



Mary Taylor, CPA
Auditor of State

CITY OF TALLMADGE
SUMMIT COUNTY

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Mary Taylor, CPA

Auditor of State

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

City of Tallmadge
Summit County
46 North Avenue
Tallmadge, Ohio 44278

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallmadge, Summit County, Ohio, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the City's management in a separate letter dated May 17, 2007.

Compliance and Other Matters

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

We did note a certain noncompliance or other matter that we reported to the City's management in a separate letter dated May 17, 2007.

We intend this report solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

May 17, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Tallmadge
Summit County
46 North Avenue
Tallmadge, Ohio 44278

To the City Council:

Compliance

We have audited the compliance of the City of Tallmadge, Summit 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 apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Tallmadge, Summit County, Ohio complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The City's management 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 directly and materially affect a major federal program 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.

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 timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated May 17, 2007.

Federal Awards Expenditures Schedule

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Tallmadge, Summit County, Ohio as of and for the year ended December 31, 2006, and have issued our report thereon dated May 17, 2007. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We intend this report solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 17, 2007

**CITY OF TALLMADGE
SUMMIT COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction	SUMM-SR261-14.77	20.205	\$ 509,944
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through Summit County</i>			
Community Development Block Grant Entitlement Program	N/A	14.218	<u>49,543</u>
TOTAL			<u>\$ 559,487</u>

The accompanying notes are an integral part of this schedule.

**CITY OF TALLMADGE
SUMMIT COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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.

**CITY OF TALLMADGE
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
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)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<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
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 20.205 Highway Planning and Construction
<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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

City of Tallmadge, Ohio



Comprehensive Annual Financial Report

For the year ended December 31, 2006

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

PREPARED BY THE OFFICE OF:

JILL STRITCH, DIRECTOR OF FINANCE – C.P.F.A

*46 NORTH AVENUE
TALLMADGE, OH 44278*

INTRODUCTORY SECTION

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

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46 NORTH AVENUE

CITY OF TALLMADGE, OHIO
44278

JILL STRITCH
DIRECTOR OF FINANCE
jstritch@tallmadge-ohio.org

May 17, 2007

The Honorable Mayor, Members of City Council
and Citizens of the City of Tallmadge, Ohio

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Tallmadge, Ohio (the City) is hereby presented. This CAFR represents the official report of the City of Tallmadge's operations and financial position for the year ended December 31, 2006, and has been developed to accurately detail the status of City finances to Tallmadge residents and elected officials, investment banks, underwriters and all other interested parties. This report is being presented in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments."

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the data contained in this report is accurate in all material respects, and is presented in a manner designed to set forth fairly the financial position and results of operations of the City. All disclosures necessary to provide the reader with a better understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report consists of three sections.

1. The Introductory Section contains the Table of Contents, Letter of Transmittal, the GFOA Certificate of Achievement for Excellence in Financial Reporting, the Organizational Chart for the City and the listing of elected and appointed City officials.
2. The Financial section contains the Independent Accountants' Report, and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for Nonmajor Funds, and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents financial, economic, social and demographic information about the City for the last ten years (when available).

Ohio law requires independent audits to be performed on all financial operations of the City either by the Auditor of State or an independent public accounting firm, if permitted by the Auditor of State. The Auditor of State's office performed the audit for the year ended December 31, 2006. The Independent Accountants' Report on the basic financial statements is included in the financial section of this report.

As a part of the City's independent audit, considerations are made to assess the internal control structure in relation to the financial statements, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent audit for the year ended December 31, 2006 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

This transmittal letter is designed to provide historical information about the City, as well as compliment the required Management's Discussion and Analysis (MD&A). Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The City's MD&A, which focuses on the government-wide statements and major funds, can be found immediately following the Independent Accountants' Report.

THE REPORTING ENTITY

The City has reviewed its reporting entity definition in order to ensure compliance and conformance with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." For financial reporting definition purposes, City management has considered all agencies, departments, and organizations comprising the City of Tallmadge, the primary government.

The Tallmadge City School District has not been included in the accompanying financial statements. The City and the School District are independent of each other in terms of governing bodies, financial resources and management.

The City participates in the Akron Metropolitan Area Transportation Study (AMATS), the Brimfield Township-City of Tallmadge Joint Economic Development District, and the Summit Suburban Council of Governments. These organizations are described in more detail in Note 16 of the Basic Financial Statements.

THE CITY OF TALLMADGE

In August 1935 Tallmadge citizens voted to incorporate the township as a village effective January 1, 1936. Tallmadge was recognized by the State of Ohio as a city in 1951. The City received its name, like many towns in the Ohio Western Reserve, after important men in their day. Such has been the case with Colonel Benjamin Tallmadge who was the lieutenant colonel in the army of the Revolutionary War, and later a business promoter, churchman, and U.S. Congressman. Colonel Tallmadge originally purchased large lots of land in the Western Reserve. In 1806 a mission worker for the Congregational Church, Reverend David Bacon, purchased the land then known as Town 2 Range 10 to found a religious colony, which later became Tallmadge.

Tallmadge has preserved its historical heritage. An excellent example of Western Reserve design is the center of Tallmadge known for its circle or rotary, still the architectural focus of the community.

The City is located in Summit and Portage Counties, with over 97% of the property located in Summit County and the remainder in Portage County. The City is approximately 13.5 square miles in size, is located approximately 35 miles south of Cleveland, Ohio and is contiguous to Akron, Ohio. The City's 2006 population of 17,408 makes it the eighth largest City in Summit County.

CITY GOVERNMENT

The City operates under and is governed by its Charter, first adopted in 1995, effective January 1, 1996. The City is a home-rule municipal corporation operating under the laws of the State of Ohio. The laws of the State of Ohio prevail when conflicts exist between the Charter and the state constitