected thereto, authorize the director of public service, director of public safety, city manager, board of public affairs, or other duly authorized contracting officer, commission, board, or authority, to enter into a contract for work to be done or for the purchase of supplies or materials without formal bidding and advertising.

The City did not bid nor advertise contracts for the following: (1) Contract for the Storm Sewer Gate to Ohio Pipe and Supply in the amount of \$28,000; (2) Contract for Roof Repairs to Stevens Construction in the amount of \$48,232; and (3) Hydraulic Pump to A&L Compaction EQ in the amount of \$31,839.

We recommend the City comply with all bidding procedures according to Ohio Rev. Code Section 735.051.

City Response:

City officials will monitor more closely applicable contracts to ensure a proper bidding process in order to be compliant with Ohio Rev. Code Section 735.051.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
*OMB CIRCULAR A-133 §.505***

**FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

25% of the expenditures tested were not properly certified.

We recommend the City implement policies to ensure that all purchases first have monies certified by the City Auditor before purchasing or ordering an item. We also recommend the use of a "then and now" certificate in instances of emergency or absence of proper authority.

City Response:

City officials will monitor the proper certifying of expenditures more closely.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
*OMB CIRCULAR A-133 §.505***

**FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

<p>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
--

FINDING NUMBER 2006-004

Significant Deficiency

Monthly bank reconciliations were not performed on the checking account established by the Probation Department. Failure to perform monthly bank reconciliations could lead to unauthorized or inaccurate transactions occurring and going undetected.

We recommend that monthly bank reconciliations for the Probation Department checking account be conducted and performed in an accurate and timely manner. The bank reconciliations should be properly monitored by management personnel to ensure the funds are used in an appropriate manner.

City Response:

The Probation Department will begin performing monthly bank reconciliations.

**CITY OF PORTSMOUTH
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	Noncompliance of Ohio Rev. Code Section 5705.39	No	Not corrected. Issued as Management Letter Comment
2005-002	Noncompliance of Ohio Rev. Code Section 5705.41 (D) (1)	No	Not corrected. Repeated as Finding Number 2006 - 003
2005-003	Several discrepancies between the approved amounts and the amounts entered into the system.	Yes	N/A
2005-004	Material Weakness – Final expenditures reports of the CFHS program did not agree to the City’s accounting ledgers or the spreadsheets maintained by the Health Department.	Yes	N/A

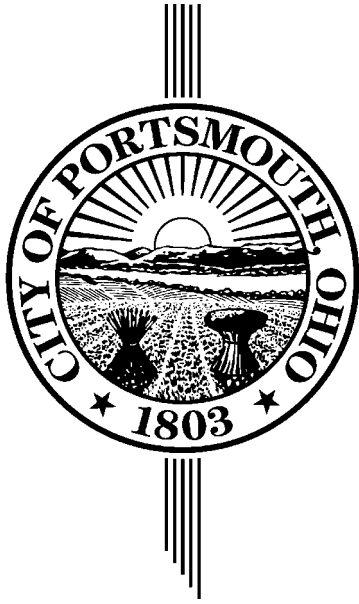
Comprehensive Annual Financial Report

City of Portsmouth, Ohio



**For Year Ended
December 31, 2006**

**M. Trent Williams, CPFA
Auditor/Treasurer**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2006**

Prepared by:

M. TRENT WILLIAMS, CPFA

City Auditor

Finance Department:

Constance J. Snipes
Deputy Auditor

Jennifer E. Spriggs
Finance Clerk II

Brenda D. Buffington
Finance Clerk I

Wendellee Potts
Finance Clerk I

Income Tax Department:

John F. Queen
Tax Commissioner

Barbara A. Doyle
Deputy Tax Commissioner

Emily E. Conley
Finance Clerk I



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SCIOTO COUNTY, OHIO

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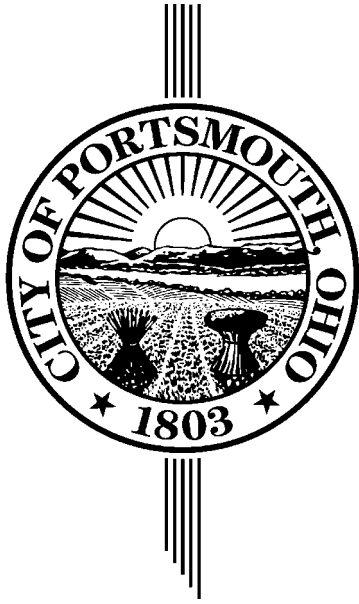
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INTRODUCTORY SECTION





The City of Portsmouth

"Where the Ohio and Scioto Meet"

Department of Finance

Municipal Building, Room 3

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State of Ohio

M. Trent Williams, City Auditor

June 22, 2007

Honorable President and Members of City Council
Honorable Mayor
Citizens of Portsmouth, Ohio

As City Auditor, it is my pleasure to present the eleventh Comprehensive Annual Financial Report (CAFR) of the City of Portsmouth, Ohio for the fiscal year ended December 31, 2006. This 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

While there is no legal requirement for the preparation of this report, it represents a commitment by the City of Portsmouth (the "City") 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 City. To the best of my knowledge and belief, the enclosed data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and includes all disclosures necessary to enable the reader to gain an understanding of the City's financial activity.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Portsmouth's MD&A can be found immediately following the independent accountants' report.

This CAFR was prepared in accordance with generally accepted accounting principles established by statements of the Governmental Accounting Standards Board (GASB) and other authoritative pronouncements.

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 financial benefit to or impose a financial burden on the City.

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

Based on the foregoing, the reporting entity of the City includes the following services as authorized by its Charter: police and fire protection, parks and recreation, planning, zoning, street maintenance, cemetery, health and other governmental services. In addition, the City owns and operates the water treatment and distribution system, the wastewater treatment and collection system and the solid waste collection and disposal operation, each of which is reported as an enterprise fund.

Historical Information

In 1763 on the site of present day Portsmouth, the French surrendered the Ohio Valley to the English. At that time Major Belli platted the town of Alexandria, which was directly across the Scioto River from the present site of Portsmouth. After frequent flooding, Alexandria relocated to the higher east bank of the Scioto. The town was established by Major Henry Massie, who renamed the town Portsmouth to honor his former home of Portsmouth, Virginia.

Portsmouth's location at the confluence of the Scioto River and the Ohio River greatly contributed to its early growth. Portsmouth grew rapidly upon the completion of the Ohio-Erie Canal in 1832 due to the goods and people who traveled the canal and then transferred to steamboats navigating the Ohio and Mississippi Rivers. Smelting furnaces and the railroad were also major forces in the development of the area. After major flooding in 1913 and 1937, a flood wall system was installed to protect the City.

Location

Portsmouth, at an altitude of 533 feet above sea level, is located in southern Ohio approximately 90 miles south of Columbus, the state capital, and 100 miles east of Cincinnati, Ohio. Portsmouth, the county seat of Scioto County, encompasses an area of 12 square miles and serves a residential population of 20,909 (2000 Census). The City, which is bisected by U.S. Routes 23 and 52, is strategically located on the Ohio River providing distribution alternatives which include highways, railways and waterways. The City is also situated in close proximity to an abundance of fossil fuels, namely coal and natural gas from nearby Kentucky and West Virginia. The City is connected to Kentucky by two bridges: the U.S. Grant Bridge in downtown Portsmouth and the Carl Perkins Bridge located approximately two miles west of the City. Portsmouth is served by the CSX Railway System and the Norfolk Southern. The Greater Portsmouth Regional Airport, which is located in Minford, Ohio and owned by Scioto County, has a 5,000 foot paved runway which can accommodate corporate jets the size of a Boeing 727.

Form of Government

Portsmouth, a charter city which has a Mayor-Council form of government, is divided into six wards. Each ward is represented on City Council by one person elected to a four year term. Additionally, one person is elected by Council to serve as President of Council. Other elected officials serving four year terms are the Mayor, Solicitor, and Auditor/Treasurer. Currently the Auditor/Treasurer and the Solicitor are serving their second terms, and the Mayor his first term.

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

Municipal Services

The City provides many services to its citizens, including police and fire protection, street maintenance, traffic control, recreation facilities, engineering, zoning, code enforcement, planning, community development, building inspection, electrical inspection, cemetery, health services, litter control and general administrative services. The City does not operate hospitals or schools, nor is it responsible for public assistance programs.

The City also operates four enterprise activities: water treatment and distribution, wastewater collection and treatment, solid waste collection and disposal services, and primary health care services. The enterprise funds are used to account for activities that are operated in a manner similar to a private business. The intent of the City is that the costs of providing the services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City's enterprise activities are not subject to rate review or determination by the Public Utilities Commission of Ohio or any similar regulatory body. The Mayor has the necessary authority to establish and amend appropriate user rates as required. The rates are monitored on an on-going basis to insure their adequacy to meet operation, maintenance, debt service and capital replacement needs. Responsibility for the frequency and amount of rate changes lies solely with the Mayor.

ECONOMIC CONDITION AND OUTLOOK

Business and Industry

Among the principal products and services provided by Portsmouth area businesses are shoelaces, castings, concrete products, and health services. Portsmouth is served by one daily and two weekly newspapers and by three local radio stations. Cable television is available, offering education and community access channels in addition to entertainment channels. Financial services are provided to the city by six banks and two credit unions. A complete range of medical services is provided to the Portsmouth area by the Southern Ohio Medical Center (SOMC). The Medical Center recently completed and opened a new wing at Scioto Memorial Hospital. The new addition houses an expanded, well equipped, emergency room and trauma center as well as a new intensive care unit and maternity facility. Several new physician office buildings and service facilities have been erected on the Scioto Memorial Campus and East Campus. SOMC has expanded its Mercy Hospital Campus with the addition of a new Dialysis Center and a new Cancer Center and offers alternatives to its Mercy LIFE Center fitness and rehabilitation location with similar facilities recently constructed outside the city. SOMC recently unveiled its 10 year plan that promises to be a tremendous benefit in meeting the health care needs of the Southern Ohio region.

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

Unemployment Rates

Data obtained from the State of Ohio Department of Jobs and Family Services indicates that the percentage of unemployment for Portsmouth and Scioto County averaged 7.6% for the 2006 calendar year, which is substantially above the state average of 5.5% and the national average of 4.6%. While the unemployment number is high in comparison to the state and national average, it is 1.2% lower than the 8.8% rate recorded in 2005. The state of the local economy has been improving and local initiatives are serving to promote a renewed spirit of pride in the community.

Utilities

Public utilities providing services to the City of Portsmouth are as follows:

- Electric American Electric Power
- Telephone Verizon
- Natural Gas Columbia Gas of Ohio

City water, wastewater and solid waste services are provided to residents of the area as indicated below:

Water is provided by the City of Portsmouth to approximately 13,963 customers both within the City and in some areas of Scioto County. The City filtration plant has the capacity to produce 12 million gallons of treated water daily and is currently producing six to seven million gallons of water per day. There are approximately 25 million gallons of water stored in reservoirs and tanks located in and around the City.

Serving 8,318 connections are two separate facilities for wastewater treatment. The main plant located in Portsmouth has the capacity to treat ten million gallons daily and is currently treating approximately five million gallons daily. A small plant is located in Sciotoville. The City is currently collecting and treating sewage for Portsmouth, New Boston Village and the Rosemount area located in Clay Township.

Solid waste collection and disposal is operated by the City of Portsmouth providing service to approximately 7,327 customers. The solid waste transfer station officially commenced operations in the fall of 1993. Improved efficiency at the transfer station has allowed the City to maintain operating costs at current levels for the solid waste collection and disposal function.

Recreation and Cultural Facilities and Events

Portsmouth boasts seventeen City owned parks and numerous sports facilities, including Spartan Stadium and several tennis courts. West of Portsmouth is the Shawnee State Park providing recreation, camping, cabins, a lodge and many other attractions for residents and out-of-town visitors.

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

Another citizen sponsored project, which started in 1992 and has recently been completed, is the painting of murals on the flood wall on Front Street in the Boneyfiddle District. These murals tell the "story" of Portsmouth and are proving to be a great tourist attraction. The funds were raised for this project by the people of Portsmouth through donations and fund-raisers and a state grant. With the recent conclusion of the ten year project there are now 50 completed panels on the flood wall. Plans are in motion now to provide a visitors center to accommodate those viewing the 2000 feet of spectacular Portsmouth history.

An annual Roy Rogers Western Days Festival is held each spring to honor native son Roy Rogers, and a display of memorabilia from his collection is on permanent display in Portsmouth. Firststar Gallery offers month-long exhibits by area artists and hosts an annual area high school cash scholarship art contest. The Ackerman Collection is an exhibit of a collection of area photos dating from 1745. This is a private collection and is shown by appointment only.

Visitors can revel in Portsmouth's past by visiting the Boneyfiddle District Brewery Arcade, a unique and fascinating historic area for the antique enthusiast. Scioto County Historical Society presents the 1810 homestead, meticulously detailed and furnished to delight visitors. The Southern Ohio Museum/Cultural Center presents visual arts, science and history along with a theater and children's series which delights theater buffs. Exhibits change throughout the year.

Portsmouth is ideally located on the Ohio and Scioto Rivers for all types of water related activities, including fishing, boating and water skiing. There are camping facilities along the river which are usually filled to capacity during the summer months. These facilities are owned and operated by the City. The annual River Days Festival is held over the Labor Day weekend and draws many visitors to our area.

The cultural and recreational needs of the City have been enhanced by the 1993 formation of the Portsmouth Community Orchestra. Citizens from the Portsmouth area who have a love of music and the necessary talents have come together to fill a void in the community and provide many hours of entertainment for the people of this area.

During the 1995-1996 academic year, the \$17 million, 102,000 square foot acoustically correct Vern Riffe Center for the Arts opened and has featured some of the biggest names in Broadway Theater, jazz, big band, dance, folk, dramatic arts, and pop music.

The Shawnee State University Clark Planetarium opened April 24, 1998. The Clark Planetarium is one of only 34 Digistar II Planetariums in the world. The Planetarium office can be contacted about show topics, times and for reservations to a show.

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

Education

Portsmouth City Schools and Sciotoville Community Schools are comprised of four elementary schools, one middle school and two high schools, with a total combined enrollment of approximately 2,386 students. The pupil-teacher ratio is approximately eleven to one. Adult education programs are offered by Portsmouth City Schools and Shawnee State University.

In November of 2001, voters of the Portsmouth City School District approved by an overwhelming three to one margin a bond issue to finance its portion of the construction of five new school buildings. New facilities include one new high school, one new middle school and three new elementary school buildings in the Portsmouth and Sciotoville areas. The bond issue provides the local share of financing of the construction with the large majority of the costs to be paid by state school facility funds. Construction is now complete and students will complete the first year or occupancy in the 2006-2007 school year.

Higher education facilities in the area include Southeastern Business College in New Boston, 4 miles east of the City; Ohio University in Ironton, 35 miles east of the City; and Shawnee State University in Portsmouth.

Shawnee State University is a four year university, the newest in the state. Portsmouth now has a Fine and Performing Arts Center on the campus and an indoor Physical Education Center. Seventy-seven Bachelor and Associate degree programs are currently available. Immediate plans are to make Shawnee State campus a pedestrian only campus. Second Street and several side streets have been closed and Third Street was recently widened in furtherance of this plan. Six new apartment style dormitories have been constructed at the SSU campus enabling the university to offer much needed additional student housing. Two more are currently under construction. Shawnee State enrollment is steadily growing and the university plans to continue its student housing expansion to accommodate the increasing demand.

Employee Relations

The City of Portsmouth has contracts with five employee bargaining units. These groups are Local 512 of the International Association of Firefighters, Lodge 33 of the Fraternal Order of Police, Local 1039 AFSCME, Ohio Council 8, 1039-A AFSCME Dispatchers and 1039-C Finance Department Employees. Contract periods are varied for these groups.

MAJOR INITIATIVES

Present

The City itself had no single largest project during 2006, but saw many projects continue to progress including the City Health Department's implementation of a Primary Care Clinic to serve the citizens of Portsmouth and the utilization of technology by the Police Department in the installation of computers in each of its units to enhance communications and provide for better sharing of information in real time. The Water Works division of the Public Utilities system continued with water line replacement and maintenance throughout the city and service areas within the county.

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

The Utilities system continued to make improvements to its wastewater and flood defense systems including pump station electrical system upgrades and several other pump station enhancements as well as many repairs to flood gate, floodwall, and pump station lighting and heating facilities at its various locations throughout the city.

The City sold the Chillicothe Street viaduct property several years ago and has since seen the construction of a telemarketing office, employing several hundred part-time workers. Recently, this site has also seen the completion of two new restaurants, an insurance office and rental car center as well as the completion of a new movie theatre, the first in Portsmouth in nearly 30 years.

Renovations to the new Municipal Building annex were completed in 2001 allowing for demolition of the former Griffin Hall. The demolition was necessary for the construction of a new U.S. Grant Bridge by the State of Ohio. Completed in October 2006, the modern bridge, with wider lane capacity, spanning the Ohio River from Chillicothe Street in downtown Portsmouth to South Shore, Kentucky reconnected the two states after more than five years of construction.

Renovations have been completed to a large downtown building that have become home to a number of senior apartments. The new dormitory facilities at Shawnee State University continue to multiply and several new businesses have begun to spring up in the downtown and Boneyfiddle districts of Portsmouth. Kings Daughters Medical Center, a Kentucky based health care services provider recently expanded into Portsmouth with a full-service primary care physicians medical specialties office.

Future

The City continues its water line upgrade project by continuing replacement of various 6" lines throughout the City, system wide meter replacements and various filtration plant enhancements. Planned improvements also include the construction of a new 500,000-gallon water tank in the Wheelersburg area. The Filtration plant has completed a pilot study for the MIEX (Magnetic Ion Exchange) technology that would provide for long-term, more efficient removal of disinfection by-products within the City's water system. The preliminary engineering for the MIEX system was completed in 2006 with the final system design to begin in early 2007 and projected to be in operation by the end of 2007. Several physical upgrades are planned for the plant to include repairs of concrete throughout the facility.

The Charles Street wastewater treatment plant will see continued pump, plant and storm gate upgrades, sewer linings and the creation and implementation of a Storm Water Utility Program, working with the City's Graphical Information System to utilize three-dimensional modeling capabilities. Plans are being made for a total upgrade of the wastewater treatment plant itself, which along with the Sciotoville plant services 160 miles of primary sewers within the City limits and surrounding areas. In the spring of 2003, the City embarked upon a feasibility study to replace and/or upgrade the plant. That effort is now deferred pending the completion of a Combined Sewer Overflow/Long Term Control Plan, itself very near completion by the City's consulting engineers. Meanwhile, plans are also being laid to replace the current non-functioning anaerobic sludge digesters at the plant with a new technology aerobic sludge digestion process.

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

Scioto County is currently constructing a new sewer system in the Rigrish Addition, near the east of the City that will be accepted by the Sciotoville sewage treatment plant.

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

Development of the City's accounting system included substantial consideration of the adequacy of the internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute 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 applying 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. The Auditor's Office (the "Fiscal Office") is responsible for the auditing and analysis of all purchase orders and vouchers of the City. Fiscal Office personnel review and process requisitions, purchase orders and vouchers. Their responsibilities are carefully conducted to ensure the availability of monies in the proper funds and accounts prior to the certification and payment of approved invoices. The City utilizes a fully automated accounting system as well as an automated system of controls for capital assets accounting and payroll. These systems, coupled with the review and examination performed by the Fiscal Office, ensure that the financial information generated is both accurate and reliable.

Budgetary control is maintained at the department level for each function within each fund via legislation approved by City Council. Lower levels within each character are accounted for and reported internally. Such lower levels are referred to as line items of expenditure. Estimated amounts must be encumbered prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available character level appropriations are not approved unless additional appropriations are authorized. Unencumbered appropriations return (lapse) to the unappropriated balances in the individual funds at the end of each fiscal year, which coincides with the calendar year.

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

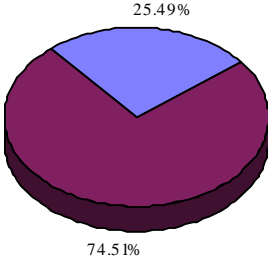
Cash Management

Cash management is a vital component of the City of Portsmouth's overall financial strategy. The primary objective of the City's investment activity is the preservation and protection of invested capital. The City pools its cash for maximum investment efficiency.

Funds are invested with member banks of the Federal Reserve System in Certificates of Deposit at the highest possible rate of interest. To avoid risk, investments are diversified and invested to ensure that funds are available at all times to provide for efficient and timely operation of City functions.

The City's cash was invested at December 31, 2006 as follows:

<u>Cash Resources</u>	<u>2006</u>	<u>%</u>
Cash and Cash Equivalents	\$2,313,810	25.49%
Repurchase Agreement	6,763,792	74.51%
Total	<u>\$9,077,602</u>	<u>100.00%</u>



A 3D pie chart illustrating the distribution of cash resources. The chart is divided into two segments: a smaller blue segment representing 25.49% (Cash and Cash Equivalents) and a larger purple segment representing 74.51% (Repurchase Agreement).

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.

Risk Management

The City has provided bodily injury, personal injury, general liability, boiler and machinery coverage and fleet (automotive) insurance through the Portsmouth Insurance Agency. Police and fire professional liability and elected officials liability are also covered by the Portsmouth Insurance Agency.

All City employees are bonded in varying amounts dependent on the scope of their activity. Elected officials are bonded as required by Charter.

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

OTHER INFORMATION

Independent Audit

The basic financial statements of the City of Portsmouth were audited by Caudill & Associates, CPAs. The auditor's unqualified opinion has been included in this report.

Awards

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in state and local government financial reporting. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report with contents conforming to all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year. I believe this, our eleventh Comprehensive Annual Financial Report, meets the high standards set by the GFOA Certificate of Achievement program, and I am submitting the report to the GFOA.

Public Disclosure

The publication of this Comprehensive Annual Financial Report is indicative of the City's commitment to provide significantly enhanced financial information and accountability to its citizens. In addition to the citizens of Portsmouth, the recipients of this report include City, state and federal officials, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization requesting it. The extensive effort to prepare and distribute this report is indicative of the City Auditor's goal of full disclosure of the City's finances.

Acknowledgments

This report is the result of hard work and dedication on the part of many employees and individuals. Special thanks to David Green, Scioto County Auditor, and staff; City of Portsmouth Deputy Auditor Connie Snipes and the employees of the Portsmouth City Auditor's office and all other City of Portsmouth employees who have contributed to this endeavor.

Sincere appreciation to Donald J. Schonhardt & Associates, Inc. for their continued support and assistance in the preparation of this report.

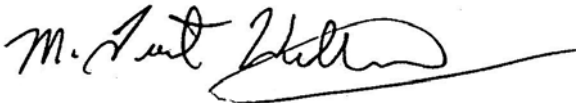
CITY OF PORTSMOUTH, OHIO

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

I especially thank the citizens of Portsmouth for the opportunity to continue to improve the professionalism in financial reporting that they expect and deserve.

Thank you to the members of City Council, Mayor and other city administrators, without whose support we would have been unable to prepare this report. By providing the funds and assistance to conform to the reporting requirements which have been established for municipal governments, the City has been able to maintain a sound financial position for many years.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Trent Williams", with a long horizontal flourish extending to the right.

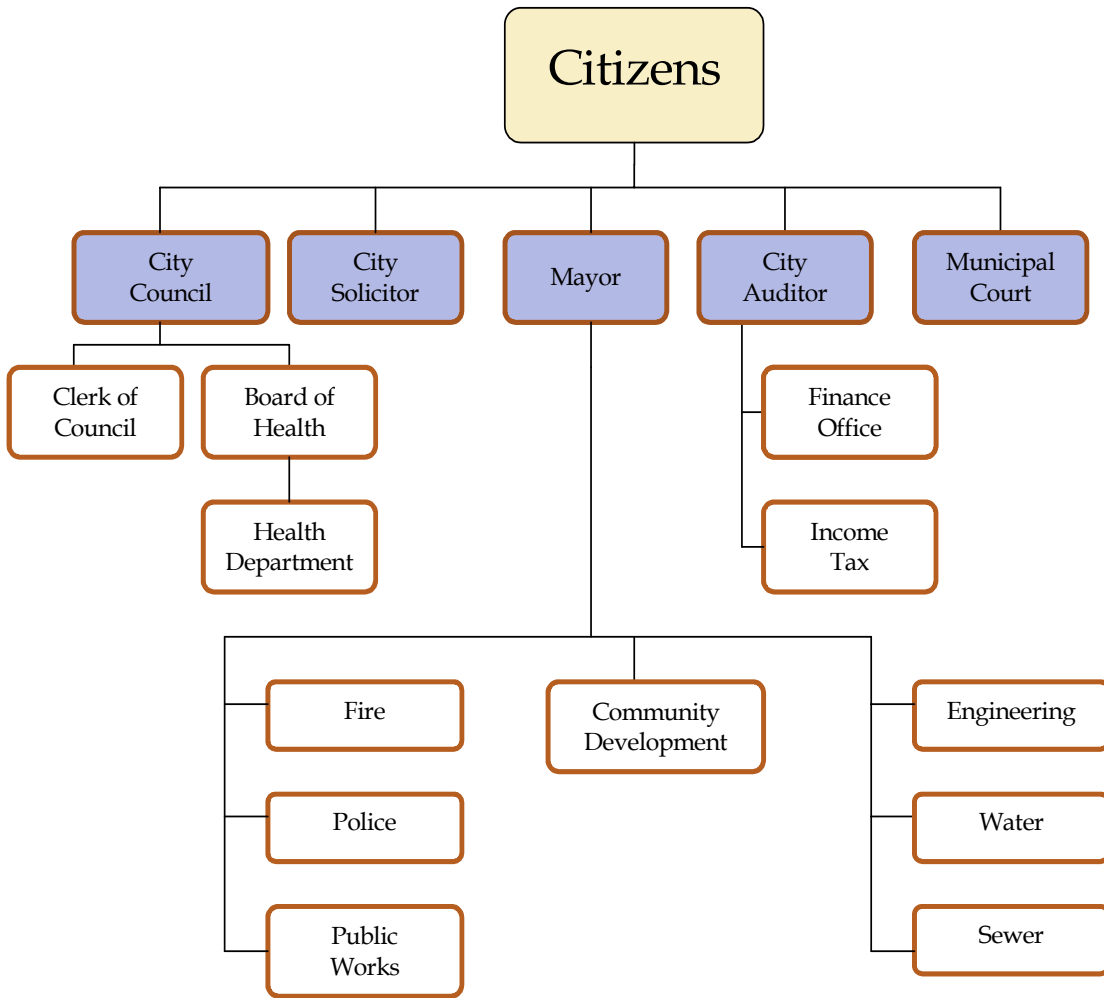
M. Trent Williams, CPFA
City Auditor

CITY OF PORTSMOUTH, OHIO

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

<u>Position</u>	<u>Name</u>	<u>Term of Office</u>	<u>Years with City</u>
<u>Executive</u> (Elected)			
Mayor	James D. Kalb	01/02/06 - 01/03/10	11
City Auditor	M. Trent Williams	01/05/04 - 01/06/08	8
City Solicitor	David W. Kuhn	01/05/04 - 01/06/08	18
<u>Legislative</u> (Elected)			
President of Council	Howard E. Baughman, III	<u>Ward</u> 5th	01/02/06 - 01/03/10
Vice-President of Council	Martin J. Mohr	6th	01/05/04 - 01/07/08
Member of Council	Michael H. Mearan	1st	06/05/06 - 01/03/10
Member of Council	David A. Malone	2nd	01/05/04 - 01/07/08
Member of Council	Robert W. Mollette	3rd	01/02/06 - 01/03/10
Member of Council	Jerrold L. Albrecht	4th	07/27/04 - 01/07/08
<u>Judicial</u> (Elected)			
Municipal Court Judge	Russell D. Kegley	01/01/06 - 12/31/11	4
Municipal Court Judge	Richard T. Schisler	01/01/04 - 12/31/09	27
<u>Administrative</u> (Appointed)			
Police Chief	Charles H. Horner, Jr.	Indefinite	26
Fire Chief	Robert A. Storey	Indefinite	33
Public Service Director	Christopher L. Murphy	Indefinite	6
Director of Water	Samuel J. Sutherland	Indefinite	18
Director of Waste Water	Richard K. Duncan	Indefinite	13
Community Development Director	Jennifer D. Hanlon	Indefinite	4
City Clerk	Jo Ann Aeh	Indefinite	21
Municipal Court Clerk	R. Leroy Kegley	Indefinite	28
Health Commissioner	Donald J. Walden	Indefinite	27
Income Tax Commissioner	John F. Queen	Indefinite	33
<u>Executive Offices:</u>			
James D. Kalb, Mayor City of Portsmouth 728 Second Street, Room 1 Portsmouth, Ohio 45662 Ph: 740-354-8807 Fax: 740-354-8809 Email: portsmouthmayor@yahoo.com	M. Trent Williams, Auditor City of Portsmouth 728 Second Street, Room 3 Portsmouth, Ohio 45662 Ph: 740-354-7751 Fax: 740-353-4583 Email: cityauditor@mail.com	David W. Kuhn, Solicitor City of Portsmouth 728 Second Street, Room 22 Portsmouth, Ohio 45662 Ph: 740-353-5229 Fax: 740-353-0136 Email: dkuhn@pmcourt.org	

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



 Elected

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Portsmouth
Ohio

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

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

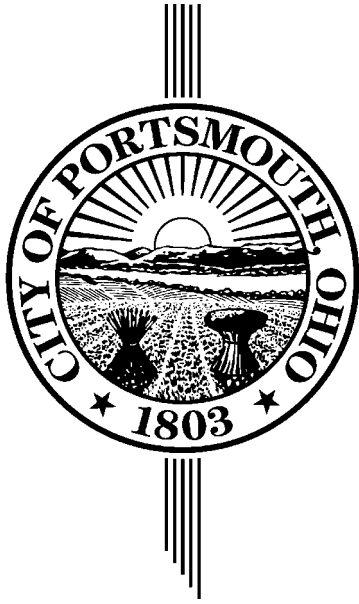


President

Executive Director

FINANCIAL SECTION





Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

City of Portsmouth
Scioto County
Second Street
Portsmouth, Ohio 45662

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 Portsmouth, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As disclosed in Note 3 to the basic financial statements, the City restated net assets due to the City's Governmental Activities reporting infrastructure retroactively.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portsmouth's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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.

Caudill & Associates, CPAs

Caudill & Associates, CPA's
June 22, 2007 except for Note 17, as to which the date is October 25, 2007

The discussion and analysis of the City of Portsmouth'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 \$275,782. Net assets of governmental activities decreased \$832,904, which represents a 3.2 % decrease from 2005. Net assets of business-type activities increased \$1,108,686, or 9.2% from 2005.
- ❑ General revenues accounted for \$10,390,548 in revenue or 40.8% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$15,086,021 or 59.2% of total revenues of \$25,476,569.
- ❑ The City had \$16,872,707 in expenses related to governmental activities; only \$5,649,255 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10,390,548 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$10,005,624 in revenues and other financing sources and \$10,262,380 in expenditures and other financing uses. The general fund's fund balance decreased from \$962,581 to \$701,656.

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 and individual statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City one 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 water, sewer, sanitation, and primary care services are reported as business-type activities.

Fund Financial Statements

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

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 educational programs. The City's major funds are the General Fund, the Community Development Block Grant Fund, the General Obligation Bond Retirement Fund, and the Capital Improvement Fund. 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 PORTSMOUTH, 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, the Statement of Net Assets and the Statement of Activities will essentially match the fund financial statements. The proprietary fund financial statements provide separate information for the Water, Sewer, Sanitation, and Primary Care services. All except the Primary Care Fund are considered major funds.

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 a separate Statement of Fiduciary Net Assets and Changes in Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2006 compared to 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$10,803,440	\$10,754,419	\$7,025,680	\$6,578,966	\$17,829,120	\$17,333,385
Capital assets, Net	20,587,049	20,982,291	11,880,963	12,001,430	32,468,012	32,983,721
Total assets	31,390,489	31,736,710	18,906,643	18,580,396	50,297,132	50,317,106
Long-term debt outstanding	2,967,049	2,607,875	4,955,510	5,509,650	7,922,559	8,117,525
Other liabilities	2,898,277	2,770,768	750,676	978,975	3,648,953	3,749,743
Total liabilities	5,865,326	5,378,643	5,706,186	6,488,625	11,571,512	11,867,268
Net assets						
Invested in capital assets, net of related debt	20,148,126	20,938,159	9,654,908	9,498,779	29,803,034	30,436,938
Restricted	4,810,459	4,497,189	935,246	1,956,563	5,745,705	6,453,752
Unrestricted	566,578	922,719	2,610,303	636,429	3,176,881	1,559,148
Total net assets	\$25,525,163	\$26,358,067	\$13,200,457	\$12,091,771	\$38,725,620	\$38,449,838

CITY OF PORTSMOUTH, 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 2006 compared to 2005:

	Governmental		Business-type		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,972,237	\$1,979,684	\$9,436,766	\$9,076,792	\$11,409,003	\$11,056,476
Operating Grants and Contributions	3,676,237	3,428,998	0	0	3,676,237	3,428,998
Capital Grants and Contributions	781	0	0	0	781	0
Total Program Revenues	5,649,255	5,408,682	9,436,766	9,076,792	15,086,021	14,485,474
General revenues:						
Property Taxes	1,954,174	2,046,522	0	0	1,954,174	2,046,522
Income Taxes	6,012,029	6,062,431	0	0	6,012,029	6,062,431
Other Local Taxes	259,561	253,264	0	0	259,561	253,264
Intergovernmental Revenue, Unrestricted	1,646,207	1,708,788	0	0	1,646,207	1,708,788
Investment Earnings	343,205	144,644	0	0	343,205	144,644
Miscellaneous	175,372	383,620	0	0	175,372	383,620
Total General Revenues	10,390,548	10,599,269	0	0	10,390,548	10,599,269
Total Revenues	16,039,803	16,007,951	9,436,766	9,076,792	25,476,569	25,084,743
Program Expenses						
Security of Persons and Property	7,122,782	6,509,505	0	0	7,122,782	6,509,505
Public Health and Welfare Services	3,018,275	2,861,518	0	0	3,018,275	2,861,518
Leisure Time Activities	107,307	118,705	0	0	107,307	118,705
Community Environment	635,785	515,633	0	0	635,785	515,633
Transportation	2,192,216	1,166,630	0	0	2,192,216	1,166,630
General Government	3,694,527	3,732,579	0	0	3,694,527	3,732,579
Interest and Fiscal Charges	101,815	75,124	0	0	101,815	75,124
Water	0	0	4,692,859	4,786,196	4,692,859	4,786,196
Sewer	0	0	2,533,086	2,205,402	2,533,086	2,205,402
Sanitation	0	0	1,100,988	1,066,267	1,100,988	1,066,267
Primary Care	0	0	1,147	0	1,147	0
Total Expenses	16,872,707	14,979,694	8,328,080	8,057,865	25,200,787	23,037,559
Total Change in Net Assets	(832,904)	1,028,257	1,108,686	1,018,927	275,782	2,047,184
Beginning Net Assets, Restated	26,358,067	25,329,810	12,091,771	11,072,844	38,449,838	36,402,654
Ending Net Assets	\$25,525,163	\$26,358,067	\$13,200,457	\$12,091,771	\$38,725,620	\$38,449,838

Governmental Activities

Net assets of the City's governmental activities decreased by \$832,904. The decrease in Net Assets is a result of increasing expense due to depreciation.

The City receives an income tax, which is based on 1.4% of all salaries, wages, commissions and other compensation and on net profits earned from those working or doing business in the City.

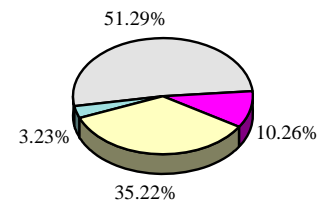
CITY OF PORTSMOUTH, OHIO

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

Unaudited

Income taxes and property taxes made up 37.5% and 12.2% 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 51.29% of total revenues from general tax revenues:

Revenue Sources	2006	Percent of Total
General Tax Revenues	\$8,225,764	51.29%
Intergovernmental Revenue, Unrestricted	1,646,207	10.26%
Program Revenues	5,649,255	35.22%
General Other	518,577	3.23%
Total Revenue	\$16,039,803	100.00%



Business-Type Activities

Net assets of the business type activities increased by \$1,108,686. The increase was due to an 8% increase in the water rate to begin accumulating funds for a new filtration processing system.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$4,900,903, which is a decrease from last year's balance of \$5,098,870. 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	\$701,656	\$962,581	(\$260,925)
Community Development	278,988	464,635	(185,647)
General Obligation Bond Retirement	25,419	65,248	(39,829)
Capital Improvement	1,256,117	994,482	261,635
Other Governmental	2,638,723	2,611,924	26,799
Total	\$4,900,903	\$5,098,870	(\$197,967)

CITY OF PORTSMOUTH, OHIO

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

Unaudited

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

	2006	2005	Increase
	Revenues	Revenues	(Decrease)
Property and Other Taxes	\$6,593,011	\$6,536,918	\$56,093
Intergovernmental Revenue	1,726,839	1,633,686	93,153
Charges for Services	335,526	334,703	823
Licenses and Permits	174,978	189,052	(14,074)
Investment Earnings	327,703	137,554	190,149
Fines and Forfeitures	697,956	717,268	(19,312)
All Other Revenue	117,610	129,906	(12,296)
Total	<u>\$9,973,623</u>	<u>\$9,679,087</u>	<u>\$294,536</u>

General Fund revenues in 2006 increased approximately 3.0% compared to revenues in fiscal year 2005. This increase was primarily due to increased investment earnings as a result of increased rates of return and increased estate taxes that can fluctuate widely year to year.

	2006	2005	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$6,333,195	\$6,231,923	\$101,272
Public Health and Welfare Services	578,361	467,123	111,238
Community Environment	208,956	206,025	2,931
Transportation	287,133	277,509	9,624
General Government	2,836,735	2,793,912	42,823
Total	<u>\$10,244,380</u>	<u>\$9,976,492</u>	<u>\$267,888</u>

General Fund expenditures increased by \$267,888 or 2.7% compared to the prior year. The small increase was due to efforts to keep expenditures down.

Community Development Fund – The Community Development Fund balance decreased from \$464,635 to \$278,998. The decrease is a result of additional expenditures.

General Obligation Bond Retirement Fund – The General Obligation Bond Retirement Fund balance decreased from \$65,248 to \$25,419. The fund remained stable compared to 2005.

Capital Improvement Fund - The Capital Improvement Fund balance increased from \$994,482 to \$1,256,117. The increase is the result of keeping capital expenditures below tax receipts.

CITY OF PORTSMOUTH, OHIO

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

Unaudited

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 budget several times, none significant.

For the General Fund, final budget basis revenue of \$9,985,000 was \$327,980 below original budget estimates due to decreases in all other revenue. The actual revenues of \$10,003,299 were not significantly different than the final budget basis revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006 the City had \$32,468,012 net of accumulated depreciation invested in buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$20,587,049 was related to governmental activities and \$11,880,963 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$1,871,744	\$1,871,744	\$0
Buildings	5,783,654	5,773,868	9,786
Improvements	2,134,058	2,134,058	0
Machinery and Equipment	8,398,636	7,468,809	929,827
Infrastructure	27,924,471	27,776,876	147,595
Less: Accumulated Depreciation	(25,525,514)	(24,043,064)	(1,482,450)
Totals	<u>\$20,587,049</u>	<u>\$20,982,291</u>	<u>(\$395,242)</u>

The primary increases occurred in machinery and equipment which includes the purchase of 15 police vehicles and a sweeper for streets and infrastructure which included the resurfacing of several streets.

CITY OF PORTSMOUTH, OHIO

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

Unaudited

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Land	\$55,424	\$55,424	\$0
Construction in Progress	557,847	512,618	45,229
Buildings	1,028,509	1,007,674	20,835
Improvements other than Buildings	23,951,894	23,924,495	27,399
Machinery and Equipment	3,798,016	3,457,480	340,536
Less: Accumulated Depreciation	(17,510,727)	(16,956,261)	(554,466)
Totals	\$11,880,963	\$12,001,430	(\$120,467)

Business type capital assets decreased by \$120,467. The major additions were machinery and equipment which included the purchase of a couple vehicles, an excavator, pumps and a wastewater basin. Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2006, the City had \$1,865,000 in General Obligation Bonds outstanding, \$50,000 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 Bond	\$1,865,000	\$1,915,000
Bond Anticipation Note	22,475	44,132
Compensated Absences	663,126	648,743
Capital Leases	416,448	0
Total Governmental Activities	\$2,967,049	\$2,607,875
Business-Type Activities:		
Ohio Public Works Commission Loan	\$435,000	\$465,000
Water Refunding Revenue Bond	4,170,189	4,540,237
Compensated Absences	44,900	48,135
Capital Leases	305,421	456,278
Total Business-Type Activities	4,955,510	5,509,650
Totals	\$7,922,559	\$8,117,525

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. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of 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 12.

ECONOMIC FACTORS

New construction continues as the central economic theme in the City of Portsmouth. Among the major projects completed in 2006 include five new school buildings erected on three campuses in the downtown and Sciotoville areas that accommodate all Portsmouth city school students from kindergarten through grade twelve. 2006 also saw the expansion of a retail center in the east end of the city including a restaurant, two retail stores and an insurance office with room remaining to meet future expansion of retail and office needs.

Very good things continue to happen at the Southern Ohio Medical Center as it continues the implementation of its long-term expansion plan with the addition of the new Cancer Center on Kinney's Lane and hospital expansion and additional doctors offices on the Scioto Memorial campus.

An ongoing long-term state facilitated project begun in 2001 and finally completed in 2006 is the reconstruction of the US Grant Bridge. The span over the Ohio River, connecting Portsmouth to its southern neighbor in Kentucky, scheduled for opening in 2004 experienced some unexpected delays but finally spanned the entire width of the Ohio River reconnecting downtown Portsmouth to its neighboring state of Kentucky to the south upon completion in October 2006. The Ohio Department of Transportation attributed the delay to poor weather conditions and high water, prohibiting continuous periods of scheduled work. This delay has no doubt contributed to lost business revenue over the past few years for area merchants on both sides of the Ohio River.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. M. Trent Williams, City Auditor of the City of Portsmouth.

CITY OF PORTSMOUTH, OHIO

Statement of Net Assets
December 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 4,215,573	\$ 2,239,062	\$ 6,454,635
Receivables:			
Taxes	3,233,918	0	3,233,918
Accounts	338,038	1,890,357	2,228,395
Intergovernmental	2,459,040	0	2,459,040
Loans	411,600	0	411,600
Internal Balances	(137,577)	137,577	0
Inventory of Supplies at Cost	55,102	347,650	402,752
Prepaid Items	26,606	24,528	51,134
Deferred Charge	0	132,362	132,362
Restricted Assets:			
Cash and Cash Equivalents	201,140	2,254,144	2,455,284
Capital Assets:			
Capital Assets Not Being Depreciated	1,871,744	613,271	2,485,015
Capital Assets Being Depreciated, Net of Accumulated Depreciation	18,715,305	11,267,692	29,982,997
Total Assets	<u>31,390,489</u>	<u>18,906,643</u>	<u>50,297,132</u>

(Continued)

CITY OF PORTSMOUTH, OHIO

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Accounts Payable	105,273	126,905	232,178
Accrued Wages and Benefits	835,496	347,570	1,183,066
Intergovernmental Payable	140	0	140
Refundable Deposits	0	235,106	235,106
Unearned Revenue	1,924,400	0	1,924,400
Accrued Interest Payable	32,968	41,095	74,063
Long-term Liabilities:			
Due within one year	225,291	575,739	801,030
Due in more than one year	2,741,758	4,379,771	7,121,529
Total Liabilities	5,865,326	5,706,186	11,571,512
Net Assets:			
Invested in Capital Assets, Net of Related Debt	20,148,126	9,654,908	29,803,034
Restricted For:			
Streets and Highways	705,890	0	705,890
Community Development	851,688	0	851,688
Security of Persons and Property	461,852	0	461,852
Public Health and Welfare	979,931	0	979,931
Capital Projects	1,279,481	0	1,279,481
Debt Service	7,823	935,246	943,069
Perpetual Care:			
Expendable	26,843	0	26,843
Nonexpendable	174,297	0	174,297
Other Purposes	322,654	0	322,654
Unrestricted	566,578	2,610,303	3,176,881
Total Net Assets	\$ 25,525,163	\$ 13,200,457	\$ 38,725,620

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 7,122,782	\$ 952,245	\$ 202,647	\$ 0
Public Health and Welfare Services	3,018,275	343,817	2,085,906	0
Leisure Time Activities	107,307	65,966	0	0
Community Environment	635,785	144,084	355,205	0
Transportation	2,192,216	54,013	945,766	781
General Government	3,694,527	412,112	86,713	0
Interest and Fiscal Charges	101,815	0	0	0
Total Governmental Activities	16,872,707	1,972,237	3,676,237	781
Business-Type Activities:				
Water	4,692,859	5,559,506	0	0
Sewer	2,533,086	2,532,099	0	0
Sanitation	1,100,988	1,334,647	0	0
Primary Care	1,147	10,514	0	0
Total Business-Type Activities	8,328,080	9,436,766	0	0
Totals	\$ 25,200,787	\$ 11,409,003	\$ 3,676,237	\$ 781

General Revenues

Property Taxes Levied for:

General Purposes

Special Purpose

Debt Service

Income Taxes

Other Local Taxes

Intergovernmental Revenue, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (5,967,890)	\$ 0	\$ (5,967,890)
(588,552)	0	(588,552)
(41,341)	0	(41,341)
(136,496)	0	(136,496)
(1,191,656)	0	(1,191,656)
(3,195,702)	0	(3,195,702)
(101,815)	0	(101,815)
<u>(11,223,452)</u>	<u>0</u>	<u>(11,223,452)</u>
0	866,647	866,647
0	(987)	(987)
0	233,659	233,659
0	9,367	9,367
<u>0</u>	<u>1,108,686</u>	<u>1,108,686</u>
<u>(11,223,452)</u>	<u>1,108,686</u>	<u>(10,114,766)</u>
1,581,990	0	1,581,990
278,976	0	278,976
93,208	0	93,208
6,012,029	0	6,012,029
259,561	0	259,561
1,646,207	0	1,646,207
343,205	0	343,205
175,372	0	175,372
<u>10,390,548</u>	<u>0</u>	<u>10,390,548</u>
(832,904)	1,108,686	275,782
<u>26,358,067</u>	<u>12,091,771</u>	<u>38,449,838</u>
<u>\$ 25,525,163</u>	<u>\$ 13,200,457</u>	<u>\$ 38,725,620</u>

CITY OF PORTSMOUTH, OHIO

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

	General	Community Development	General Obligation Bond Retirement	Capital Improvement
Assets:				
Cash and Cash Equivalents	\$ 116,353	\$ 247,152	\$ 25,419	\$ 1,041,335
Receivables:				
Taxes	2,516,030	0	144,822	241,665
Accounts	223,411	0	0	0
Intergovernmental	929,506	213,900	6,850	0
Loans	0	411,600	0	0
Due from Other Funds	20,463	24,453	0	0
Inventory of Supplies, at Cost	26,620	0	0	0
Prepaid Items	19,094	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Total Assets	\$ 3,851,477	\$ 897,105	\$ 177,091	\$ 1,283,000
Liabilities:				
Accounts Payable	\$ 52,381	\$ 0	\$ 0	\$ 3,519
Accrued Wages and Benefits Payable	649,326	617	0	0
Intergovernmental Payable	140	0	0	0
Due to Other Funds	24,453	0	0	0
Deferred Revenue	2,423,521	617,500	151,672	23,364
Total Liabilities	3,149,821	618,117	151,672	26,883
Fund Balances:				
Reserved for Encumbrances	36,758	0	0	286,207
Reserved for Prepaid Items	19,094	0	0	0
Reserved for Supplies Inventory	26,620	0	0	0
Reserved for Debt Service	0	0	25,419	0
Reserved for Endowments	0	0	0	0
Unreserved, Undesignated in:				
General Fund	619,184	0	0	0
Capital Projects Fund	0	0	0	969,910
Special Revenue Funds	0	278,988	0	0
Permanent Fund	0	0	0	0
Total Fund Balances	701,656	278,988	25,419	1,256,117
Total Liabilities and Fund Balances	\$ 3,851,477	\$ 897,105	\$ 177,091	\$ 1,283,000

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,310,431	\$ 3,740,690
331,401	3,233,918
114,627	338,038
1,308,784	2,459,040
0	411,600
0	44,916
28,482	55,102
7,512	26,606
<u>201,140</u>	<u>201,140</u>
<u>\$ 4,302,377</u>	<u>\$ 10,511,050</u>
\$ 48,172	\$ 104,072
185,553	835,496
0	140
20,463	44,916
<u>1,409,466</u>	<u>4,625,523</u>
<u>1,663,654</u>	<u>5,610,147</u>
161,158	484,123
7,512	26,606
28,482	55,102
0	25,419
26,843	26,843
0	619,184
0	969,910
2,240,431	2,519,419
<u>174,297</u>	<u>174,297</u>
<u>2,638,723</u>	<u>4,900,903</u>
<u>\$ 4,302,377</u>	<u>\$ 10,511,050</u>

CITY OF PORTSMOUTH, OHIO

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

Total Governmental Fund Balances		\$	4,900,903
<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.			20,587,049
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			2,701,123
Internal Service Funds are used by management to charge the costs of insurance and use of supplies to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			336,105
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	(1,865,000)		
Long-Term Bond Anticipation Notes Payable	(22,475)		
Capital Leases Payable	(416,448)		
Compensated Absences Payable	(663,126)		
Accrued Interest Payable	(32,968)		
			<u>(3,000,017)</u>
<i>Net Assets of Governmental Activities</i>		\$	<u><u>25,525,163</u></u>

See accompanying notes to the basic financial statements



CITY OF PORTSMOUTH, OHIO

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

	General	Community Development	General Obligation Bond Retirement	Capital Improvement
Revenues:				
Taxes	\$ 6,593,011	\$ 0	\$ 98,165	\$ 1,286,567
Intergovernmental Revenues	1,726,839	71,218	11,993	0
Charges for Services	335,526	0	0	0
Licenses and Permits	174,978	0	0	0
Investment Earnings	327,703	418	0	0
Special Assessments	0	0	781	0
Fines and Forfeitures	697,956	0	0	0
All Other Revenue	117,610	52,439	0	0
Total Revenue	9,973,623	124,075	110,939	1,286,567
Expenditures:				
Current:				
Security of Persons and Property	6,333,195	0	0	0
Public Health and Welfare Services	578,361	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	208,956	309,722	0	0
Transportation	287,133	0	0	0
General Government	2,836,735	0	0	0
Capital Outlay	0	0	0	1,418,055
Debt Service:				
Principal Retirement	0	0	50,000	103,071
Interest and Fiscal Charges	0	0	100,768	1,668
Total Expenditures	10,244,380	309,722	150,768	1,522,794
Excess (Deficiency) of Revenues Over Expenditures	(270,757)	(185,647)	(39,829)	(236,227)
Other Financing Sources (Uses):				
Sale of Capital Assets	32,001	0	0	0
Other Financing Source - Capital Lease	0	0	0	497,862
Transfers In	0	0	0	0
Transfers Out	(18,000)	0	0	0
Total Other Financing Sources (Uses)	14,001	0	0	497,862
Net Change in Fund Balances	(256,756)	(185,647)	(39,829)	261,635
Fund Balances at Beginning of Year	962,581	464,635	65,248	994,482
Increase (Decrease) in Inventory Reserve	(4,169)	0	0	0
Fund Balances End of Year	\$ 701,656	\$ 278,988	\$ 25,419	\$ 1,256,117

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 332,649	\$ 8,310,392
3,258,026	5,068,076
190,877	526,403
0	174,978
15,084	343,205
0	781
483,522	1,181,478
132,751	302,800
<u>4,412,909</u>	<u>15,908,113</u>
535,439	6,868,634
2,378,703	2,957,064
99,621	99,621
43,651	562,329
881,854	1,168,987
466,408	3,303,143
0	1,418,055
0	153,071
0	102,436
<u>4,405,676</u>	<u>16,633,340</u>
7,233	(725,227)
0	32,001
0	497,862
18,000	18,000
0	(18,000)
<u>18,000</u>	<u>529,863</u>
25,233	(195,364)
2,611,924	5,098,870
1,566	(2,603)
<u>\$ 2,638,723</u>	<u>\$ 4,900,903</u>

CITY OF PORTSMOUTH, 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 \$ (195,364)

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	1,210,867	
Depreciation Expense	<u>(1,596,522)</u>	(385,655)

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to decrease net assets.

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. (9,587)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 131,690

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Capital Leases Issued (497,862)

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 Bonds Payable	50,000	
Long Term Notes Payable	21,657	
Capital Leases Payable	<u>81,414</u>	153,071

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 621

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

Compensated Absences	(14,383)	
Change in Inventory	<u>(2,603)</u>	(16,986)

Internal Service Funds used by management to charge the costs of insurance and use of supplies to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities. (12,832)

Change in Net Assets of Governmental Activities \$ (832,904)

See accompanying notes to the basic financial statements



CITY OF PORTSMOUTH, 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**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 6,447,900	\$ 6,447,900	\$ 6,618,982	\$ 171,082
Intergovernmental Revenue	1,859,300	1,731,320	1,704,023	(27,297)
Charges for Services	703,480	703,480	335,526	(367,954)
Licenses and Permits	169,300	169,300	174,978	5,678
Investment Earnings	90,000	90,000	327,703	237,703
Fines and Forfeitures	688,000	688,000	685,792	(2,208)
All Other Revenues	323,000	123,000	124,294	1,294
Total Revenues	<u>10,280,980</u>	<u>9,953,000</u>	<u>9,971,298</u>	<u>18,298</u>
Expenditures:				
Current:				
Security of Persons and Property	6,282,941	6,282,940	6,280,988	1,952
Public Health and Welfare Services	565,637	565,637	568,901	(3,264)
Community Environment	208,701	208,701	204,964	3,737
Transportation	257,389	257,389	283,715	(26,326)
General Government	2,876,378	2,907,734	2,853,375	54,359
Total Expenditures	<u>10,191,046</u>	<u>10,222,401</u>	<u>10,191,943</u>	<u>30,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	89,934	(269,401)	(220,645)	48,756
Other Financing Sources (Uses):				
Sale of Capital Assets	32,000	32,000	32,001	1
Transfers Out	(18,000)	(18,000)	(18,000)	0
Total Other Financing Sources (Uses):	<u>14,000</u>	<u>14,000</u>	<u>14,001</u>	<u>1</u>
Net Change in Fund Balance	103,934	(255,401)	(206,644)	48,757
Fund Balance at Beginning of Year	217,606	217,606	217,606	0
Prior Year Encumbrances	31,356	31,356	31,356	0
Fund Balance at End of Year	<u>\$ 352,896</u>	<u>\$ (6,439)</u>	<u>\$ 42,318</u>	<u>\$ 48,757</u>

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Community Development 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:				
Intergovernmental Revenues	\$ 130,000	\$ 173,800	\$ 174,018	\$ 218
Investment Earnings	0	0	418	418
All Other Revenues	70,000	52,900	52,439	(461)
Total Revenues	<u>200,000</u>	<u>226,700</u>	<u>226,875</u>	<u>175</u>
Expenditures:				
Community Environment	533,499	533,499	309,463	224,036
Total Expenditures	<u>533,499</u>	<u>533,499</u>	<u>309,463</u>	<u>224,036</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(333,499)	(306,799)	(82,588)	224,211
Fund Balance at Beginning of Year	<u>329,740</u>	<u>329,740</u>	<u>329,740</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (3,759)</u>	<u>\$ 22,941</u>	<u>\$ 247,152</u>	<u>\$ 224,211</u>

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

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

	Business-Type Activities-Enterprise Funds		
	Major		
	Water	Sewer	Sanitation
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 1,655,786	\$ 329,448	\$ 243,314
Accounts receivable (net of allowance for uncollectibles)	1,071,561	539,055	279,741
Inventory of Supplies at Cost	320,927	25,565	1,158
Prepaid Items	12,878	6,539	5,111
Total current assets	<u>3,061,152</u>	<u>900,607</u>	<u>529,324</u>
Noncurrent assets:			
Restricted Assets:			
Cash and Cash Equivalents	2,254,144	0	0
Deferred Charges	132,362	0	0
Capital assets:			
Capital Assets Not Being Depreciated	41,275	571,996	0
Capital Assets Being Depreciated, net of accumulated depreciation	<u>9,669,678</u>	<u>857,787</u>	<u>740,227</u>
Total capital assets	<u>9,710,953</u>	<u>1,429,783</u>	<u>740,227</u>
Total noncurrent assets	<u>12,097,459</u>	<u>1,429,783</u>	<u>740,227</u>
Total assets	<u>15,158,611</u>	<u>2,330,390</u>	<u>1,269,551</u>

CITY OF PORTSMOUTH, OHIO

<u>Nonmajor</u>			Governmental
<u>Primary Care</u>	<u>Total</u>		Activities -
			Internal Service
			Funds
\$ 10,514	\$ 2,239,062	\$	474,883
0	1,890,357		0
0	347,650		0
0	24,528		0
<u>10,514</u>	<u>4,501,597</u>		<u>474,883</u>
0	2,254,144		0
0	132,362		0
0	613,271		0
0	11,267,692		0
0	11,880,963		0
0	14,267,469		0
<u>10,514</u>	<u>18,769,066</u>		<u>474,883</u>

(Continued)

CITY OF PORTSMOUTH, OHIO

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

	Business-Type Activities-Enterprise Funds		
	Major		
	Water	Sewer	Sanitation
LIABILITIES			
Current liabilities:			
Accounts Payable	80,051	45,433	975
Accrued Wages and Benefits	188,130	109,033	49,706
Refundable Deposits	235,106	0	0
Accrued Interest Payable	41,095	0	0
Capital Leases Payable - Current	22,762	12,053	122,544
Revenue Bond Payable - Current	380,048	0	0
OPWC Loans Payable - Current	0	30,000	0
Compensated Absences Payable - Current	4,936	2,314	1,082
Total Current Liabilities	<u>952,128</u>	<u>198,833</u>	<u>174,307</u>
Noncurrent Liabilities:			
Capital Leases Payable	10,253	104,666	33,143
Revenue Bonds Payable	3,790,141	0	0
OPWC Loans Payable	0	405,000	0
Compensated Absences Payable	33,275	840	2,453
Total noncurrent liabilities	<u>3,833,669</u>	<u>510,506</u>	<u>35,596</u>
Total Liabilities	<u>4,785,797</u>	<u>709,339</u>	<u>209,903</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,659,149	1,313,064	682,695
Restricted for Debt Service	935,246	0	0
Unrestricted	1,778,419	307,987	376,953
Total Net Assets	<u>\$ 10,372,814</u>	<u>\$ 1,621,051</u>	<u>\$ 1,059,648</u>

Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds
Total Net Assets per the government-wide Statement of Net Assets

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

<u>Nonmajor</u>		Governmental Activities - Internal Service Funds
Primary Care	Total	
446	126,905	1,201
701	347,570	0
0	235,106	0
0	41,095	0
0	157,359	0
0	380,048	0
0	30,000	0
0	8,332	0
<u>1,147</u>	<u>1,326,415</u>	<u>1,201</u>
0	148,062	0
0	3,790,141	0
0	405,000	0
0	36,568	0
<u>0</u>	<u>4,379,771</u>	<u>0</u>
<u>1,147</u>	<u>5,706,186</u>	<u>1,201</u>
0	9,654,908	0
0	935,246	0
<u>9,367</u>	<u>2,472,726</u>	<u>473,682</u>
<u>\$ 9,367</u>	<u>\$ 13,062,880</u>	<u>\$ 473,682</u>
	<u>137,577</u>	
	<u>\$ 13,200,457</u>	

CITY OF PORTSMOUTH, OHIO

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

	Business-Type Activities-Enterprise Funds		
	Major		
	Water	Sewer	Sanitation
Operating Revenues:			
Charges for Services	\$ 5,243,645	\$ 2,506,846	\$ 1,317,399
Other Operating Revenues	232,498	16,034	17,248
Total Operating Revenues	5,476,143	2,522,880	1,334,647
Operating Expenses:			
Personal Services	2,609,870	1,508,838	711,334
Contractual Services	770,033	749,857	315,484
Materials and Supplies	712,654	192,552	3,779
Depreciation	383,447	79,295	69,859
Total Operating Expenses	4,476,004	2,530,542	1,100,456
Operating Income (Loss)	1,000,139	(7,662)	234,191
Non-Operating Revenue (Expenses):			
Interest Income	83,363	9,219	0
Interest and Fiscal Charges	(215,038)	(1,444)	0
Total Non-Operating Revenues (Expenses)	(131,675)	7,775	0
Change in Net Assets	868,464	113	234,191
Net Assets Beginning of Year	9,504,350	1,620,938	825,457
Net Assets End of Year	\$ 10,372,814	\$ 1,621,051	\$ 1,059,648

Change in Net Assets - Total Enterprise Funds

Adjustments to reflect the consolidation of internal service
fund activities related to enterprise funds

Change in Net Assets - Total Enterprise Funds

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

<u>Nonmajor</u>		Governmental
<u>Primary Care</u>	<u>Total</u>	Activities - Internal Service Funds
\$ 10,212	\$ 9,078,102	\$ 0
302	266,082	0
<u>10,514</u>	<u>9,344,184</u>	<u>0</u>
701	4,830,743	1,998
0	1,835,374	10,028
446	909,431	4,255
0	532,601	0
<u>1,147</u>	<u>8,108,149</u>	<u>16,281</u>
9,367	1,236,035	(16,281)
0	92,582	0
0	(216,482)	0
0	(123,900)	0
9,367	1,112,135	(16,281)
0	11,950,745	489,963
<u>\$ 9,367</u>	<u>\$ 13,062,880</u>	<u>\$ 473,682</u>
	1,112,135	
	(3,449)	
	<u>\$ 1,108,686</u>	

CITY OF PORTSMOUTH, OHIO

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

	Business-Type Activities-Enterprise Funds		
	Major		
	Water	Sewer	Sanitation
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$5,478,642	\$2,523,693	\$1,332,494
Cash Payments for Goods and Services	(1,479,159)	(942,350)	(333,203)
Cash Payments to Employees	(2,579,489)	(1,496,819)	(701,997)
Customer Deposits Received	120,098	0	0
Customer Deposits Refunded	(86,255)	0	0
Net Cash Provided (Used) by Operating Activities	<u>1,453,837</u>	<u>84,524</u>	<u>297,294</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Principal Paid on Ohio Public Works Commission Loan	0	(30,000)	0
Net Cash Used by Noncapital Financing Activities	<u>0</u>	<u>(30,000)</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal Paid on Revenue Anticipation Notes	0	(315,000)	0
Acquisition and Construction of Assets	(204,839)	(150,756)	(31,839)
Principal Paid on Mortgage Revenue Bond	(405,000)	0	0
Capital Lease Payment	(21,312)	(11,465)	(118,080)
Interest Paid on All Debt	(167,910)	(9,340)	0
Net Cash Used by Capital and Related Financing Activities	<u>(799,061)</u>	<u>(486,561)</u>	<u>(149,919)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipt of Interest	83,363	9,219	0
Net Cash Provided by Investing Activities	<u>83,363</u>	<u>9,219</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	738,139	(422,818)	147,375
Cash and Cash Equivalents at Beginning of Year	3,171,791	752,266	95,939
Cash and Cash Equivalents at End of Year	<u>\$3,909,930</u>	<u>\$329,448</u>	<u>\$243,314</u>
<u>Reconciliation of Cash and Cash Equivalent per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$1,655,786	\$329,448	\$243,314
Restricted Cash and Cash Equivalents	2,254,144	0	0
Cash and Cash Equivalents at End of Year	<u>\$3,909,930</u>	<u>\$329,448</u>	<u>\$243,314</u>

CITY OF PORTSMOUTH, OHIO

Nonmajor		Governmental -Activities Internal Service Funds
Primary Care	Total	
\$10,514	\$9,345,343	\$2,189,407
0	(2,754,712)	(2,204,487)
0	(4,778,305)	0
0	120,098	0
0	(86,255)	0
10,514	1,846,169	(15,080)
0	(30,000)	0
0	(30,000)	0
0	(315,000)	0
0	(387,434)	0
0	(405,000)	0
0	(150,857)	0
0	(177,250)	0
0	(1,435,541)	0
0	92,582	0
0	92,582	0
10,514	473,210	(15,080)
0	4,019,996	489,963
\$10,514	\$4,493,206	\$474,883
\$10,514	\$2,239,062	\$474,883
0	2,254,144	0
\$10,514	\$4,493,206	\$474,883

(Continued)

CITY OF PORTSMOUTH, OHIO

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

	Business-Type Activities-Enterprise Funds		
	Major		
	Water	Sewer	Sanitation
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income	\$1,000,139	(\$7,662)	\$234,191
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	383,447	79,295	69,859
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	2,499	813	(2,153)
(Increase) in Inventory	(5,333)	(13,444)	(80)
Decrease in Prepaid Items	13,442	6,176	6,420
Increase (Decrease) in Accounts Payable	(4,814)	7,045	(19,965)
Increase in Accrued Wages and Benefits	28,528	18,261	8,383
Increase in Customer Deposits	33,843	0	0
Increase (Decrease) in Compensated Absences	2,086	(5,960)	639
Total Adjustments	453,698	92,186	63,103
Net Cash Provided (Used) by Operating Activities	<u>\$1,453,837</u>	<u>\$84,524</u>	<u>\$297,294</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2006 the Water Fund had outstanding liabilities of \$24,700 respectively for certain capital assets.

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

Nonmajor		Governmental -Activities Internal Service Funds
Primary Care	Total	
\$9,367	\$1,236,035	(\$16,281)
0	532,601	0
0	1,159	0
0	(18,857)	0
0	26,038	0
446	(17,288)	1,201
701	55,873	0
0	33,843	0
0	(3,235)	0
1,147	610,134	1,201
\$10,514	\$1,846,169	(\$15,080)

CITY OF PORTSMOUTH, OHIO

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

	Private Purpose Trust	
	Private Purpose	Agency
Assets:		
Cash and Cash Equivalents	\$ 68,184	\$ 0
Receivables:		
Accounts	0	161,538
Restricted Assets:		
Cash and Cash Equivalents	0	99,499
Total Assets	<u>68,184</u>	<u>261,037</u>
Liabilities:		
Intergovernmental Payable	0	35,854
Claims Payable	56,105	0
Due to Others	0	225,183
Total Liabilities	<u>56,105</u>	<u>261,037</u>
Net Assets:		
Unrestricted	<u>12,079</u>	<u>0</u>
Total Net Assets	<u>\$ 12,079</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

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

	Private Purpose
Additions:	
Total Additions	<u>\$ 0</u>
Deductions:	
Total Deductions	<u>0</u>
Change in Net Assets	0
Net Assets at Beginning of Year	<u>12,079</u>
Net Assets End of Year	<u>\$ 12,079</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 Portsmouth, 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-Mayor form of government, was adopted in 1928 and has been amended several times.

The financial statements are presented as of December 31, 2006 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "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 the GASB Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations are Component Units"* 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 has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, parks and recreation, planning, zoning, street maintenance and general administrative services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system and a refuse collection service, each of which is reported as an enterprise fund.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds

Governmental funds are 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 funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources and use and balances of financial resources). The following are the City's major governmental funds:

***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)

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.

Community Development Fund – This fund is used to account for Federal and State grants which are designed for community and environmental improvements.

General Obligation Bond Retirement Fund – This fund is used for the accumulation of resources for, and the payment of, principal and interest on general obligation debt other than those accounted for in the proprietary funds.

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

Proprietary Funds

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 Funds - These funds are 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 funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

Sewer Fund – This fund is used to account for the operation of the City's sanitary sewer service.

Sanitation Fund – This fund is used to account for the operation of the City's refuse collection and disposal service.

The following enterprise fund is nonmajor:

Primary Care Fund – This fund is used to account for the revenue and expenses for the operation of a general community primary care clinic health facility.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments on a cost-reimbursement basis. The Employees Insurance Account "B" Insurance Fund accounts for the accumulation and allocation of costs associated with the employee health care plans.

***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)

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. These funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations or other governmental units and therefore not available to support the City's own programs. The City's only trust fund is a private purpose trust that accounts for unclaimed monies. The agency funds account for performance bonds placed in escrow for various demolition projects, revenues and expenditures of State Patrol fines to the County Law Library, funds from the three percent (3%) fees as required by Ohio Revised Code, funds that flow through the municipal court office, and insurance premiums paid for employees' health insurance. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

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

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 externally 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.

***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)

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental 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.

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

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. 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. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which the City considers 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.

***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 (Continued)

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. Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. 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 revenues.

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

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City's Enterprise Proprietary Funds, Business Type Activities, and Governmental Type Activities follow GASB guidance which is applicable to proprietary funds 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.

***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)

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 the fund for most funds. However, the legal level of control for the General Fund is the department level and for some of the special revenue funds it is at the object level. Budgetary control is maintained by not permitting expenditures to exceed appropriations at the legal level as stated above without the approval of City Council. Administrative control is maintained through the establishment of more detailed line-item budgets. Budgetary modifications above the object level by fund may only be made by ordinance of the City Council.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

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

***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)

3. Appropriations

The appropriation ordinance establishes spending controls at the by fund level by department for the General Fund. However, the legal level of budgetary control for most of the special revenue funds is at the fund level. The appropriation ordinance may be amended during the year as additional information becomes available provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments within a fund may be modified during the year by an ordinance of City Council. Several supplemental appropriations were made during 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 " are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

5. 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.

***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)

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (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 a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. In addition, encumbrances are recorded as the equivalent of expenditures on the budgetary basis as opposed to a reservation of fund balance on the GAAP basis. 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 budgetary cash basis statements for the General Fund and the major special revenue fund:

	Net Change in Fund Balance	
	General Fund	Community Development Fund
GAAP Basis (as reported)	(\$256,756)	(\$185,647)
Increase (Decrease):		
Accrued Revenues at December 31, 2006 received during 2007	(1,291,398)	(32,453)
Accrued Revenues at December 31, 2005 received during 2006	1,289,073	135,253
Accrued Expenditures at December 31, 2006 paid during 2007	726,300	617
Accrued Expenditures at December 31, 2005 paid during 2006	(652,632)	(1,222)
2005 Prepays for 2006	36,330	864
2006 Prepays for 2007	(19,094)	0
Outstanding Encumbrances	(38,467)	0
Budget Basis	<u>(\$206,644)</u>	<u>(\$82,588)</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

Cash and cash equivalents include amounts in demand deposits and investments with original maturity dates of three months or less. The City pools its cash, except for cash and investments in certain fiduciary funds and monies held for construction in enterprise funds, for maximum investing efficiency. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the share of equity in the pooled cash and investments of the proprietary funds is considered to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

H. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation (Continued)

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

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, 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. Estimated historical costs for governmental activities capital asset values were initially determined 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 has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	15 - 50
Improvements other than Buildings	25
Infrastructure	10-50
Machinery, Equipment, Furniture and Fixtures	3 - 15

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds Payable	Bond Retirement Fund
Mortgage Revenue Bond Payable	Water Fund
Ohio Public Works Commission Loans Payable	Sewer Fund
Bond Anticipation Note	Capital Improvement Fund
Compensated Absences	General Fund, Water Fund, Sewer Fund, Sanitation Fund
Capital Leases Payable	Capital Improvement Fund Water Fund, Sewer Fund, Sanitation Fund

J. Compensated Absences

All full-time City employees earn vacation at a rate of 1.25 days per calendar month of active service. An employee's vacation must be used during the period in which it is earned unless the Department Head allows the balance to be carried over to the following year. Upon separation from the City, the employee (or his estate) shall receive 100% of all vacation, sick leave and compensatory time earned prior to July 1, 1981. After that date they will receive 100% of vacation and compensatory time and one-third of all sick time.

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 and it is probable that the City will compensate the employees for the benefits at termination or retirement. The City uses the vesting method for determining the liability for sick leave. Compensated absences accumulated by governmental fund type and proprietary fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For Water, Sewer, and Sanitation funds (enterprise funds), the entire compensated absences amount is reported as a fund liability.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 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. Net Assets restricted for Other Purposes include programs for street and highway improvements, federal and state grants for security of persons and property, public health and welfare and mandatory fines for various court programs.

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

L. Pensions

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

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Interfund services provided and used are not eliminated in the process of consolidation. 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. Interfund activity within governmental activities and business-type activities are eliminated for reporting on the government-wide financial statements.

In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. The elimination of the internal service funds is based on the activity of each fund to which it provides service.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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 inventories of supplies, prepaid items, debt service, endowments, and encumbered amounts that have not been accrued at year-end.

O. Restricted Assets

Certain assets are classified as restricted cash on the statement of net assets and the balance sheet because these funds are being held by a trustee as designated by a bond indenture, or for endowments.

P. 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. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, collection of solid waste refuse, and primary care health services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficit

The fund deficits of \$195 in the Municipal Court Programs Fund, \$5,455 in the Abstinence Education Prevention Fund, \$12,513 in the Ryan White Title III Fund and \$963 in the Council Trust for Recreation Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

B. Certificate of Fiscal Officer

Contrary to Ohio Revised Code Section 5705.41 (D) the City Auditor did not always properly certify that the amount required to meet a commitment was lawfully appropriated and in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance for a portion of their 2006 expenditures.

The City Auditor will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Other Compliance

The Utility Department did not deposit utility receipts on the next business day following the day of receipt with the City Auditor for sixty three percent of the utility batch receipts tested and the City does not have a policy to permit their officials to hold money contrary to Ohio Revised Code Section 9.38. City officials will work on a written policy to correct this situation.

The City did not bid or advertise three contracts contrary to Ohio Revised Code Section 735.051. City officials will monitor more closely applicable contracts to ensure a proper bidding process.

NOTE 3 – RESTATEMENT OF NET ASSETS

Beginning with the December 31, 2006 report, the City's Governmental Activities will report infrastructure retroactively. As a result, certain adjustments were made to the Governmental Activities net asset beginning balance to account for this change. As a result of the restatement, the City's Governmental Activities net assets at December 31, 2005 increased \$12,363,273, to a restated amount of \$26,358,067.

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

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

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

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (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 \$156,120 and the bank balance was \$1,009,077. Federal depository insurance covered \$200,000 of the bank balance and \$809,077 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and uncollateralized	<u>\$809,077</u>
Total Balance	<u><u>\$809,077</u></u>

Investment earnings of \$320,095 earned by other funds was credited to the General Fund as required by state statute.

B. Investments

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

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities In Years less than 1</u>
Repurchase Agreements	\$6,763,792	N/A	\$6,763,792
First American Treasury Obligation	<u>2,157,690</u>	AAAm	<u>2,157,690</u>
Total Investments	<u><u>\$8,921,482</u></u>		<u><u>\$8,921,482</u></u>

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

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The City’s Investment Policy does not permit the Auditor to invest in any security maturing in more than 2 years.

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. The City’s investments in First American Treasury Obligation and repurchase agreements represent 24% and 76% of the City’s total 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. Of the City’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City. The City has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

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	\$9,077,602	\$0
Repurchase Agreements	(6,763,792)	6,763,792
First American Treasury Obligation	<u>(2,157,690)</u>	<u>2,157,690</u>
Per GASB Statement No. 3	<u><u>\$156,120</u></u>	<u><u>\$8,921,482</u></u>

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

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and 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 made in the third year following reappraisal. The last revaluation was completed in 2001. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. The assessment percentage for property, including inventory is 18.75% for 2006. This percentage will be reduced to 12.5% in 2007, 6.25% in 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business an railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Public utility real 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 Portsmouth. The County Auditor periodically remits to the City its portion of the taxes collected.

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

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

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 \$223,629,450. This amount constituted \$187,150,580 in real property assessed value, \$14,229,200 in public utility assessed value and \$22,249,670 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 .1005% (10.05 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.4% 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 employee 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.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2006 consisted of taxes, intergovernmental, accounts receivable, and loans.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

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

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General Fund	\$20,463	\$24,453
Community Development Fund	24,453	0
Other Governmental Funds	0	20,463
	<u>\$44,916</u>	<u>\$44,916</u>

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2006 of \$137,577, which was offset in the Governmental Activities by the same amount. The Due from Other Funds in the General Fund is for an overdraft in a Special Revenue Fund. The Due to Other Funds is for reimbursement of expenditures made by the Community Development Fund for the General Fund.

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

NOTE 8 - TRANSFERS

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

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$0	\$18,000
Other Governmental Funds	18,000	0
Totals	<u>\$18,000</u>	<u>\$18,000</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.

NOTE 9 - CAPITAL ASSETS

A. Governmental Capital Assets

Summary by category of changes in Governmental Capital Assets:

Class	Restated December 31, 2005	Additions	Deletions	December 31, 2006
<i>Historical Cost:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$1,871,744	\$0	\$0	\$1,871,744
Subtotal	1,871,744	0	0	1,871,744
<i>Capital assets being depreciated:</i>				
Buildings	5,773,868	9,786	0	5,783,654
Improvements	2,134,058	0	0	2,134,058
Machinery and Equipment	7,468,809	975,311	(45,484)	8,398,636
Infrastructure	27,776,876	225,770	(78,175)	27,924,471
Subtotal	43,153,611	1,210,867	(123,659)	44,240,819
Total Cost	<u>\$45,025,355</u>	<u>\$1,210,867</u>	<u>(\$123,659)</u>	<u>\$46,112,563</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$1,419,456)	(\$114,444)	\$0	(\$1,533,900)
Improvements	(622,593)	(77,221)	0	(699,814)
Machinery and Equipment	(5,944,356)	(419,502)	43,004	(6,320,854)
Infrastructure	(16,056,659)	(985,355)	71,068	(16,970,946)
Total Depreciation	<u>(\$24,043,064)</u>	<u>(\$1,596,522) *</u>	<u>\$114,072</u>	<u>(\$25,525,514)</u>
<i>Net Value:</i>	<u>\$20,982,291</u>			<u>\$20,587,049</u>

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

NOTE 9 - CAPITAL ASSETS (Continued)

A. Governmental Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$223,337
Public Health & Welfare Services	60,944
Leisure Time Activities	7,686
Community Environment	72,002
Transportation	1,034,012
General Government	198,541
Total Depreciation Expense	<u>\$1,596,522</u>

B. Business Type Capital Assets

Summary by Category at December 31, 2006:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$55,424	\$0	\$0	\$55,424
Construction in Progress	512,618	45,229	0	557,847
Subtotal	568,042	45,229	0	613,271
<i>Capital assets being depreciated:</i>				
Buildings	1,007,674	20,835	0	1,028,509
Improvements other than Buildings	23,924,495	27,399	0	23,951,894
Machinery and Equipment	3,457,480	340,536	0	3,798,016
Subtotal	28,389,649	388,770	0	28,778,419
Total Cost	<u>\$28,957,691</u>	<u>\$433,999</u>	<u>\$0</u>	<u>\$29,391,690</u>

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$351,864)	(\$21,036)	\$0	(\$372,900)
Improvements other than Buildings	(14,459,512)	(300,281)	0	(14,759,793)
Machinery and Equipment	(2,144,885)	(233,149)	0	(2,378,034)
Total Depreciation	<u>(\$16,956,261)</u>	<u>(\$554,466)</u>	<u>\$0</u>	<u>(\$17,510,727)</u>

Net Value:

	<u>\$12,001,430</u>		<u>\$11,880,963</u>
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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 10 – 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 \$884,564, \$845,280 and \$832,146, 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 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 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 \$290,550.

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 10 – 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 \$332,899, \$303,695 and \$304,216 for police and \$418,748, \$418,649 and \$396,614 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 \$132,306 representing 7.75% of covered payroll for police and \$166,425 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 PORTSMOUTH, OHIO

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

NOTE 11 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. Revenue bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

	Maturity Date	Balance January 1, 2006	Issued	(Retired)	Balance December 31, 2006
Sewer Fund Note Payable:					
2.99% Sewer Improvement	2/27/2006	\$315,000	\$0	(\$315,000)	\$0

The Notes Payable were issued for sewer system improvements.

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2006 were as follows:

				Balance December 31, 2005	Additions	(Deletions)	Balance December 31, 2006	Amount due Within One Year
Business-Type Activities Long-Term Debt:								
Ohio Public Works Commission Loans:								
2000	0.0%	Wastewater Improvement	2021	\$465,000	\$0	(\$30,000)	\$435,000	\$30,000
Water Refunding Revenue Bond:								
2003	1.6-4.15%	Waterworks Improvement	2015	4,715,000	0	(405,000)	4,310,000	415,000
		Deferred Loss on Refunding		(174,763)	0	34,952	(139,811)	(34,952)
Total Revenue Bonds Payable				4,540,237	0	(370,048)	4,170,189	380,048
Compensated Absences				48,135	44,900	(48,135)	44,900	8,332
Capital Lease - Enterprise Funds				456,278	0	(150,857)	305,421	157,359
Total Business-Type Long-Term Debt				<u>\$5,509,650</u>	<u>\$44,900</u>	<u>(\$599,040)</u>	<u>\$4,955,510</u>	<u>\$575,739</u>
Governmental Activities Long-Term Debt:								
General Obligation Bond								
2001	3.6-5.5%	Police and Fireman's Disability and Pension	2027	\$1,915,000	\$0	(\$50,000)	\$1,865,000	\$50,000
2004	3.78	Bond Anticipation Note	2007	44,132	0	(21,657)	22,475	22,475
Compensated Absences				648,743	663,126	(648,743)	663,126	46,091
Capital Lease Payable				0	497,862	(81,414)	416,448	106,725
Total Governmental Activities				<u>\$2,607,875</u>	<u>\$1,160,988</u>	<u>(\$801,814)</u>	<u>\$2,967,049</u>	<u>\$225,291</u>

The Water Refunding Revenue Bond is secured by operating revenues of the Water Fund.

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2006 follows:

Business-Type Activities:				
<u>Years</u>	<u>Mortgage Revenue Bond</u>		<u>OPWC Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$415,000	\$158,155	\$30,000	\$0
2008	425,000	145,024	30,000	0
2009	440,000	130,418	30,000	0
2010	455,000	114,187	30,000	0
2011	475,000	96,155	30,000	0
2012-2016	2,100,000	178,204	150,000	0
2017-2021	0	0	135,000	0
2022-2024	0	0	0	0
Totals	\$4,310,000	\$822,143	\$435,000	\$0

Governmental Activities:				
<u>Years</u>	<u>General Obligation Bonds</u>		<u>Bond Anticipation Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$50,000	\$98,642	\$22,475	\$850
2008	55,000	96,468	0	0
2009	55,000	94,020	0	0
2010	60,000	91,490	0	0
2011	60,000	88,640	0	0
2012-2016	360,000	393,536	0	0
2017-2021	470,000	287,395	0	0
2022-2024	475,000	128,700	0	0
2026-2027	280,000	23,375	0	0
Totals	\$1,865,000	\$1,302,266	\$22,475	\$850

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

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

B. Defeased Debt

In April 2003, the City defeased \$2,485,000 of General Obligation Bonds and \$594,400 of Mortgage Revenue Bonds for Water System Improvements dated April 1, 1996 (the "1996 Bonds") and July 1, 2001 (the "2001 Bonds"), respectively through the issuance of \$5,500,000 of Mortgage Revenue Bonds for Water System Improvement (the "2003 Bonds"). A portion of the net proceeds of the 2003 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, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,540,000 at December 31, 2006, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

NOTE 13 - CAPITALIZED LEASES

The City leases twenty-three vehicles, sewer-cleaning equipment, and a street sweeper, all classified as machinery and equipment under capital leases. The cost of the equipment obtained under capital leases is \$266,883 in the Water Fund, \$209,331 in the Sewer Fund, and \$585,419 in the Sanitation Fund. The related liability is included in the Water Fund, the Sewer Fund, and the Sanitation Fund. In addition the City leases 15 police vehicles and a street sweeper with an original cost of \$497,862. The original cost of the equipment and the related liability are reported on the Government – wide Statement of Net Assets.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2006

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
2007	\$276,745	\$132,416
2008	45,928	132,416
2009	0	132,415
2010	0	81,414
Minimum Lease Payments	322,673	478,661
Less amount representing interest at the City's incremental borrowing rate of interest	(17,252)	(62,213)
Present value of minimum lease payments	<u>\$305,421</u>	<u>\$416,448</u>

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

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, if any, on the financial condition of the City.

NOTE 15 - INSURANCE AND 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. The City has provided bodily injury, personal injury, general liability, boiler and machinery coverage and fleet (automotive) insurance through the Portsmouth Insurance Agency and the Berndt Murfin Insurance Agency. Police and fire professional liability and elected officials liability are also covered by the Portsmouth Insurance Agency. The City also carries commercial insurance for employee health coverage and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 16 – CONDUIT DEBT

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

As of December 31, 2006, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$600,000.

NOTE 17 – PROBATION DEPARTMENT

An evaluation of the Probation Department's receipts and disbursements process regarding restitution, court cost and fees was conducted upon request from the Auditor of State. The Department was in violation of Ohio Revised Code 9.38.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, INTERNAL
SERVICE 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 expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

Municipal Court Grants Fund

To account for the Community Corrections Act grant used to support the advancement of court programs.

Municipal Court Special Projects Fund

To account for revenues derived from fines levied by the court and are to be used by the court for special projects.

Municipal Court Probation Services Fund

To account for fees assessed to criminal and traffic offenders who are placed by the Municipal Court on probation or other community control sanctions to cover the cost of Probation department services and related expenditures.

Municipal Court Programs Fund

To account for revenues derived from the Guardian Interlock grant, the home monitoring fees and the Municipal Corrections grant and are used to support the guardian interlock and home monitoring programs.

Municipal Court Computer Fund

To account for revenues derived from mandatory fines to be used for computers and update of court computer functions.

Fire Pension Fund

To account for taxes levied toward partial payment of the current and accrued liability for fire disability and pension.

Police Pension Fund

To account for taxes levied toward partial payment of the current and accrued liability for police disability and pension.

D.A.R.E. State Grant Fund

To account for revenues and expenditures relative to D.A.R.E. activities.

Local Law Block Grant Fund

To account for grant monies to be used specifically for the improvement of public safety and the reduction of crime.

Community Oriented Policing Services (COPS) Fast Grant Fund

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

(Continued)

Special Revenue Funds

Indigent Drivers Alcohol Treatment Fund

To account for the revenues from fines as established by the state to pay for alcohol related treatment programs for indigent persons.

Enforcement and Education Fund

To account for financial resources used to educate and treat persons with alcohol related problems and to enhance law enforcement activities as a deterrent to the operation of motor vehicles while under the influence of alcohol.

Mandatory Fines Fund

To account for mandatory fines for drug offenses.

Law Enforcement Fund

To account for revenues derived from drug related crimes and expenditures to be used for law enforcement programs.

Street Construction, Maintenance and Repair Fund

To account for revenues distributed by the State from the motor vehicle and gasoline taxes. Expenditures may only be for street construction and maintenance.

State Highway Improvement Fund

To account for the revenues distributed by the State from the motor vehicle taxes, permissive fees and gasoline taxes. Expenditures may only be for street and state highway improvements and maintenance.

Environmental State Grants Fund

To account for various state grant funds to be used to improve the quality of the environment in the City.

Tourism and Cultural Development Fund

To account for revenue derived from Hotel/Motel tax and distributed to various area cultural and recreational organizations.

Abstinence Education Fund

To account for a Federal grant to be used to cover the costs of education related to teenage abstinence program.

State Grant Health Fund

To account for various State grants which are designated for Health purposes.

Rural AIDS State Grant Fund

To account for receipt of various State grant funds to be used to cover the costs of education and supplies related to the HIV Prevention Program.

(Continued)

Special Revenue Funds

Family Planning Fund

To account for federal grant funds to be used to care for the uninsured and underinsured.

Federal Emergency Management Agency (F.E.M.A.) Grant Fund

To account for Federal Emergency Management Agency funds received as reimbursement for flood damage.

Regional HIV Prevention Fund

To account for federal grant funds to be used to educate the public about HIV. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Ryan White Title III Fund

To account for federal grant funds to assist clients with early intervention services with respect to HIV.

Flood Defense Fund

To account for a property tax levy designated for flood defense improvements.

Council Trust for Recreation Fund

To account for revenue from investment interest, rents, leases and user fees from various City recreational facilities and expenditures for improvements to these same facilities.

Playground Trust Fund

To account for revenue and expenditures of interest earned on investment of specific bequests to the City to provide recreational needs for the City.

Permanent Funds

The Permanent Fund is used to account for the financial resources that are legally restricted in that only the earnings, not the principal, may be used to support the City's programs.

Cemetery Trust Fund

To account for revenue received from investment of specified bequests to the City for upkeep of Cemetery plots. Expenditures to be made only from interest earned on investments.

Mausoleum Trust Fund

To account for revenue received from investment of specified bequests to the City for upkeep of the Mausoleum. Expenditures are to be made only from interest earned on investments.

CITY OF PORTSMOUTH, OHIO

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

	Nonmajor Special Revenue Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 2,310,431	\$ 0	\$ 2,310,431
Receivables (net of allowance for doubtful accounts):			
Taxes	331,401	0	331,401
Accounts	114,627	0	114,627
Intergovernmental	1,308,784	0	1,308,784
Inventory of Supplies, at Cost	28,482	0	28,482
Prepaid Items	6,740	772	7,512
Restricted Assets:			
Cash and Cash Equivalents	0	201,140	201,140
Total Assets	\$ 4,100,465	\$ 201,912	\$ 4,302,377
Liabilities:			
Accounts Payable	\$ 48,172	\$ 0	\$ 48,172
Accrued Wages and Benefits Payable	185,553	0	185,553
Due to Other Funds	20,463	0	20,463
Deferred Revenue	1,409,466	0	1,409,466
Total Liabilities	1,663,654	0	1,663,654
Fund Balances:			
Reserved for Encumbrances	161,158	0	161,158
Reserved for Prepaid Items	6,740	772	7,512
Reserved for Supplies Inventory	28,482	0	28,482
Reserved for Endowments	0	26,843	26,843
Unreserved, Undesignated in:			
Special Revenue Funds	2,240,431	0	2,240,431
Permanent Funds	0	174,297	174,297
Total Fund Balances	2,436,811	201,912	2,638,723
Total Liabilities and Fund Balances	\$ 4,100,465	\$ 201,912	\$ 4,302,377

CITY OF PORTSMOUTH, OHIO

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

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 332,649	\$ 0	\$ 332,649
Intergovernmental Revenues	3,258,026	0	3,258,026
Charges for Services	167,717	23,160	190,877
Investment Earnings	11,344	3,740	15,084
Fines and Forfeitures	483,522	0	483,522
All Other Revenue	132,751	0	132,751
Total Revenue	4,386,009	26,900	4,412,909
Expenditures:			
Current:			
Security of Persons and Property	535,439	0	535,439
Public Health and Welfare Services	2,357,849	20,854	2,378,703
Leisure Time Activities	99,621	0	99,621
Community Environment	43,651	0	43,651
Transportation	881,854	0	881,854
General Government	466,408	0	466,408
Total Expenditures	4,384,822	20,854	4,405,676
Excess (Deficiency) of Revenues Over Expenditures	1,187	6,046	7,233
Other Financing Sources (Uses):			
Transfers In	18,000	0	18,000
Total Other Financing Sources (Uses)	18,000	0	18,000
Net Change in Fund Balances	19,187	6,046	25,233
Fund Balances at Beginning of Year	2,416,058	195,866	2,611,924
Increase in Inventory Reserve	1,566	0	1,566
Fund Balances End of Year	\$ 2,436,811	\$ 201,912	\$ 2,638,723

CITY OF PORTSMOUTH, OHIO

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

	Municipal Court Grants	Municipal Court Special Project	Municipal Court Probation Services	Municipal Court Programs	Municipal Court Computer
Assets:					
Cash and Cash Equivalents	\$ 12,259	\$ 187,986	\$ 9,278	\$ 11,485	\$ 13,784
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	0
Accounts	0	63,715	33,356	0	13,816
Intergovernmental	26,211	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0	0
Prepaid Items	0	0	0	0	0
Total Assets	\$ 38,470	\$ 251,701	\$ 42,634	\$ 11,485	\$ 27,600
Liabilities:					
Accounts Payable	\$ 0	\$ 10,568	\$ 0	\$ 8,996	\$ 648
Accrued Wages and Benefits Payable	3,577	4,979	5,551	2,684	796
Due to Other Funds	0	0	0	0	0
Deferred Revenue	13,105	44,084	23,079	0	9,559
Total Liabilities	16,682	59,631	28,630	11,680	11,003
Fund Balances:					
Reserved for Encumbrances	0	0	0	0	0
Reserved for Prepaid Items	0	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0	0
Unreserved, Undesignated in:					
Special Revenue Funds	21,788	192,070	14,004	(195)	16,597
Total Fund Balances	21,788	192,070	14,004	(195)	16,597
Total Liabilities and Fund Balances	\$ 38,470	\$ 251,701	\$ 42,634	\$ 11,485	\$ 27,600

CITY OF PORTSMOUTH, OHIO

Fire Pension	Police Pension	D.A.R.E. State Grant	Local Law Block Grant	COPS Fast Grant	Indigent Drivers Alcohol Treatment	Enforcement and Education
\$ 5,564	\$ 5,564	\$ 9,742	\$ 27,259	\$ 138,200	\$ 19,846	\$ 4,953
59,213	59,213	0	0	0	0	0
0	0	0	0	0	2,879	442
2,950	0	0	2,950	52,153	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>\$ 67,727</u>	<u>\$ 64,777</u>	<u>\$ 9,742</u>	<u>\$ 30,209</u>	<u>\$ 190,353</u>	<u>\$ 22,725</u>	<u>\$ 5,395</u>
\$ 0	\$ 0	\$ 42	\$ 0	\$ 1,112	\$ 2,840	\$ 0
5,000	5,000	0	0	3,018	0	268
0	0	0	0	0	0	0
62,163	59,213	0	2,950	15,214	1,992	306
<u>67,163</u>	<u>64,213</u>	<u>42</u>	<u>2,950</u>	<u>19,344</u>	<u>4,832</u>	<u>574</u>
0	0	0	0	1,207	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
564	564	9,700	27,259	169,802	17,893	4,821
564	564	9,700	27,259	171,009	17,893	4,821
<u>\$ 67,727</u>	<u>\$ 64,777</u>	<u>\$ 9,742</u>	<u>\$ 30,209</u>	<u>\$ 190,353</u>	<u>\$ 22,725</u>	<u>\$ 5,395</u>

(Continued)

CITY OF PORTSMOUTH, OHIO

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

	Mandatory Fines	Law Enforcement	Street Construction, Maintenance and Repair	State Highway Improvement	Environmental State Grants
Assets:					
Cash and Cash Equivalents	\$ 78,576	\$ 157,783	\$ 295,075	\$ 18,832	\$ 112,649
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	0
Accounts	331	0	88	0	0
Intergovernmental	0	0	452,334	33,300	328,503
Inventory of Supplies, at Cost	0	0	11,913	0	3,236
Prepaid Items	2,209	0	2,556	0	911
Total Assets	\$ 81,116	\$ 157,783	\$ 761,966	\$ 52,132	\$ 445,299
Liabilities:					
Accounts Payable	\$ 0	\$ 0	\$ 5,908	\$ 0	\$ 642
Accrued Wages and Benefits Payable	0	0	42,618	3,529	36,086
Due to Other Funds	0	0	0	0	0
Deferred Revenue	229	0	301,556	22,200	318,378
Total Liabilities	229	0	350,082	25,729	355,106
Fund Balances:					
Reserved for Encumbrances	0	0	4,231	0	0
Reserved for Prepaid Items	2,209	0	2,556	0	911
Reserved for Supplies Inventory	0	0	11,913	0	3,236
Unreserved, Undesignated in:					
Special Revenue Funds	78,678	157,783	393,184	26,403	86,046
Total Fund Balances	80,887	157,783	411,884	26,403	90,193
Total Liabilities and Fund Balances	\$ 81,116	\$ 157,783	\$ 761,966	\$ 52,132	\$ 445,299

CITY OF PORTSMOUTH, OHIO

Tourism and Cultural Development	Abstinence Education Prevention	State Grant Health	Rural AIDS State Grant	Family Planning	F.E.M.A. Grant	Ryan White Title III
\$ 8,508	\$ 0	\$ 234,705	\$ 33,835	\$ 3,995	\$ 41,235	\$ 11,669
10,531	0	0	0	0	0	0
0	0	0	0	0	0	0
0	108,197	241,313	0	51,073	0	0
0	0	313	4,216	8,066	0	738
0	0	66	324	184	0	362
<u>\$ 19,039</u>	<u>\$ 108,197</u>	<u>\$ 476,397</u>	<u>\$ 38,375</u>	<u>\$ 63,318</u>	<u>\$ 41,235</u>	<u>\$ 12,769</u>
\$ 0	\$ 340	\$ 631	\$ 1,512	\$ 3,136	\$ 0	\$ 11,797
0	7,227	13,173	17,961	14,859	0	13,485
0	20,463	0	0	0	0	0
0	85,622	213,987	0	23,585	0	0
<u>0</u>	<u>113,652</u>	<u>227,791</u>	<u>19,473</u>	<u>41,580</u>	<u>0</u>	<u>25,282</u>
0	0	0	0	0	0	0
0	0	66	324	184	0	362
0	0	313	4,216	8,066	0	738
<u>19,039</u>	<u>(5,455)</u>	<u>248,227</u>	<u>14,362</u>	<u>13,488</u>	<u>41,235</u>	<u>(13,613)</u>
<u>19,039</u>	<u>(5,455)</u>	<u>248,606</u>	<u>18,902</u>	<u>21,738</u>	<u>41,235</u>	<u>(12,513)</u>
<u>\$ 19,039</u>	<u>\$ 108,197</u>	<u>\$ 476,397</u>	<u>\$ 38,375</u>	<u>\$ 63,318</u>	<u>\$ 41,235</u>	<u>\$ 12,769</u>

(Continued)

CITY OF PORTSMOUTH, OHIO

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

	Flood Defense	Council Trust for Recreation	Playground Trust	Total Nonmajor Special Revenue Funds
Assets:				
Cash and Cash Equivalents	\$ 856,896	\$ 4,549	\$ 6,204	\$ 2,310,431
Receivables (net of allowance for doubtful accounts):				
Taxes	202,444	0	0	331,401
Accounts	0	0	0	114,627
Intergovernmental	9,800	0	0	1,308,784
Inventory of Supplies, at Cost	0	0	0	28,482
Prepaid Items	0	128	0	6,740
Total Assets	<u>\$ 1,069,140</u>	<u>\$ 4,677</u>	<u>\$ 6,204</u>	<u>\$ 4,100,465</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 48,172
Accrued Wages and Benefits Payable	0	5,640	102	185,553
Due to Other Funds	0	0	0	20,463
Deferred Revenue	212,244	0	0	1,409,466
Total Liabilities	<u>212,244</u>	<u>5,640</u>	<u>102</u>	<u>1,663,654</u>
Fund Balances:				
Reserved for Encumbrances	155,720	0	0	161,158
Reserved for Prepaid Items	0	128	0	6,740
Reserved for Supplies Inventory	0	0	0	28,482
Unreserved, Undesignated in:				
Special Revenue Funds	701,176	(1,091)	6,102	2,240,431
Total Fund Balances	<u>856,896</u>	<u>(963)</u>	<u>6,102</u>	<u>2,436,811</u>
Total Liabilities and Fund Balances	<u>\$ 1,069,140</u>	<u>\$ 4,677</u>	<u>\$ 6,204</u>	<u>\$ 4,100,465</u>



CITY OF PORTSMOUTH, OHIO

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

	Municipal Court Grants	Municipal Court Special Project	Municipal Court Probation Services	Municipal Court Programs	Municipal Court Computer
Revenues:					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	86,713	0	0	0	0
Charges for Services	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	0	162,647	80,761	100,930	44,011
All Other Revenue	0	32	0	0	0
Total Revenue	86,713	162,679	80,761	100,930	44,011
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Environment	0	0	0	0	0
Transportation	0	0	0	0	0
General Government	61,218	147,609	76,541	76,635	44,130
Total Expenditures	61,218	147,609	76,541	76,635	44,130
Excess (Deficiency) of Revenues Over Expenditures	25,495	15,070	4,220	24,295	(119)
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	25,495	15,070	4,220	24,295	(119)
Fund Balances at Beginning of Year	(3,707)	177,000	9,784	(24,490)	16,716
Increase (Decrease) in Inventory Reserve	0	0	0	0	0
Fund Balances End of Year	\$ 21,788	\$ 192,070	\$ 14,004	\$ (195)	\$ 16,597

CITY OF PORTSMOUTH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>D.A.R.E. State Grant</u>	<u>Local Law Block Grant</u>	<u>COPS Fast Grant</u>	<u>Indigent Drivers Alcohol Treatment</u>	<u>Enforcement and Education</u>
\$ 61,998	\$ 61,998	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
5,965	5,965	0	18,270	127,922	0	0
0	0	7,787	0	0	0	0
0	0	0	1,215	0	0	0
0	0	0	0	0	20,624	1,231
0	0	850	0	0	325	0
<u>67,963</u>	<u>67,963</u>	<u>8,637</u>	<u>19,485</u>	<u>127,922</u>	<u>20,949</u>	<u>1,231</u>
60,000	60,000	53,993	31,222	57,366	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	15,760	4,539
<u>60,000</u>	<u>60,000</u>	<u>53,993</u>	<u>31,222</u>	<u>57,366</u>	<u>15,760</u>	<u>4,539</u>
7,963	7,963	(45,356)	(11,737)	70,556	5,189	(3,308)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7,963	7,963	(45,356)	(11,737)	70,556	5,189	(3,308)
(7,399)	(7,399)	55,056	38,996	100,453	12,704	8,129
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 564</u>	<u>\$ 564</u>	<u>\$ 9,700</u>	<u>\$ 27,259</u>	<u>\$ 171,009</u>	<u>\$ 17,893</u>	<u>\$ 4,821</u>

(Continued)

CITY OF PORTSMOUTH, OHIO

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

	Mandatory Fines	Law Enforcement	Street Construction, Maintenance and Repair	State Highway Improvement	Environmental State Grants
Revenues:					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	907,330	66,102	481,613
Charges for Services	0	0	0	0	0
Investment Earnings	0	0	6,712	3,356	0
Fines and Forfeitures	56,707	16,611	0	0	0
All Other Revenue	0	34	3,071	0	7,697
Total Revenue	56,707	16,645	917,113	69,458	489,310
Expenditures:					
Current:					
Security of Persons and Property	24,923	20,044	0	0	0
Public Health and Welfare Services	0	0	0	0	578,218
Leisure Time Activities	0	0	0	0	0
Community Environment	0	0	0	0	0
Transportation	0	0	826,325	55,529	0
General Government	0	0	0	0	0
Total Expenditures	24,923	20,044	826,325	55,529	578,218
Excess (Deficiency) of Revenues Over Expenditures	31,784	(3,399)	90,788	13,929	(88,908)
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	18,000
Total Other Financing Sources (Uses)	0	0	0	0	18,000
Net Change in Fund Balances	31,784	(3,399)	90,788	13,929	(70,908)
Fund Balances at Beginning of Year	49,103	161,182	321,821	12,474	160,043
Increase (Decrease) in Inventory Reserve	0	0	(725)	0	1,058
Fund Balances End of Year	\$ 80,887	\$ 157,783	\$ 411,884	\$ 26,403	\$ 90,193

CITY OF PORTSMOUTH, OHIO

Tourism and Cultural Development	Abstinence Education Prevention	State Grant Health	Rural AIDS State Grant	Family Planning	F.E.M.A. Grant	Regional HIV Prevention
\$ 44,563	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	86,341	238,693	352,817	114,998	109,814	364,472
0	0	49,284	0	68,347	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	58,472	5,755	53,541	0	0
<u>44,563</u>	<u>86,341</u>	<u>346,449</u>	<u>358,572</u>	<u>236,886</u>	<u>109,814</u>	<u>364,472</u>
0	0	0	0	0	99,000	0
0	112,563	392,106	344,510	261,067	0	366,556
0	0	0	0	0	0	0
43,651	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	39,976	0
<u>43,651</u>	<u>112,563</u>	<u>392,106</u>	<u>344,510</u>	<u>261,067</u>	<u>138,976</u>	<u>366,556</u>
912	(26,222)	(45,657)	14,062	(24,181)	(29,162)	(2,084)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
912	(26,222)	(45,657)	14,062	(24,181)	(29,162)	(2,084)
18,127	20,767	305,600	1,074	37,853	70,397	2,084
0	0	(11,337)	3,766	8,066	0	0
<u>\$ 19,039</u>	<u>\$ (5,455)</u>	<u>\$ 248,606</u>	<u>\$ 18,902</u>	<u>\$ 21,738</u>	<u>\$ 41,235</u>	<u>\$ 0</u>

(Continued)

CITY OF PORTSMOUTH, OHIO

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

	Ryan White Title III	Flood Defense	Council Trust for Recreation	Playground Trust	Total Nonmajor Special Revenue Funds
Revenues:					
Taxes	\$ 0	\$ 164,090	\$ 0	\$ 0	\$ 332,649
Intergovernmental Revenues	279,008	12,003	0	0	3,258,026
Charges for Services	1,231	0	41,068	0	167,717
Investment Earnings	0	0	0	61	11,344
Fines and Forfeitures	0	0	0	0	483,522
All Other Revenue	474	0	2,500	0	132,751
Total Revenue	280,713	176,093	43,568	61	4,386,009
Expenditures:					
Current:					
Security of Persons and Property	0	128,891	0	0	535,439
Public Health and Welfare Services	302,829	0	0	0	2,357,849
Leisure Time Activities	0	0	98,019	1,602	99,621
Community Environment	0	0	0	0	43,651
Transportation	0	0	0	0	881,854
General Government	0	0	0	0	466,408
Total Expenditures	302,829	128,891	98,019	1,602	4,384,822
Excess (Deficiency) of Revenues Over Expenditures	(22,116)	47,202	(54,451)	(1,541)	1,187
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	18,000
Total Other Financing Sources (Uses)	0	0	0	0	18,000
Net Change in Fund Balances	(22,116)	47,202	(54,451)	(1,541)	19,187
Fund Balances at Beginning of Year	8,865	809,694	53,488	7,643	2,416,058
Increase (Decrease) in Inventory Reserve	738	0	0	0	1,566
Fund Balances End of Year	\$ (12,513)	\$ 856,896	\$ (963)	\$ 6,102	\$ 2,436,811



CITY OF PORTSMOUTH, OHIO

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

	<u>Cemetery Trust</u>	<u>Mausoleum Trust</u>	<u>Total Nonmajor Permanent Funds</u>
Assets:			
Prepaid Items	\$ 772	\$ 0	\$ 772
Restricted Assets:			
Cash and Cash Equivalents	<u>196,392</u>	<u>4,748</u>	<u>201,140</u>
Total Assets	<u>\$ 197,164</u>	<u>\$ 4,748</u>	<u>\$ 201,912</u>
Liabilities:			
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Reserved for Prepaid Items	772	0	772
Reserved for Endowments	22,339	4,504	26,843
Unreserved, Undesignated in:			
Permanent Funds	<u>174,053</u>	<u>244</u>	<u>174,297</u>
Total Fund Balances	<u>197,164</u>	<u>4,748</u>	<u>201,912</u>
Total Liabilities and Fund Balances	<u>\$ 197,164</u>	<u>\$ 4,748</u>	<u>\$ 201,912</u>

CITY OF PORTSMOUTH, OHIO

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

	<u>Cemetery Trust</u>	<u>Mausoleum Trust</u>	<u>Total Nonmajor Permanent Funds</u>
Revenues:			
Charges for Services	\$ 23,160	\$ 0	\$ 23,160
Investment Earnings	<u>3,659</u>	<u>81</u>	<u>3,740</u>
Total Revenue	<u>26,819</u>	<u>81</u>	<u>26,900</u>
Expenditures:			
Current:			
Public Health and Welfare Services	<u>20,854</u>	<u>0</u>	<u>20,854</u>
Total Expenditures	<u>20,854</u>	<u>0</u>	<u>20,854</u>
Excess (Deficiency) of Revenues Over Expenditures	5,965	81	6,046
Fund Balances at Beginning of Year	<u>191,199</u>	<u>4,667</u>	<u>195,866</u>
Fund Balances End of Year	<u>\$ 197,164</u>	<u>\$ 4,748</u>	<u>\$ 201,912</u>

CITY OF PORTSMOUTH, 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	\$ 6,447,900	\$ 6,447,900	\$ 6,618,982	\$ 171,082
Intergovernmental Revenues	1,859,300	1,731,320	1,704,023	(27,297)
Charges for Services	703,480	703,480	335,526	(367,954)
Licenses and Permits	169,300	169,300	174,978	5,678
Investment Earnings	90,000	90,000	327,703	237,703
Fines and Forfeitures	688,000	688,000	685,792	(2,208)
All Other Revenues	323,000	123,000	124,294	1,294
Total Revenues	10,280,980	9,953,000	9,971,298	18,298
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	2,783,799	2,783,799	2,783,781	18
Materials and Supplies	9,955	9,955	9,113	842
Contractual Services	67,036	67,036	67,608	(572)
Total Police	2,860,790	2,860,790	2,860,502	288
Fire:				
Personal Services	3,146,252	3,146,862	3,147,547	(685)
Materials and Supplies	7,753	7,927	6,528	1,399
Contractual Services	93,146	92,361	89,122	3,239
Total Fire	3,247,151	3,247,150	3,243,197	3,953
Street Lighting:				
Materials and Supplies	369	369	369	0
Contractual Services	174,631	174,631	176,920	(2,289)
Total Street Lighting	175,000	175,000	177,289	(2,289)
Total Security of Persons and Property	6,282,941	6,282,940	6,280,988	1,952
Public Health and Welfare Services:				
Health:				
Personal Services	436,675	436,675	439,120	(2,445)
Materials and Supplies	5,362	5,362	5,555	(193)
Contractual Services	122,600	122,600	123,266	(666)
Capital Outlay	1,000	1,000	960	40
Total Health	565,637	565,637	568,901	(3,264)
Total Public Health and Welfare Services	565,637	565,637	568,901	(3,264)

(Continued)

CITY OF PORTSMOUTH, 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)
Community Environment:				
Building Inspection:				
Personal Services	149,292	149,292	146,153	3,139
Materials and Supplies	200	200	1,624	(1,424)
Contractual Services	43,650	43,650	42,647	1,003
Total Building Inspection	193,142	193,142	190,424	2,718
Administration:				
Personal Services	12,409	12,409	11,373	1,036
Materials and Supplies	800	800	730	70
Contractual Services	2,350	2,350	2,437	(87)
Total Administration	15,559	15,559	14,540	1,019
Total Community Environment	208,701	208,701	204,964	3,737
Transportation:				
Traffic Lights:				
Personal Services	76,118	76,118	89,356	(13,238)
Materials and Supplies	6,400	6,400	5,934	466
Contractual Services	38,435	38,435	37,541	894
Capital Outlay	500	500	328	172
Total Traffic Lights	121,453	121,453	133,159	(11,706)
Cemetery Grounds:				
Personal Services	64,054	64,054	80,011	(15,957)
Materials and Supplies	1,975	1,975	1,798	177
Contractual Services	29,866	29,866	29,406	460
Total Cemetery Grounds	95,895	95,895	111,215	(15,320)
Recreational Grounds:				
Personal Services	36,501	36,501	36,186	315
Materials and Supplies	1,618	1,618	1,530	88
Contractual Services	1,922	1,922	1,625	297
Total Recreational Grounds	40,041	40,041	39,341	700
Total Transportation	257,389	257,389	283,715	(26,326)
General Government:				
City Council:				
Personal Services	44,229	44,229	44,425	(196)
Materials and Supplies	590	590	575	15
Contractual Services	585	585	570	15
Total City Council	45,404	45,404	45,570	(166)

(Continued)

CITY OF PORTSMOUTH, 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)
Executive:				
Personal Services	56,718	56,718	50,053	6,665
Materials and Supplies	1,700	1,700	875	825
Contractual Services	11,000	11,000	5,726	5,274
Total Executive	69,418	69,418	56,654	12,764
Legal:				
Personal Services	211,410	211,410	208,816	2,594
Materials and Supplies	1,142	1,142	1,128	14
Contractual Services	28,533	28,533	28,407	126
Total Legal	241,085	241,085	238,351	2,734
Finance:				
Personal Services	164,703	164,703	158,324	6,379
Materials and Supplies	3,750	3,750	2,275	1,475
Contractual Services	40,100	53,100	51,044	2,056
Capital Outlay	500	500	257	243
Total Finance	209,053	222,053	211,900	10,153
Civil Service:				
Personal Services	13,168	13,168	12,605	563
Contractual Services	2,130	4,866	4,465	401
Total Civil Service	15,298	18,034	17,070	964
Municipal Court:				
Personal Services	714,768	714,768	715,275	(507)
Materials and Supplies	4,750	4,750	4,178	572
Contractual Services	118,528	118,528	113,181	5,347
Total Municipal Court	838,046	838,046	832,634	5,412
Income Tax:				
Personal Services	163,601	163,601	152,908	10,693
Materials and Supplies	1,175	1,175	1,154	21
Contractual Services	133,525	133,525	135,390	(1,865)
Capital Outlay	0	0	20	(20)
Total Income Tax	298,301	298,301	289,472	8,829
Engineering:				
Personal Services	44,841	44,841	44,066	775
Materials and Supplies	800	800	458	342
Contractual Services	9,026	9,026	7,679	1,347
Total Engineering	54,667	54,667	52,203	2,464

(Continued)

CITY OF PORTSMOUTH, 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)
Public Service:				
Personal Services	61,787	61,787	62,984	(1,197)
Materials and Supplies	2,315	2,315	1,873	442
Contractual Services	12,428	12,428	11,898	530
Total Public Service	76,530	76,530	76,755	(225)
City Building:				
Personal Services	72,429	72,429	70,824	1,605
Materials and Supplies	4,500	4,500	3,746	754
Contractual Services	74,300	74,300	73,826	474
Total City Building	151,229	151,229	148,396	2,833
Garage:				
Personal Services	107,749	107,749	108,821	(1,072)
Materials and Supplies	163,200	163,200	161,710	1,490
Contractual Services	35,150	35,150	34,886	264
Total Garage	306,099	306,099	305,417	682
Non-Departmental:				
Personal Services	20,391	20,391	16,409	3,982
Contractual Services	550,857	566,477	562,544	3,933
Total Non-Departmental	571,248	586,868	578,953	7,915
Total General Government	2,876,378	2,907,734	2,853,375	54,359
Total Expenditures	10,191,046	10,222,401	10,191,943	30,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	89,934	(269,401)	(220,645)	48,756
Other Financing Sources (Uses):				
Sale of Capital Assets	32,000	32,000	32,001	1
Transfers Out	(18,000)	(18,000)	(18,000)	0
Total Other Financing Sources (Uses)	14,000	14,000	14,001	1
Net Change in Fund Balance	103,934	(255,401)	(206,644)	48,757
Fund Balance at Beginning of Year	217,606	217,606	217,606	0
Prior Year Encumbrances	31,356	31,356	31,356	0
Fund Balance at End of Year	\$ 352,896	\$ (6,439)	\$ 42,318	\$ 48,757

CITY OF PORTSMOUTH, 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**

COMMUNITY DEVELOPMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 130,000	\$ 173,800	\$ 174,018	\$ 218
Investment Earnings	0	0	418	418
All Other Revenues	70,000	52,900	52,439	(461)
Total Revenues	<u>200,000</u>	<u>226,700</u>	<u>226,875</u>	<u>175</u>
Expenditures:				
Community Environment:				
Personal Services	28,010	28,010	13,850	14,160
Materials and Supplies	3,240	3,240	2,829	411
Contractual Services	502,249	502,249	292,784	209,465
Total Expenditures	<u>533,499</u>	<u>533,499</u>	<u>309,463</u>	<u>224,036</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(333,499)	(306,799)	(82,588)	224,211
Fund Balance at Beginning of Year	<u>329,740</u>	<u>329,740</u>	<u>329,740</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (3,759)</u></u>	<u><u>\$ 22,941</u></u>	<u><u>\$ 247,152</u></u>	<u><u>\$ 224,211</u></u>

CITY OF PORTSMOUTH, 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**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 95,000	\$ 100,900	\$ 98,165	\$ (2,735)
Intergovernmental Revenues	10,000	10,000	11,993	1,993
Special Assessments	0	0	781	781
Total Revenues	<u>105,000</u>	<u>110,900</u>	<u>110,939</u>	<u>39</u>
Expenditures:				
Debt Service:				
Principal Retirement	50,000	50,000	50,000	0
Interest and Fiscal Charges	101,000	101,000	100,768	232
Total Expenditures	<u>151,000</u>	<u>151,000</u>	<u>150,768</u>	<u>232</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,000)	(40,100)	(39,829)	271
Fund Balance at Beginning of Year	<u>65,248</u>	<u>65,248</u>	<u>65,248</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 19,248</u>	<u>\$ 25,148</u>	<u>\$ 25,419</u>	<u>\$ 271</u>

CITY OF PORTSMOUTH, OHIO

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

CAPITAL IMPROVEMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,200,000	\$ 1,289,000	\$ 1,293,651	\$ 4,651
Total Revenues	<u>1,200,000</u>	<u>1,289,000</u>	<u>1,293,651</u>	<u>4,651</u>
Expenditures:				
Capital Outlay	1,299,712	1,537,825	1,241,704	296,121
Debt Service:				
Principal Retirement	103,071	103,071	103,071	0
Interest and Fiscal Charges	<u>1,668</u>	<u>1,668</u>	<u>1,668</u>	<u>0</u>
Total Expenditures	<u>1,404,451</u>	<u>1,642,564</u>	<u>1,346,443</u>	<u>296,121</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(204,451)	(353,564)	(52,792)	300,772
Fund Balance at Beginning of Year	591,417	591,417	591,417	0
Prior Year Encumbrances	<u>213,613</u>	<u>213,613</u>	<u>213,613</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 600,579</u></u>	<u><u>\$ 451,466</u></u>	<u><u>\$ 752,238</u></u>	<u><u>\$ 300,772</u></u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 50,000</u>	<u>\$ 73,600</u>	<u>\$ 73,607</u>	<u>\$ 7</u>
Total Revenues	<u>50,000</u>	<u>73,600</u>	<u>73,607</u>	<u>7</u>
Expenditures:				
General Government:				
Personal Services	52,749	52,749	52,749	0
Materials and Supplies	<u>8,599</u>	<u>8,599</u>	<u>8,599</u>	<u>0</u>
Total Expenditures	<u>61,348</u>	<u>61,348</u>	<u>61,348</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,348)	12,252	12,259	7
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (11,348)</u>	<u>\$ 12,252</u>	<u>\$ 12,259</u>	<u>\$ 7</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 100,000	\$ 158,800	\$ 158,775	\$ (25)
All Other Revenues	0	0	32	32
Total Revenues	<u>100,000</u>	<u>158,800</u>	<u>158,807</u>	<u>7</u>
Expenditures:				
General Government:				
Personal Services	41,658	41,658	42,062	(404)
Materials and Supplies	33,342	33,342	31,649	1,693
Contractual Services	20,000	20,000	16,031	3,969
Capital Outlay	<u>105,000</u>	<u>105,000</u>	<u>48,309</u>	<u>56,691</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>138,051</u>	<u>61,949</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,000)	(41,200)	20,756	61,956
Fund Balance at Beginning of Year	<u>155,726</u>	<u>155,726</u>	<u>155,726</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 55,726</u>	<u>\$ 114,526</u>	<u>\$ 176,482</u>	<u>\$ 61,956</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 50,000	\$ 78,200	\$ 78,206	\$ 6
Total Revenues	<u>50,000</u>	<u>78,200</u>	<u>78,206</u>	<u>6</u>
Expenditures:				
General Government:				
Personal Services	74,278	74,278	74,248	30
Materials and Supplies	<u>722</u>	<u>722</u>	<u>0</u>	<u>722</u>
Total Expenditures	<u>75,000</u>	<u>75,000</u>	<u>74,248</u>	<u>752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,000)	3,200	3,958	758
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (25,000)</u>	<u>\$ 3,200</u>	<u>\$ 3,958</u>	<u>\$ 758</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 60,000	\$ 102,500	\$ 102,511	\$ 11
Total Revenues	<u>60,000</u>	<u>102,500</u>	<u>102,511</u>	<u>11</u>
Expenditures:				
General Government:				
Personal Services	52,740	52,740	44,045	8,695
Materials and Supplies	260	260	0	260
Contractual Services	<u>47,000</u>	<u>47,000</u>	<u>46,981</u>	<u>19</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>91,026</u>	<u>8,974</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,000)	2,500	11,485	8,985
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (40,000)</u>	<u>\$ 2,500</u>	<u>\$ 11,485</u>	<u>\$ 8,985</u>

CITY OF PORTSMOUTH, 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**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 40,000	\$ 43,000	\$ 42,999	\$ (1)
Total Revenues	<u>40,000</u>	<u>43,000</u>	<u>42,999</u>	<u>(1)</u>
Expenditures:				
General Government:				
Personal Services	15,816	15,816	11,013	4,803
Materials and Supplies	22,184	22,184	22,613	(429)
Contractual Services	<u>17,000</u>	<u>17,000</u>	<u>13,039</u>	<u>3,961</u>
Total Expenditures	<u>55,000</u>	<u>55,000</u>	<u>46,665</u>	<u>8,335</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(12,000)	(3,666)	8,334
Fund Balance at Beginning of Year	<u>14,314</u>	<u>14,314</u>	<u>14,314</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (686)</u>	<u>\$ 2,314</u>	<u>\$ 10,648</u>	<u>\$ 8,334</u>

CITY OF PORTSMOUTH, 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**

	FIRE PENSION FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 55,000	\$ 62,000	\$ 61,998	\$ (2)
Intergovernmental Revenues	5,000	5,900	5,965	65
Total Revenues	<u>60,000</u>	<u>67,900</u>	<u>67,963</u>	<u>63</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>70,500</u>	<u>70,500</u>	<u>65,000</u>	<u>5,500</u>
Total Expenditures	<u>70,500</u>	<u>70,500</u>	<u>65,000</u>	<u>5,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,500)	(2,600)	2,963	5,563
Fund Balance at Beginning of Year	<u>2,601</u>	<u>2,601</u>	<u>2,601</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (7,899)</u>	<u>\$ 1</u>	<u>\$ 5,564</u>	<u>\$ 5,563</u>

CITY OF PORTSMOUTH, 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***

	POLICE PENSION FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 55,000	\$ 62,000	\$ 61,998	\$ (2)
Intergovernmental Revenues	5,000	5,900	5,965	65
Total Revenues	<u>60,000</u>	<u>67,900</u>	<u>67,963</u>	<u>63</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>70,500</u>	<u>70,500</u>	<u>65,000</u>	<u>5,500</u>
Total Expenditures	<u>70,500</u>	<u>70,500</u>	<u>65,000</u>	<u>5,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,500)	(2,600)	2,963	5,563
Fund Balance at Beginning of Year	<u>2,601</u>	<u>2,601</u>	<u>2,601</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (7,899)</u>	<u>\$ 1</u>	<u>\$ 5,564</u>	<u>\$ 5,563</u>

CITY OF PORTSMOUTH, 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**

D.A.R.E. STATE GRANT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 0	\$ 800	\$ 7,787	\$ 6,987
All Other Revenues	0	0	850	850
Total Revenues	<u>0</u>	<u>800</u>	<u>8,637</u>	<u>7,837</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	3,000	3,000	0	3,000
Materials and Supplies	0	0	112	(112)
Contractual Services	0	51,840	53,839	(1,999)
Total Expenditures	<u>3,000</u>	<u>54,840</u>	<u>53,951</u>	<u>889</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,000)	(54,040)	(45,314)	8,726
Fund Balance at Beginning of Year	55,056	55,056	55,056	0
Fund Balance at End of Year	<u>\$ 52,056</u>	<u>\$ 1,016</u>	<u>\$ 9,742</u>	<u>\$ 8,726</u>

CITY OF PORTSMOUTH, 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**

	LOCAL LAW BLOCK GRANT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 35,000	\$ 19,300	\$ 18,270	\$ (1,030)
Investment Earnings	0	0	1,215	1,215
Total Revenues	<u>35,000</u>	<u>19,300</u>	<u>19,485</u>	<u>185</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	2,710	2,710	0	2,710
Materials and Supplies	2,000	2,000	0	2,000
Contractual Services	24,290	24,290	23,883	407
Capital Outlay	<u>21,000</u>	<u>21,000</u>	<u>7,339</u>	<u>13,661</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>31,222</u>	<u>18,778</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(30,700)	(11,737)	18,963
Fund Balance at Beginning of Year	<u>38,996</u>	<u>38,996</u>	<u>38,996</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 23,996</u>	<u>\$ 8,296</u>	<u>\$ 27,259</u>	<u>\$ 18,963</u>

CITY OF PORTSMOUTH, 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 FAST GRANT FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 50,000	\$ 80,000	\$ 90,983	\$ 10,983
Total Revenues	<u>50,000</u>	<u>80,000</u>	<u>90,983</u>	<u>10,983</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	68,713	68,713	54,647	14,066
Materials and Supplies	787	787	1,146	(359)
Contractual Services	2,500	2,500	360	2,140
Capital Outlay	<u>3,000</u>	<u>3,000</u>	<u>1,512</u>	<u>1,488</u>
Total Expenditures	<u>75,000</u>	<u>75,000</u>	<u>57,665</u>	<u>17,335</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,000)	5,000	33,318	28,318
Fund Balance at Beginning of Year	<u>102,563</u>	<u>102,563</u>	<u>102,563</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 77,563</u>	<u>\$ 107,563</u>	<u>\$ 135,881</u>	<u>\$ 28,318</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 10,000	\$ 21,900	\$ 21,656	\$ (244)
All Other Revenues	0	0	325	325
Total Revenues	<u>10,000</u>	<u>21,900</u>	<u>21,981</u>	<u>81</u>
Expenditures:				
General Government:				
Contractual Services	<u>20,000</u>	<u>20,000</u>	<u>13,650</u>	<u>6,350</u>
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>13,650</u>	<u>6,350</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,000)	1,900	8,331	6,431
Fund Balance at Beginning of Year	<u>11,098</u>	<u>11,098</u>	<u>11,098</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,098</u>	<u>\$ 12,998</u>	<u>\$ 19,429</u>	<u>\$ 6,431</u>

CITY OF PORTSMOUTH, 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***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 2,000	\$ 1,700	\$ 1,721	\$ 21
Total Revenues	<u>2,000</u>	<u>1,700</u>	<u>1,721</u>	<u>21</u>
Expenditures:				
General Government:				
Personal Services	4,000	4,000	4,427	(427)
Contractual Services	<u>1,000</u>	<u>1,000</u>	<u>274</u>	<u>726</u>
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>4,701</u>	<u>299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,000)	(3,300)	(2,980)	320
Fund Balance at Beginning of Year	<u>7,869</u>	<u>7,869</u>	<u>7,869</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,869</u>	<u>\$ 4,569</u>	<u>\$ 4,889</u>	<u>\$ 320</u>

CITY OF PORTSMOUTH, 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**

MANDATORY FINES FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 10,000	\$ 58,500	\$ 56,965	\$ (1,535)
Total Revenues	<u>10,000</u>	<u>58,500</u>	<u>56,965</u>	<u>(1,535)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	19,490	19,490	0	19,490
Contractual Services	<u>30,510</u>	<u>30,510</u>	<u>27,132</u>	<u>3,378</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>27,132</u>	<u>22,868</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,000)	8,500	29,833	21,333
Fund Balance at Beginning of Year	<u>48,695</u>	<u>48,695</u>	<u>48,695</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,695</u>	<u>\$ 57,195</u>	<u>\$ 78,528</u>	<u>\$ 21,333</u>

CITY OF PORTSMOUTH, 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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 5,000	\$ 167,800	\$ 16,611	\$ (151,189)
All Other Revenues	5,000	0	34	34
Total Revenues	<u>10,000</u>	<u>167,800</u>	<u>16,645</u>	<u>(151,155)</u>
Expenditures:				
Security of Persons and Property:				
Materials and Supplies	<u>21,000</u>	<u>21,000</u>	<u>20,044</u>	<u>956</u>
Total Expenditures	<u>21,000</u>	<u>21,000</u>	<u>20,044</u>	<u>956</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,000)	146,800	(3,399)	(150,199)
Fund Balance at Beginning of Year	<u>161,182</u>	<u>161,182</u>	<u>161,182</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 150,182</u>	<u>\$ 307,982</u>	<u>\$ 157,783</u>	<u>\$ (150,199)</u>

CITY OF PORTSMOUTH, 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	\$ 735,000	\$ 923,000	\$ 920,172	\$ (2,828)
Investment Earnings	3,000	5,600	6,712	1,112
All Other Revenues	4,000	0	2,983	2,983
Total Revenues	<u>742,000</u>	<u>928,600</u>	<u>929,867</u>	<u>1,267</u>
Expenditures:				
Transportation:				
Personal Services	662,008	662,008	643,168	18,840
Materials and Supplies	35,200	35,200	31,831	3,369
Contractual Services	83,653	83,653	81,525	2,128
Capital Outlay	84,400	91,859	71,688	20,171
Total Expenditures	<u>865,261</u>	<u>872,720</u>	<u>828,212</u>	<u>44,508</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(123,261)	55,880	101,655	45,775
Fund Balance at Beginning of Year	176,952	176,952	176,952	0
Prior Year Encumbrances	7,459	7,459	7,459	0
Fund Balance at End of Year	<u>\$ 61,150</u>	<u>\$ 240,291</u>	<u>\$ 286,066</u>	<u>\$ 45,775</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 51,000	\$ 67,000	\$ 67,093	\$ 93
Investment Earnings	1,000	3,100	3,356	256
Total Revenues	<u>52,000</u>	<u>70,100</u>	<u>70,449</u>	<u>349</u>
Expenditures:				
Transportation:				
Personal Services	<u>56,000</u>	<u>56,000</u>	<u>55,153</u>	<u>847</u>
Total Expenditures	<u>56,000</u>	<u>56,000</u>	<u>55,153</u>	<u>847</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,000)	14,100	15,296	1,196
Fund Balance at Beginning of Year	<u>3,536</u>	<u>3,536</u>	<u>3,536</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (464)</u>	<u>\$ 17,636</u>	<u>\$ 18,832</u>	<u>\$ 1,196</u>

CITY OF PORTSMOUTH, 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 STATE GRANTS FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 850,000	\$ 585,900	\$ 560,271	\$ (25,629)
All Other Revenues	0	0	7,697	7,697
Total Revenues	<u>850,000</u>	<u>585,900</u>	<u>567,968</u>	<u>(17,932)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	496,029	496,029	492,424	3,605
Materials and Supplies	11,762	11,762	6,636	5,126
Contractual Services	78,209	78,209	57,000	21,209
Capital Outlay	<u>14,000</u>	<u>14,000</u>	<u>13,431</u>	<u>569</u>
Total Expenditures	<u>600,000</u>	<u>600,000</u>	<u>569,491</u>	<u>30,509</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	250,000	(14,100)	(1,523)	12,577
Other Financing Sources (Uses):				
Transfers In	<u>0</u>	<u>0</u>	<u>18,000</u>	<u>18,000</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>18,000</u>	<u>18,000</u>
Net Change in Fund Balance	250,000	(14,100)	16,477	30,577
Fund Balance at Beginning of Year	<u>96,172</u>	<u>96,172</u>	<u>96,172</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 346,172</u>	<u>\$ 82,072</u>	<u>\$ 112,649</u>	<u>\$ 30,577</u>

CITY OF PORTSMOUTH, 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***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	<u>\$ 45,000</u>	<u>\$ 43,800</u>	<u>\$ 43,821</u>	<u>\$ 21</u>
Total Revenues	<u>45,000</u>	<u>43,800</u>	<u>43,821</u>	<u>21</u>
Expenditures:				
Community Environment:				
Contractual Services	<u>50,000</u>	<u>50,000</u>	<u>43,651</u>	<u>6,349</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>43,651</u>	<u>6,349</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(6,200)	170	6,370
Fund Balance at Beginning of Year	<u>8,338</u>	<u>8,338</u>	<u>8,338</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,338</u>	<u>\$ 2,138</u>	<u>\$ 8,508</u>	<u>\$ 6,370</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 100,000	\$ 118,000	\$ 92,547	\$ (25,453)
Total Revenues	<u>100,000</u>	<u>118,000</u>	<u>92,547</u>	<u>(25,453)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	102,279	102,279	101,990	289
Materials and Supplies	4,450	4,450	4,896	(446)
Contractual Services	<u>6,891</u>	<u>6,891</u>	<u>6,734</u>	<u>157</u>
Total Expenditures	<u>113,620</u>	<u>113,620</u>	<u>113,620</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,620)	4,380	(21,073)	(25,453)
Fund Balance at Beginning of Year	<u>610</u>	<u>610</u>	<u>610</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (13,010)</u>	<u>\$ 4,990</u>	<u>\$ (20,463)</u>	<u>\$ (25,453)</u>

CITY OF PORTSMOUTH, 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***

STATE GRANT HEALTH FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 350,000	\$ 240,000	\$ 240,532	\$ 532
Charges for Services	85,000	49,000	49,284	284
All Other Revenues	40,000	71,800	58,472	(13,328)
Total Revenues	<u>475,000</u>	<u>360,800</u>	<u>348,288</u>	<u>(12,512)</u>
Expenditures:				
Public Health and Welfare Services:				
Child and Family Health:				
Personal Services	18,000	18,000	6,777	11,223
Materials and Supplies	7,700	7,700	8,027	(327)
Contractual Services	2,500	2,500	2,500	0
Total Child and Family Health	<u>28,200</u>	<u>28,200</u>	<u>17,304</u>	<u>10,896</u>
State Grant - Health:				
Personal Services	34,482	34,482	29,192	5,290
Materials and Supplies	5,030	5,030	5,993	(963)
Contractual Services	91,000	91,000	90,303	697
Total State Grant - Health	<u>130,512</u>	<u>130,512</u>	<u>125,488</u>	<u>5,024</u>
Prevention:				
Personal Services	16,286	16,286	17,009	(723)
Materials and Supplies	4,990	4,990	3,918	1,072
Contractual Services	15,058	15,058	14,031	1,027
Capital Outlay	300	300	0	300
Total Prevention	<u>36,634</u>	<u>36,634</u>	<u>34,958</u>	<u>1,676</u>
State Grant - Family Living:				
Materials and Supplies	3,950	3,950	595	3,355
Total State Grant - Family Living	<u>3,950</u>	<u>3,950</u>	<u>595</u>	<u>3,355</u>

(Continued)

CITY OF PORTSMOUTH, 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***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
STATE GRANT HEALTH FUND				
Gene Screening:				
Materials and Supplies	8,000	8,000	5,506	2,494
Contractual Services	4,200	4,200	1,810	2,390
Total Gene Screening	12,200	12,200	7,316	4,884
State Grant - Safety Grant:				
Personal Services	43,083	43,083	42,230	853
Materials and Supplies	8,995	8,995	1,815	7,180
Contractual Services	52,920	52,920	3,379	49,541
Total State Grant - Safety Grant	104,998	104,998	47,424	57,574
Bioterrorism Grant:				
Personal Services	109,296	109,296	98,476	10,820
Materials and Supplies	24,378	24,378	20,265	4,113
Contractual Services	44,045	44,045	35,515	8,530
Capital Outlay	11,787	11,787	9,855	1,932
Total Bioterrorism Grant	189,506	189,506	164,111	25,395
Total Expenditures	506,000	506,000	397,196	108,804
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,000)	(145,200)	(48,908)	96,292
Fund Balance at Beginning of Year	283,613	283,613	283,613	0
Fund Balance at End of Year	<u>\$ 252,613</u>	<u>\$ 138,413</u>	<u>\$ 234,705</u>	<u>\$ 96,292</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 300,000	\$ 384,800	\$ 352,817	\$ (31,983)
All Other Revenues	0	0	5,755	5,755
Total Revenues	<u>300,000</u>	<u>384,800</u>	<u>358,572</u>	<u>(26,228)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	240,564	240,564	248,995	(8,431)
Materials and Supplies	22,784	22,784	24,779	(1,995)
Contractual Services	<u>86,652</u>	<u>86,652</u>	<u>70,967</u>	<u>15,685</u>
Total Expenditures	<u>350,000</u>	<u>350,000</u>	<u>344,741</u>	<u>5,259</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	34,800	13,831	(20,969)
Fund Balance at Beginning of Year	<u>20,004</u>	<u>20,004</u>	<u>20,004</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (29,996)</u>	<u>\$ 54,804</u>	<u>\$ 33,835</u>	<u>\$ (20,969)</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 70,000	\$ 130,000	\$ 132,545	\$ 2,545
Charges for Services	10,000	69,100	68,347	(753)
All Other Revenues	20,000	20,000	53,541	33,541
Total Revenues	<u>100,000</u>	<u>219,100</u>	<u>254,433</u>	<u>35,333</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	188,928	188,928	188,928	0
Materials and Supplies	35,324	35,324	35,324	0
Contractual Services	<u>27,866</u>	<u>27,866</u>	<u>27,866</u>	<u>0</u>
Total Expenditures	<u>252,118</u>	<u>252,118</u>	<u>252,118</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(152,118)	(33,018)	2,315	35,333
Fund Balance at Beginning of Year	<u>1,680</u>	<u>1,680</u>	<u>1,680</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (150,438)</u>	<u>\$ (31,338)</u>	<u>\$ 3,995</u>	<u>\$ 35,333</u>

CITY OF PORTSMOUTH, 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**

F.E.M.A. GRANT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 109,800	\$ 109,814	\$ 14
Total Revenues	<u>0</u>	<u>109,800</u>	<u>109,814</u>	<u>14</u>
Expenditures:				
Public Health and Welfare Services:				
Contractual Services	161,000	176,258	138,976	37,282
Total Expenditures	<u>161,000</u>	<u>176,258</u>	<u>138,976</u>	<u>37,282</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(161,000)	(66,458)	(29,162)	37,296
Fund Balance at Beginning of Year	55,139	55,139	55,139	0
Prior Year Encumbrances	15,258	15,258	15,258	0
Fund Balance at End of Year	<u>\$ (90,603)</u>	<u>\$ 3,939</u>	<u>\$ 41,235</u>	<u>\$ 37,296</u>

CITY OF PORTSMOUTH, 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***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 425,000</u>	<u>\$ 338,100</u>	<u>\$ 364,472</u>	<u>\$ 26,372</u>
Total Revenues	<u>425,000</u>	<u>338,100</u>	<u>364,472</u>	<u>26,372</u>
Expenditures:				
Public Health and Welfare Services:				
Contractual Services	<u>366,556</u>	<u>366,556</u>	<u>366,556</u>	<u>0</u>
Total Expenditures	<u>366,556</u>	<u>366,556</u>	<u>366,556</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	58,444	(28,456)	(2,084)	26,372
Fund Balance at Beginning of Year	<u>2,084</u>	<u>2,084</u>	<u>2,084</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 60,528</u>	<u>\$ (26,372)</u>	<u>\$ 0</u>	<u>\$ 26,372</u>

CITY OF PORTSMOUTH, 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**

RYAN WHITE TITLE III FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 200,000	\$ 376,600	\$ 374,008	\$ (2,592)
Charges for Services	0	0	1,231	1,231
All Other Revenues	0	0	474	474
Total Revenues	<u>200,000</u>	<u>376,600</u>	<u>375,713</u>	<u>(887)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	144,915	144,915	145,040	(125)
Materials and Supplies	126,582	126,582	146,543	(19,961)
Contractual Services	<u>81,992</u>	<u>81,993</u>	<u>61,907</u>	<u>20,086</u>
Total Expenditures	<u>353,489</u>	<u>353,490</u>	<u>353,490</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(153,489)	23,110	22,223	(887)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (153,489)</u>	<u>\$ 23,110</u>	<u>\$ 22,223</u>	<u>\$ (887)</u>

CITY OF PORTSMOUTH, 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***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 180,000	\$ 166,000	\$ 164,090	\$ (1,910)
Intergovernmental Revenues	20,000	10,000	12,003	2,003
Total Revenues	<u>200,000</u>	<u>176,000</u>	<u>176,093</u>	<u>93</u>
Expenditures:				
Security of Persons and Property:				
Capital Outlay	<u>290,000</u>	<u>338,000</u>	<u>284,611</u>	<u>53,389</u>
Total Expenditures	<u>290,000</u>	<u>338,000</u>	<u>284,611</u>	<u>53,389</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,000)	(162,000)	(108,518)	53,482
Fund Balance at Beginning of Year	761,694	761,694	761,694	0
Prior Year Encumbrances	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 719,694</u>	<u>\$ 647,694</u>	<u>\$ 701,176</u>	<u>\$ 53,482</u>

CITY OF PORTSMOUTH, 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**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 45,000	\$ 43,000	\$ 41,068	\$ (1,932)
All Other Revenues	0	0	2,500	2,500
Total Revenues	<u>45,000</u>	<u>43,000</u>	<u>43,568</u>	<u>568</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	87,725	87,045	87,275	(230)
Materials and Supplies	4,215	4,215	1,321	2,894
Contractual Services	<u>8,560</u>	<u>9,240</u>	<u>8,325</u>	<u>915</u>
Total Expenditures	<u>100,500</u>	<u>100,500</u>	<u>96,921</u>	<u>3,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,500)	(57,500)	(53,353)	4,147
Fund Balance at Beginning of Year	<u>57,902</u>	<u>57,902</u>	<u>57,902</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,402</u>	<u>\$ 402</u>	<u>\$ 4,549</u>	<u>\$ 4,147</u>

CITY OF PORTSMOUTH, 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**

PLAYGROUND TRUST FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 61	\$ 61
All Other Revenues	2,000	0	0	0
Total Revenues	<u>2,000</u>	<u>0</u>	<u>61</u>	<u>61</u>
Expenditures:				
Leisure Time Activity:				
Personal Services	<u>2,000</u>	<u>2,000</u>	<u>1,584</u>	<u>416</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,584</u>	<u>416</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(2,000)	(1,523)	477
Fund Balance at Beginning of Year	<u>7,727</u>	<u>7,727</u>	<u>7,727</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,727</u>	<u>\$ 5,727</u>	<u>\$ 6,204</u>	<u>\$ 477</u>

CITY OF PORTSMOUTH, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CEMETERY TRUST FUND				
Revenues:				
Charges for Services	\$ 2,000	\$ 23,000	\$ 23,160	\$ 160
Investment Earnings	0	3,000	3,659	659
Total Revenues	<u>2,000</u>	<u>26,000</u>	<u>26,819</u>	<u>819</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	1,000	1,000	0	1,000
Contractual Services	420	420	420	0
Capital Outlay	23,245	23,245	20,507	2,738
Total Expenditures	<u>24,665</u>	<u>24,665</u>	<u>20,927</u>	<u>3,738</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,665)	1,335	5,892	4,557
Fund Balance at Beginning of Year	<u>190,500</u>	<u>190,500</u>	<u>190,500</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 167,835</u>	<u>\$ 191,835</u>	<u>\$ 196,392</u>	<u>\$ 4,557</u>

CITY OF PORTSMOUTH, OHIO

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

MAUSOLEUM TRUST FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 81	\$ 81
Total Revenues	<u>0</u>	<u>0</u>	<u>81</u>	<u>81</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	81	81
Fund Balance at Beginning of Year	<u>4,667</u>	<u>4,667</u>	<u>4,667</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,667</u>	<u>\$ 4,667</u>	<u>\$ 4,748</u>	<u>\$ 81</u>

Internal Service Funds

The internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

Storeroom Revolving Fund

To account for the resources and expenditures to provide stationery and copies and supplies to various departments within the City.

Employee Insurance Account “B” Fund

To account for the accumulation and allocation of costs associated with insurance costs incurred by the City.

CITY OF PORTSMOUTH, OHIO

***Statement of Net Assets
Internal Service Funds
December 31, 2006***

	<u>Storeroom Revolving</u>	<u>Insurance Account "B"</u>	<u>Total</u>
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 7,930	\$ 466,953	\$ 474,883
<i>Total Current Assets</i>	<u>7,930</u>	<u>466,953</u>	<u>474,883</u>
Total Assets	<u>7,930</u>	<u>466,953</u>	<u>474,883</u>
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	<u>1,201</u>	<u>0</u>	<u>1,201</u>
<i>Total Current Liabilities</i>	<u>1,201</u>	<u>0</u>	<u>1,201</u>
Total Liabilities	<u>1,201</u>	<u>0</u>	<u>1,201</u>
Net Assets:			
Unrestricted	<u>6,729</u>	<u>466,953</u>	<u>473,682</u>
Total Net Assets	<u>\$ 6,729</u>	<u>\$ 466,953</u>	<u>\$ 473,682</u>

CITY OF PORTSMOUTH, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2006**

	Storeroom Revolving	Insurance Account "B"	Total
Operating Revenues:			
Total Operating Revenues	\$ 0	\$ 0	\$ 0
Operating Expenses:			
Personal Services	0	1,998	1,998
Contractual Services	0	10,028	10,028
Materials and Supplies	4,255	0	4,255
Total Operating Expenses	4,255	12,026	16,281
Operating Loss	(4,255)	(12,026)	(16,281)
Net Assets Beginning of Year	10,984	478,979	489,963
Net Assets End of Year	\$ 6,729	\$ 466,953	\$ 473,682

See accompanying notes to the basic financial statements

CITY OF PORTSMOUTH, OHIO

***Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2006***

	Storeroom Revolving	Employee Insurance Account "B"	Total
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$0	\$2,189,407	\$2,189,407
Cash Payments for Goods and Services	(3,054)	(2,201,433)	(2,204,487)
Net Cash Used for Operating Activities	<u>(3,054)</u>	<u>(12,026)</u>	<u>(15,080)</u>
Net Decrease in Cash and Cash Equivalents	(3,054)	(12,026)	(15,080)
Cash and Cash Equivalents at Beginning of Year	10,984	478,979	489,963
Cash and Cash Equivalents at End of Year	<u>\$7,930</u>	<u>\$466,953</u>	<u>\$474,883</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>			
Operating Loss	(\$4,255)	(\$12,026)	(\$16,281)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Changes in Assets and Liabilities:			
Increase in Accounts Payable	1,201	0	1,201
Total Adjustments	<u>1,201</u>	<u>0</u>	<u>1,201</u>
Net Cash Used for Operating Activities	<u>(\$3,054)</u>	<u>(\$12,026)</u>	<u>(\$15,080)</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

Performance Bonds Fund

To account for funds placed in escrow for various construction projects.

Law Library Fund

To account for revenue and expenditures of State Patrol fines to the County Law Library.

Ohio Board of Building Standards Fund

To account for funds from the three percent (3%) fees as required by Ohio Revised Code.

Municipal Court Fund

To account for funds that flow through the municipal court office.

Insurance Fund

To account for insurance premiums paid for employee's health insurance coverage. The Balance Sheet is not presented because there are no assets or liabilities at year end.).

CITY OF PORTSMOUTH, 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>Performance Bonds Fund</u>				
Restricted Assets:				
Cash and Cash Equivalents	\$19,557	\$102,387	(\$90,821)	\$31,123
Total Assets	<u>\$19,557</u>	<u>\$102,387</u>	<u>(\$90,821)</u>	<u>\$31,123</u>
Liabilities:				
Due to Others	\$19,557	\$102,387	(\$90,821)	\$31,123
Total Liabilities	<u>\$19,557</u>	<u>\$102,387</u>	<u>(\$90,821)</u>	<u>\$31,123</u>
<u>Law Library Fund</u>				
Assets:				
Accounts Receivable	\$19,582	\$23,399	(\$19,582)	\$23,399
Restricted Assets:				
Cash and Cash Equivalents	3,077	49,397	(49,085)	3,389
Total Assets	<u>\$22,659</u>	<u>\$72,796</u>	<u>(\$68,667)</u>	<u>\$26,788</u>
Liabilities:				
Due to Others	\$22,659	\$72,796	(\$68,667)	\$26,788
Total Liabilities	<u>\$22,659</u>	<u>\$72,796</u>	<u>(\$68,667)</u>	<u>\$26,788</u>
<u>Ohio Board of Building Standards Fund</u>				
Restricted Assets:				
Cash and Cash Equivalents	\$74	\$1,793	(\$1,182)	\$685
Total Assets	<u>\$74</u>	<u>\$1,793</u>	<u>(\$1,182)</u>	<u>\$685</u>
Liabilities:				
Due to Others	\$74	\$1,793	(\$1,182)	\$685
Total Liabilities	<u>\$74</u>	<u>\$1,793</u>	<u>(\$1,182)</u>	<u>\$685</u>
<u>Municipal Court Fund</u>				
Assets:				
Accounts Receivable	\$116,713	\$138,139	(\$116,713)	\$138,139
Restricted Assets:				
Cash and Cash Equivalents	44,861	1,810,499	(1,791,058)	64,302
Total Assets	<u>\$161,574</u>	<u>\$1,948,638</u>	<u>(\$1,907,771)</u>	<u>\$202,441</u>
Liabilities:				
Intergovernmental Payables	\$114,732	\$465,561	(\$544,439)	\$35,854
Due to Others	46,842	1,483,077	(1,363,332)	166,587
Total Liabilities	<u>\$161,574</u>	<u>\$1,948,638</u>	<u>(\$1,907,771)</u>	<u>\$202,441</u>

(Continued)

CITY OF PORTSMOUTH, 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>Insurance Fund</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$2,189,407	(\$2,189,407)	\$0
Total Assets	<u>\$0</u>	<u>\$2,189,407</u>	<u>(\$2,189,407)</u>	<u>\$0</u>
Liabilities:				
Due to Others	\$0	\$2,189,407	(\$2,189,407)	\$0
Total Liabilities	<u>\$0</u>	<u>\$2,189,407</u>	<u>(\$2,189,407)</u>	<u>\$0</u>
 <u>Totals - All Agency Funds</u>				
Assets:				
Accounts Receivable	\$136,295	\$161,538	(\$136,295)	\$161,538
Restricted Assets:				
Cash and Cash Equivalents	67,569	4,153,483	(4,121,553)	99,499
Total Assets	<u>\$203,864</u>	<u>\$4,315,021</u>	<u>(\$4,257,848)</u>	<u>\$261,037</u>
Liabilities:				
Intergovernmental Payables	\$114,732	\$465,561	(\$544,439)	\$35,854
Due to Others	89,132	3,849,460	(3,713,409)	225,183
Total Liabilities	<u>\$203,864</u>	<u>\$4,315,021</u>	<u>(\$4,257,848)</u>	<u>\$261,037</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*



CITY OF PORTSMOUTH, OHIO

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

<u>Capital Assets</u>	
Land	\$1,871,744
Buildings and Improvements	5,783,654
Land Improvements	2,134,058
Machinery and Equipment	8,398,636
Infrastructure	27,924,471
Total Capital Assets	<u>\$46,112,563</u>
<u>Investment in Capital Assets</u>	
General Fund	\$320,128
Special Revenue Funds	2,055,726
Capital Projects Fund	43,058,947
Expendable Trust Funds	366,273
Proprietary Funds	198,777
Internal Service Funds	10,391
Grants	94,321
Donated	8,000
Total Investment in Capital Assets	<u>\$46,112,563</u>

CITY OF PORTSMOUTH, OHIO

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

Function and Activity	Land	Buildings and Improvements	Land Improvements
<u>General Government:</u>			
City Council	\$50,078	\$67,344	\$0
Executive	0	3,921,226	267,106
Legal	0	0	0
Finance	0	0	0
Municipal Court	0	0	0
Income Tax	0	0	0
Engineering	0	52,941	0
Public Service	0	42,226	322,853
City Garage	0	0	0
Total	50,078	4,083,737	589,959
<u>Security of Persons and Property:</u>			
Police	3,372	1,649	0
Fire	196,346	526,787	2,000
Flood Defense	0	5,425	367,578
Total	199,718	533,861	369,578
<u>Transportation:</u>			
General Street Construction	1,258,853	0	0
<u>Public Health and Welfare:</u>			
Cemetery	17,632	122,998	0
Air Pollution	0	12,174	0
Health	0	0	0
Total	17,632	135,172	0
<u>Leisure Time Activities:</u>			
Recreation	345,463	680,716	140,400
<u>Community Environment:</u>			
Community Development	0	0	993,142
Grounds Maintenance	0	350,168	40,979
Total	0	350,168	1,034,121
Total Capital Assets	\$1,871,744	\$5,783,654	\$2,134,058

CITY OF PORTSMOUTH, OHIO

Machinery and Equipment	Infrastructure	Totals
\$32,400	\$0	\$149,822
340,050	0	4,528,382
15,258	0	15,258
78,459	0	78,459
418,512	0	418,512
42,892	0	42,892
427,404	0	480,345
434,009	0	799,088
116,069	0	116,069
<u>1,905,053</u>	<u>0</u>	<u>6,628,827</u>
1,723,319	0	1,728,340
2,025,061	0	2,750,194
188,961	0	561,964
<u>3,937,341</u>	<u>0</u>	<u>5,040,498</u>
<u>1,164,769</u>	<u>27,924,471</u>	<u>30,348,093</u>
175,445	0	316,075
527,466	0	539,640
287,749	0	287,749
<u>990,660</u>	<u>0</u>	<u>1,143,464</u>
<u>2,929</u>	<u>0</u>	<u>1,169,508</u>
44,022	0	1,037,164
353,862	0	745,009
397,884	0	1,782,173
<u>\$8,398,636</u>	<u>\$27,924,471</u>	<u>\$46,112,563</u>

CITY OF PORTSMOUTH, 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	Restated December 31, 2005	Additions	Deletions	December 31, 2006
<u>General Government:</u>				
City Council	\$149,822	\$0	\$0	\$149,822
Executive	4,526,711	4,171	(2,500)	4,528,382
Legal	12,212	3,046	0	15,258
Finance	75,561	2,898	0	78,459
Municipal Court	382,317	36,195	0	418,512
Income Tax	42,892	0	0	42,892
Engineering	443,715	36,630	0	480,345
Public Service	689,683	109,405	0	799,088
City Garage	114,726	1,343	0	116,069
Total	6,437,639	193,688	(2,500)	6,628,827
<u>Security of Persons and Property:</u>				
Police	1,360,459	382,241	(14,360)	1,728,340
Fire	2,599,748	150,446	0	2,750,194
Flood Defense	519,744	64,085	(21,865)	561,964
Total	4,479,951	596,772	(36,225)	5,040,498
<u>Transportation:</u>				
General Street Construction	30,062,640	363,628	(78,175)	30,348,093
<u>Public Health and Welfare:</u>				
Cemetery	316,075	0	0	316,075
Air Pollution	526,209	13,431	0	539,640
Health	250,628	37,121	0	287,749
Total	1,092,912	50,552	0	1,143,464
<u>Leisure Time Activities:</u>				
Recreation	1,165,522	3,986	0	1,169,508
<u>Community Environment:</u>				
Community Development	1,034,923	2,241	0	1,037,164
Grounds Maintenance	751,768	0	(6,759)	745,009
Total	1,786,691	2,241	(6,759)	1,782,173
Total Capital Assets	\$45,025,355	\$1,210,867	(\$123,659)	\$46,112,563

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 9
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 10 – S 13
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, which the income tax.	
Debt Capacity	S 14 – 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 26
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 27 – S 31
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 district 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 2003; schedules presenting government-wide information include information beginning in that year.	



City of Portsmouth

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$8,518,643	\$8,487,318	\$8,574,886	\$20,148,126
Restricted	4,490,806	4,957,419	4,497,189	4,810,459
Unrestricted	(527,064)	(478,200)	922,719	566,578
Total Governmental Activities Net Assets	<u>\$12,482,385</u>	<u>\$12,966,537</u>	<u>\$13,994,794</u>	<u>\$25,525,163</u>
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	\$7,868,348	\$8,634,184	\$9,498,779	\$9,654,908
Restricted	0	1,960,378	1,956,563	935,246
Unrestricted	2,779,070	478,282	636,429	2,610,303
Total Business-type Activities Net Assets	<u>\$10,647,418</u>	<u>\$11,072,844</u>	<u>\$12,091,771</u>	<u>\$13,200,457</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$16,386,991	\$17,121,502	\$18,073,665	\$29,803,034
Restricted	4,490,806	6,917,797	6,453,752	5,745,705
Unrestricted	2,252,006	82	1,559,148	3,176,881
Total Primary Government Net Assets	<u>\$23,129,803</u>	<u>\$24,039,381</u>	<u>\$26,086,565</u>	<u>\$38,725,620</u>

Source: City Auditor's Office

City of Portsmouth

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

	2003	2004	2005	2006
Expenses				
Governmental Activities:				
Security of Persons and Property	\$6,827,105	\$6,630,365	\$6,509,505	\$7,122,782
Public Health and Welfare Services	2,625,762	2,641,865	2,861,518	3,018,275
Leisure Time Activities	80,977	80,252	118,705	107,307
Community Environment	453,348	760,350	515,633	635,785
Transportation	2,344,695	1,210,575	1,166,630	2,192,216
General Government	3,562,433	4,172,082	3,732,579	3,694,527
Interest and Fiscal Charges	150,330	150,077	75,124	101,815
<i>Total Governmental Activities Expenses</i>	<u>16,044,650</u>	<u>15,645,566</u>	<u>14,979,694</u>	<u>16,872,707</u>
Business-type Activities:				
Water	4,202,204	4,710,690	4,786,196	4,692,859
Sewer	2,263,503	2,012,912	2,205,402	2,533,086
Sanitation	1,395,465	1,212,221	1,066,267	1,100,988
Primary Care	0	0	0	1,147
<i>Total Business-type Activities Expenses</i>	<u>7,861,172</u>	<u>7,935,823</u>	<u>8,057,865</u>	<u>8,328,080</u>
<i>Total Primary Government Expenses</i>	<u>\$23,905,822</u>	<u>\$23,581,389</u>	<u>\$23,037,559</u>	<u>\$25,200,787</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$1,350,489	\$972,970	\$992,341	\$952,245
Public Health and Welfare Services	409,486	378,409	335,412	343,817
Leisure Time Activities	49,573	71,325	65,987	65,966
Community Environment	197,233	289,795	157,818	144,084
Transportation	62,690	35,534	53,201	54,013
General Government	11,403	383,009	374,925	412,112
Operating Grants and Contributions	2,804,495	3,317,742	3,428,998	3,676,237
Capital Grants and Contributions	197,450	465	0	781
<i>Total Governmental Activities Program Revenues</i>	<u>5,082,819</u>	<u>5,449,249</u>	<u>5,408,682</u>	<u>5,649,255</u>

(continued)

City of Portsmouth

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

	2003	2004	2005	2006
Business-type Activities:				
Charges for Services				
Water	4,810,736	4,739,065	5,144,913	5,559,506
Sewer	2,522,946	2,545,913	2,666,107	2,532,099
Sanitation	1,062,449	1,076,271	1,265,772	1,334,647
Primary Care	0	0	0	10,514
<i>Total Business-type Activities Program Revenues</i>	8,396,131	8,361,249	9,076,792	9,436,766
<i>Total Primary Government Program Revenues</i>	13,478,950	13,810,498	14,485,474	15,086,021
Net (Expense)/Revenue				
Governmental Activities	(10,961,831)	(10,196,317)	(9,571,012)	(11,223,452)
Business-type Activities	534,959	425,426	1,018,927	1,108,686
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$10,426,872)	(\$9,770,891)	(\$8,552,085)	(\$10,114,766)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes Levied for:				
(General Purposes	\$1,576,158	\$1,504,051	\$1,653,097	\$1,581,990
(Special Purposes	301,851	270,803	288,402	278,976
(Debt Service	55,621	497,443	105,023	93,208
Income Taxes	5,921,082	5,662,745	6,062,431	6,012,029
Other Local Taxes	188,158	242,771	253,264	259,561
Grants and Entitlements not Restricted to Specific Programs	2,745,257	2,368,891	1,708,788	1,646,207
Investment Earnings	47,865	41,254	144,644	343,205
Miscellaneous	154,729	92,511	383,620	175,372
Transfers	(156,180)	0	0	0
<i>Total Governmental Activities</i>	10,834,541	10,680,469	10,599,269	10,390,548
Business-type Activities:				
Transfers	156,180	0	0	0
<i>Total Business-type Activities</i>	156,180	0	0	0
<i>Total Primary Government</i>	\$10,990,721	\$10,680,469	\$10,599,269	\$10,390,548
Change in Net Assets				
Governmental Activities	(\$127,290)	\$484,152	\$1,028,257	(\$832,904)
Business-type Activities	691,139	425,426	1,018,927	1,108,686
<i>Total Primary Government Change in Net Assets</i>	\$563,849	\$909,578	\$2,047,184	\$275,782

Source: City Auditor's Office

City of Portsmouth

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund					
Reserved	\$35,403	\$112,389	\$66,859	\$114,382	\$150,827
Unreserved	<u>1,750,302</u>	<u>2,279,304</u>	<u>2,314,952</u>	<u>2,594,720</u>	<u>1,931,759</u>
<i>Total General Fund</i>	<u>1,785,705</u>	<u>2,391,693</u>	<u>2,381,811</u>	<u>2,709,102</u>	<u>2,082,586</u>
All Other Governmental Funds					
Reserved	1,015,680	1,002,792	1,308,364	2,755,854	2,674,575
Unreserved, Undesignated, Reported in:					
Special Revenue Funds	1,258,247	1,364,786	1,782,359	1,931,418	2,181,004
Capital Projects Funds	(243,224)	1,289,785	972,956	141,238	310,165
Permanent Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Other Governmental Funds	<u>2,030,703</u>	<u>3,657,363</u>	<u>4,063,679</u>	<u>4,828,510</u>	<u>5,165,744</u>
<i>Total Governmental Funds</i>	<u>\$3,816,408</u>	<u>\$6,049,056</u>	<u>\$6,445,490</u>	<u>\$7,537,612</u>	<u>\$7,248,330</u>

Source: City Auditor's Office

NOTE: Years 1997-2002 Do not include the Nonexpendable Trust Funds and the Council Trust for Recreation and Playground Trust Funds which were classified as Fiduciary Funds prior to implementing GASB 34 in 2003.

City of Portsmouth

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$97,713	\$108,831	\$97,635	\$98,476	\$82,472
<u>933,037</u>	<u>704,284</u>	<u>1,170,835</u>	<u>864,105</u>	<u>619,184</u>
<u>1,030,750</u>	<u>813,115</u>	<u>1,268,470</u>	<u>962,581</u>	<u>701,656</u>
2,597,638	275,950	347,033	416,408	535,621
2,469,590	2,423,614	2,274,291	2,770,689	2,519,419
(1,711,167)	235,713	649,230	780,868	969,910
0	178,966	173,511	168,324	174,297
<u>3,356,061</u>	<u>3,114,243</u>	<u>3,444,065</u>	<u>4,136,289</u>	<u>4,199,247</u>
<u>\$4,386,811</u>	<u>\$3,927,358</u>	<u>\$4,712,535</u>	<u>\$5,098,870</u>	<u>\$4,900,903</u>

City of Portsmouth

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

	1997	1998	1999	2000
Revenues:				
Taxes	\$6,930,107	\$7,351,237	\$7,484,267	\$7,704,373
Intergovernmental Revenues	5,702,176	5,193,377	5,523,929	6,318,644
Charges for Services	159,324	311,426	482,319	447,215
Licenses and Permits	181,608	135,563	143,608	115,686
Investment Earnings	225,588	348,187	297,843	636,947
Special Assessments	155,328	153,762	150,666	154,473
Fines and Forfeitures	639,164	759,546	886,273	919,845
All Other Revenue	801,758	981,335	366,167	418,047
Total Revenue	<u>14,795,053</u>	<u>15,234,433</u>	<u>15,335,072</u>	<u>16,715,230</u>
Expenditures:				
Current:				
Security of Persons and Property	6,153,104	5,582,700	6,164,798	5,757,590
Public Health and Welfare Services	2,230,704	2,131,045	2,223,463	2,373,333
Leisure Time Activities	31,530	31,894	0	0
Community Environment	882,548	620,186	629,626	1,367,040
Transportation	869,675	1,272,074	1,232,025	1,300,667
General Government	2,093,090	2,381,353	2,796,094	3,216,901
Capital Outlay	1,062,487	856,845	1,654,788	1,545,779
Debt Service:				
Principal Retirement	105,000	110,000	115,000	197,139
Interest and Fiscal Charges	231,519	50,888	34,017	150,015
Total Expenditures	<u>13,659,657</u>	<u>13,036,985</u>	<u>14,849,811</u>	<u>15,908,464</u>
Excess (Deficiency) of Revenues Over Expenditures	1,135,396	2,197,448	485,261	806,766
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	12,819	0	20,350
Other Financing Sources - Capital Leases	0	0	0	312,960
General Obligation Bonds Issued	0	0	0	0
Transfers In	23,730	1,263,018	164,849	145,446
Transfers Out	(110,680)	(1,283,753)	(268,572)	(145,308)
Total Other Financing Sources (Uses)	<u>(86,950)</u>	<u>(7,916)</u>	<u>(103,723)</u>	<u>333,448</u>
Net Change in Fund Balance	<u>\$1,048,446</u>	<u>\$2,189,532</u>	<u>\$381,538</u>	<u>\$1,140,214</u>
Debt Service as a Percentage of Noncapital Expenditures	2.79%	1.30%	1.12%	2.40%

Source: City Auditor's Office

NOTE: Years 1997-2002 Do not include the Nonexpendable Trust Funds and the Council Trust for Recreation and Playground Trust Funds which were classified as Fiduciary Funds prior to implementing GASB 34 in 2003.

City of Portsmouth

2001	2002	2003	2004	2005	2006
\$7,830,364	\$8,029,034	\$7,791,325	\$8,380,980	\$8,250,795	\$8,310,392
5,182,900	5,994,416	5,463,082	5,484,792	5,123,524	5,068,076
402,186	471,528	654,975	669,104	498,169	526,403
193,254	177,129	231,125	286,046	189,102	174,978
353,764	136,409	47,865	41,254	144,644	343,205
156,083	154,864	0	465	0	781
933,608	917,757	994,915	1,013,920	1,138,755	1,181,478
507,925	374,085	482,914	308,498	517,542	302,800
<u>15,560,084</u>	<u>16,255,222</u>	<u>15,666,201</u>	<u>16,185,059</u>	<u>15,862,531</u>	<u>15,908,113</u>
5,991,355	6,423,187	6,572,469	6,349,582	6,532,111	6,868,634
2,769,406	2,708,280	2,565,485	2,539,607	2,851,886	2,957,064
0	0	73,507	72,782	111,168	99,621
626,376	695,134	371,813	677,336	404,492	562,329
1,307,038	1,417,750	2,292,674	1,110,311	1,117,116	1,168,987
3,572,084	3,434,883	3,403,628	3,203,359	3,277,687	3,303,143
2,017,237	4,007,499	665,748	1,275,007	985,797	1,418,055
2,302,391	175,000	252,306	114,002	98,607	153,071
124,271	159,738	151,542	115,616	110,808	102,436
<u>18,710,158</u>	<u>19,021,471</u>	<u>16,349,172</u>	<u>15,457,602</u>	<u>15,489,672</u>	<u>16,633,340</u>
(3,150,074)	(2,766,249)	(682,971)	727,457	372,859	(725,227)
13,000	16,930	21,398	8,312	5,584	32,001
0	0	0	0	0	497,862
2,090,000	0	0	65,000	0	0
415,604	364,296	4,106,809	545,860	101,396	18,000
(461,403)	(443,907)	(4,262,989)	(545,860)	(101,396)	(18,000)
<u>2,057,201</u>	<u>(62,681)</u>	<u>(134,782)</u>	<u>73,312</u>	<u>5,584</u>	<u>529,863</u>
<u>(\$1,092,873)</u>	<u>(\$2,828,930)</u>	<u>(\$817,753)</u>	<u>\$800,769</u>	<u>\$378,443</u>	<u>(\$195,364)</u>
16.22%	2.21%	2.63%	1.57%	1.43%	1.68%

City of Portsmouth

Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Income Tax Rate	1.40%	1.40%	1.40%	1.40%
Estimated Personal Income (in thousands)	\$402,272	\$416,603	\$427,624	\$412,200
Total Tax Collected	\$4,983,377	\$4,989,793	\$5,173,701	\$5,437,546
Income Tax Receipts				
Withholding	4,188,649	4,280,593	4,412,498	4,528,100
Percentage	84.05%	85.79%	85.29%	83.27%
Corporate	564,544	480,996	537,020	651,877
Percentage	11.33%	9.64%	10.38%	11.99%
Individuals	230,184	228,204	224,183	257,569
Percentage	4.62%	4.57%	4.33%	4.74%

Source: City Income Tax Department

City of Portsmouth

2001	2002	2003	2004	2005	2006
1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
\$423,219	\$437,207	\$451,195	\$477,896	\$490,797	\$490,797
\$5,442,422	\$5,537,363	\$5,675,462	\$5,853,487	\$6,275,016	\$6,036,828
4,735,608	4,795,049	4,877,783	5,126,945	5,429,215	5,211,420
87.01%	86.59%	85.95%	87.59%	86.52%	86.33%
472,677	499,226	536,746	503,000	614,148	564,472
8.69%	9.02%	9.46%	8.59%	9.79%	9.35%
234,137	243,088	260,933	223,542	231,653	260,936
4.30%	4.39%	4.60%	3.82%	3.69%	4.32%



City of Portsmouth

Income Tax Collections Current Year and Nine Years Ago

Calendar Year 2006						
Income Tax Filers	Number of Filers	Percent of Total	Taxable Income	Percent of Income	Income Tax Collections	Percent of Income
Top Ten	10	0.18%	\$169,014,328	39.20%	\$2,366,201	39.20%
All Others	5,446	99.82%	262,187,714	60.80%	3,670,628	60.80%
Total	5,456	100.00%	\$431,202,042	100.00%	\$6,036,829	100.00%

Calendar Year 1997						
Income Tax Filers	Number of Filers	Percent of Total	Taxable Income	Percent of Income	Income Tax Collections	Percent of Income
Top Ten	10	0.22%	\$134,780,071	37.86%	\$1,886,921	37.86%
All Others	4,494	99.78%	221,175,429	62.14%	3,096,456	62.14%
Total	4,504	100.00%	\$355,955,500	100.00%	\$4,983,377	100.00%

Source: City Income Tax Department

City of Portsmouth

Ratio of Outstanding Debt By Type Last Ten Years

	1997	1998	1999	2000
Governmental Activities ⁽¹⁾				
Special Assessment Bonds Payable	\$760,000	\$650,000	\$535,000	\$410,000
General Obligation Bonds Payable	0	0	0	0
Bond Anticipation Notes Payable	0	0	0	0
Capital Leases	0	0	0	276,683
Business-type Activities ⁽¹⁾				
OWDA Loan Payable	\$1,316,768	\$1,115,227	\$898,106	\$664,202
OPWC Loan Payable	43,201	36,526	29,649	22,565
General Obligation Bonds Payable	4,000,000	3,775,000	3,540,000	3,295,000
Mortgage Revenue Bonds Payable	0	0	0	0
Water Refunding Revenue Bonds Payable	0	0	0	0
Capital Leases	0	0	0	0
Total Primary Government	<u>\$6,119,969</u>	<u>\$5,576,753</u>	<u>\$5,002,755</u>	<u>\$4,668,450</u>
Population ⁽²⁾				
City of Portsmouth	22,676	22,676	22,676	20,909
Outstanding Debt Per Capita	\$270	\$246	\$221	\$223
Income ⁽³⁾				
Personal (in thousands)	402,272	416,603	427,624	412,200
Percentage of Personal Income	1.52%	1.34%	1.17%	1.13%

Sources:

- (1) City Auditor'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 Portsmouth

2001	2002	2003	2004	2005	2006
\$280,000	\$145,000	\$0	\$0	\$0	\$0
2,090,000	2,050,000	2,005,000	1,960,000	1,915,000	1,865,000
0	0	0	65,000	44,132	22,475
222,272	164,047	101,741	32,739	0	416,448
\$412,217	\$281,536	\$0	\$0	\$0	\$0
600,266	562,747	525,000	495,000	465,000	435,000
3,040,000	2,770,000	0	0	0	0
600,000	594,400	0	0	0	0
0	0	5,255,333	4,900,285	4,540,237	4,170,189
164,107	286,477	584,615	571,921	456,278	305,421
<u>\$7,408,862</u>	<u>\$6,854,207</u>	<u>\$8,471,689</u>	<u>\$8,024,945</u>	<u>\$7,420,647</u>	<u>\$7,214,533</u>

20,909	20,909	20,909	20,909	20,909	20,909
\$354	\$328	\$405	\$384	\$355	\$345

423,219	437,207	451,195	477,896	490,797	490,797
1.75%	1.57%	1.88%	1.68%	1.51%	1.47%

City of Portsmouth

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	1997	1998	1999	2000
Population (1)	22,676	22,676	22,676	20,909
Assessed Value (2)	\$174,174,400	\$192,964,330	\$190,624,890	\$190,482,970
General Bonded Debt (3)				
General Obligation Bonds-Governmental	\$0	\$0	\$0	\$0
General Obligation Bonds-Proprietary	\$4,000,000	\$3,775,000	\$3,540,000	\$3,295,000
Resources Available to Pay Principal (4)	\$778,312	\$669,529	\$1,158,517	\$1,616,429
Net General Bonded Debt	\$3,221,688	\$3,105,471	\$2,381,483	\$1,678,571
Ratio of Net Bonded Debt to Estimated Actual Value	1.85%	1.61%	1.25%	0.88%
Net Bonded Debt per Capita	\$142.07	\$136.95	\$105.02	\$80.28

Source:

- (1) U.S. Bureau of Census of Population
- (2) Scioto County Auditor
- (3) Includes all general obligation bonded debt.
- (4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

City of Portsmouth

2001	2002	2003	2004	2005	2006
20,909	20,909	20,909	20,909	20,909	20,909
\$207,689,570	\$206,248,060	\$207,459,910	\$219,358,780	\$223,629,450	\$220,033,280
\$2,090,000	\$2,050,000	\$2,005,000	\$1,960,000	\$1,915,000	\$1,865,000
\$3,040,000	\$2,770,000	\$0	\$0	\$0	\$0
\$2,108,332	\$2,303,009	\$102,150	\$98,936	\$65,248	\$25,419
\$3,021,668	\$2,516,991	\$1,902,850	\$1,861,064	\$1,849,752	\$1,839,581
1.45%	1.22%	0.92%	0.85%	0.83%	0.84%
\$144.52	\$120.38	\$91.01	\$89.01	\$88.47	\$87.98



City of Portsmouth

*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 Portsmouth</u>	<u>Amount Applicable to the City of Portsmouth</u>
Direct:			
City of Portsmouth	\$1,887,475	100.00%	\$1,887,475
Overlapping:			
Scioto County	18,722,101	25.21%	4,719,438
Portsmouth City School District	16,292,472	93.76%	<u>15,276,635</u>
		Subtotal	<u>19,996,073</u>
		Total	<u><u>\$21,883,548</u></u>

Source: Scioto County Auditor
Portsmouth City School District

City of Portsmouth

*Debt Limitations
Last Ten Years*

Collection Year	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Total Debt				
Net Assessed Valuation	\$174,174,400	\$192,964,330	\$190,624,890	\$190,482,970
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	18,288,312	20,261,255	20,015,613	20,000,712
City Debt Outstanding (2)	0	0	0	0
Less: Applicable Debt Service Fund Amounts	0	0	0	0
Net Indebtedness Subject to Limitation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Overall Legal Debt Margin	<u>\$18,288,312</u>	<u>\$20,261,255</u>	<u>\$20,015,613</u>	<u>\$20,000,712</u>
Unvoted Debt				
Net Assessed Valuation	\$174,174,400	\$192,964,330	\$190,624,890	\$190,482,970
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	9,579,592	10,613,038	10,484,369	10,476,563
City Debt Outstanding (2)	0	0	0	0
Less: Applicable Debt Service Fund Amounts	0	0	0	0
Net Indebtedness Subject to Limitation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Overall Legal Debt Margin	<u>\$9,579,592</u>	<u>\$10,613,038</u>	<u>\$10,484,369</u>	<u>\$10,476,563</u>

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

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.

Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Auditor's Office

City of Portsmouth

2001	2002	2003	2004	2005	2006
\$207,689,570	\$206,248,060	\$207,459,910	\$219,358,780	\$223,629,450	\$220,033,280
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
21,807,405	21,656,046	21,783,291	23,032,672	23,481,092	23,103,494
2,090,000	2,050,000	2,005,000	2,025,000	1,959,132	1,887,475
(2,108,332)	(2,303,009)	(102,150)	(98,936)	(65,248)	(25,419)
0	0	1,902,850	1,926,064	1,893,884	1,862,056
<u>\$21,807,405</u>	<u>\$21,656,046</u>	<u>\$19,880,441</u>	<u>\$21,106,608</u>	<u>\$21,587,208</u>	<u>\$21,241,438</u>
\$207,689,570	\$206,248,060	\$207,459,910	\$219,358,780	\$223,629,450	\$220,033,280
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
11,422,926	11,343,643	11,410,295	12,064,733	12,299,620	12,101,830
2,090,000	2,050,000	2,005,000	2,025,000	1,959,132	1,887,475
(2,108,332)	(2,303,009)	(102,150)	(98,936)	(65,248)	(25,419)
0	0	1,902,850	1,926,064	1,893,884	1,862,056
<u>\$11,422,926</u>	<u>\$11,343,643</u>	<u>\$9,507,445</u>	<u>\$10,138,669</u>	<u>\$10,405,736</u>	<u>\$10,239,774</u>

City of Portsmouth

*Pledged Revenue Coverage
Last Ten Years*

	1997	1998	1999	2000
Water Mortgage Bonds (1)				
Gross Revenues (2)	\$3,366,141	\$3,877,192	\$4,418,882	\$4,149,244
Direct Operating Expenses (3)	2,917,188	3,031,008	3,131,048	3,030,217
Net Revenue Available for Debt Service	448,953	846,184	1,287,834	1,119,027
Annual Debt Service Requirement	0	0	0	0
Coverage	N/A	N/A	N/A	N/A
Special Assessment Bonds (4)				
Special Assessment Collections	\$181,440	\$150,974	\$180,069	\$176,376
Debt Service				
Principal	105,000	110,000	115,000	125,000
Interest	43,900	39,044	33,681	27,931
Coverage	1.22	1.01	1.21	1.15

(1) Water Mortgage Revenue Bonds were issued in 2001 in the amount of \$600,000. These were refunded in 2003 with the issuance of \$5,500,000 of Water Mortgage Revenue Bonds.

(2) Gross revenues include operating revenues plus interest income.

(3) Direct operating expenses include operating expenses less depreciation.

(4) The Downtown Improvement Special Assessment Bonds were issued in 1994, in the amount of \$1,150,000

Source: City Auditor's Office

City of Portsmouth

2001	2002	2003	2004	2005	2006
\$4,095,407	\$4,258,687	\$4,810,736	\$4,739,065	\$5,144,913	\$5,559,506
3,209,930	3,268,930	3,695,797	4,083,172	4,245,597	4,092,557
885,477	989,757	1,114,939	655,893	899,316	1,466,949
0	32,600	121,070	575,525	573,456	574,443
N/A	30.36	9.21	1.14	1.57	2.55
\$148,062	\$154,864	\$149,637	\$465	\$0	\$0
130,000	135,000	145,000	0	0	0
21,525	14,700	7,613	0	0	0
0.98	1.03	0.98	N/A	N/A	N/A

City of Portsmouth

Demographic and Economic Statistics Last Ten Years

Calendar Year	1997	1998	1999	2000	2001
Population ⁽¹⁾					
City of Portsmouth	22,676	22,676	22,676	20,909	20,909
Scioto County	80,327	80,327	80,327	79,195	79,195
Income ^{(2) (a)}					
Total Personal (in thousands)	402,272	416,603	427,624	412,200	423,219
Per Capita	17,740	18,372	18,858	19,714	20,241
Unemployment Rate ⁽³⁾					
Federal	5.4%	4.9%	4.5%	4.2%	3.8%
State	4.8%	4.6%	4.3%	4.3%	3.7%
Scioto County	9.9%	9.5%	8.5%	8.8%	7.0%
Civilian Work Force Estimates ⁽³⁾					
State	5,710,000	5,678,000	5,749,000	5,900,400	5,857,000
Scioto County	33,600	32,900	32,900	32,800	33,600

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2005.

For the presentation of 2006 statistics, the City is using the latest information available.

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

(3) State Department of Labor Statistics

City of Portsmouth

2002	2003	2004	2005	2006
20,909	20,909	20,909	20,909	20,909
79,195	79,195	79,195	79,195	79,195
437,207	451,195	477,896	490,797	490,797
20,910	21,579	22,856	23,473	23,473
4.8%	5.8%	6.0%	5.5%	4.6%
4.3%	5.7%	6.1%	6.0%	5.5%
7.8%	8.6%	9.0%	8.8%	7.6%
5,828,000	5,915,000	5,875,300	5,900,400	5,934,000
34,100	33,900	32,900	32,300	31,300

City of Portsmouth

Principal Employers Current Year and Six Years Ago

		2006	
Employer	Nature of Business	Number of Employees	Rank
Southern Ohio Medical Center	Medical	2,160	1
Shawnee State University	Education	1,480	2
Scioto County Offices	Government	686	3
State of Ohio	Government	480	4
Portsmouth City Schools	Education	425	5
Community Action Organization	Government	393	6
City of Portsmouth	Government	309	7
Oscos Industries	Manufacturing	222	8
United States Enrichment Corp	Manufacturing	106	9
Norfolk & Southern Railroad	Industrial	93	10
Total		<u>6,354</u>	

		2000	
Employer	Nature of Business	Number of Employees	Rank
Southern Ohio Medical Center	Medical	2,000	1
Scioto County Offices	Government	684	2
Shawnee State University	Education	461	3
State of Ohio	Government	460	4
Portsmouth City Schools	Education	349	5
City of Portsmouth	Government	298	6
Oscos Industries	Manufacturing	250	7
United States Enrichment Corp	Manufacturing	187	8
Mitchellace	Manufacturing	184	9
Norfolk & Southern Railroad	Industrial	93	10
Total		<u>4,966</u>	

Sources: City Auditor's Office

City of Portsmouth

Full Time Equivalent Employees by Function Last Two Years

	<u>2005</u>	<u>2006</u>
Governmental Activities		
Security of Persons and Property		
Police	46	47
Fire	39	38
Public Health and Welfare Services		
Health	33	34
General Government		
Mayor	3	3
Finance	5	5
Legal	5	5
Court	28	28
Income Tax	3	3
Engineering	3	3
Administration	3	3
Garage	5	5
Transportation		
Streets	10	10
Cemetery Grounds	4	4
Recreational Grounds	3	3
Community Environment		
Building Inspection	3	3
Community Development	2	2
Business-Type Activities		
Utilities		
Water	34	33
Sewer	32	30
Sanitation	16	17
<i>Total Employees</i>	<u>277.0</u>	<u>276.0</u>

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

Source: City Auditor's Office, Data is not available prior to 2005.

City of Portsmouth

Operating Indicators by Function Last Ten Years

	1997	1998	1999	2000
Governmental Activities				
General Government				
Licenses and Permits				
Number of Building Permits	698	650	669	502
Security of Persons and Property				
Police				
Number of Patrol Units	36	36	36	31
Criminal/Juvenile Citations and Charges	n/a	3,183	2,979	2,963
Traffice Citations Issued	n/a	2,567	1,491	1,820
Parking Tickets Written	n/a	1,066	790	762
Fire				
Number of Calls Answered	n/a	590	742	824
Number of Fire Inpections	n/a	n/a	94	234
Number of Investigations	n/a	n/a	n/a	n/a
Business-Type Activities				
Water				
Number of Service Connections	14,600	14,639	14,563	14,525
Average Daily Consumption (thousands of gallons)	7M	7M	7M	7M
Maximum Daily Capacity (thousands of gallons)	12M	12M	12M	12M
Sewer				
Number of Service Connections	9,100	9,096	9,107	9,117
Average Daily Sewage Treatment (thousands of gallons)	5	5	5	5
Maximum Daily Plant Capacity (thousands of gallons)	10	10	10	10
Solid Waste				
Number of Customers Served	7,980	7,984	7,984	7,710

Source: City Auditor's Office

City of Portsmouth

2001	2002	2003	2004	2005	2006
541	632	879	412	326	336
33	35	32	30	27	27
2,620	1,896	2,291	1,946	2,346	2,202
2,356	2,239	2,118	1,579	2,955	1,392
734	775	1,165	654	614	946
809	738	763	699	683	717
228	172	111	125	131	154
n/a	17	22	10	50	30
14,489	14,338	14,289	14,136	14,140	13,963
7M	7M	7M	7M	7M	7M
12M	12M	12M	12M	12M	12M
9,117	9,117	8,580	8,580	8,580	8,318
5	5	5	5	5	5
10	10	10	10	10	10
7,800	7,800	7,700	7,700	7,700	7,327

City of Portsmouth

Capital Asset Statistics by Function Last Ten Years

	1997	1998	1999	2000
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	7,680	7,680	7,680	7,680
Security of Persons and Property				
Police				
Stations	1	1	1	1
Vehicles	36	36	36	31
Fire				
Stations	3	3	3	3
Vehicles	10	10	10	10
Transportation				
Street				
Streets (lane miles)	220	220	220	220
Street Lights	1,469	1,469	1,469	1,479
Leisure Time Activities				
Recreation/Seniors				
Land (acres)	223	223	223	223
Parks	17	17	17	17
Number of Ball Fields (Lighted)	4	4	4	4
Number of Ball Fields (Unlighted)	7	7	7	7
Number of Tennis Courts (Lighted)	4	4	4	4
Number of Tennis Courts (Unlighted)	8	8	8	8
Public Health and Welfare				
Cemeteries				
Cemeteries	1	1	1	1
Land (acres)	40	40	40	40
Business-Type Activities				
Utilities				
Water				
Number of Filtration/Purification Plants	1	1	1	1
Waterlines (Miles)	400	400	400	400
Number of Hydrants	865	865	865	865
Sewer				
Number of Sewage Treatment Plants	2	2	2	2
Sewerlines (Miles)	30	30	30	30
Storm Water Drainage				
Storm Drains (Miles)	30	30	30	30

Source: City Auditor's Office

City of Portsmouth

2001	2002	2003	2004	2005	2006
7,680	7,680	7,680	7,680	7,680	7,680
1	1	1	1	1	1
33	35	32	30	27	27
3	3	3	3	3	3
10	10	10	10	10	10
220	220	220	220	220	220
1,485	1,488	1,485	1,475	1,475	1,475
223	223	223	223	223	223
17	17	17	17	17	17
4	4	4	6	7	7
7	7	7	5	4	4
4	4	4	4	4	4
8	8	8	8	8	8
1	1	1	1	1	1
40	40	40	40	40	40
1	1	1	1	1	1
400	400	400	400	400	400
865	865	865	865	865	865
2	2	2	2	2	2
30	30	30	30	30	30
30	30	30	30	30	30





Mary Taylor, CPA
Auditor of State

CITY OF PORTSMOUTH

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2007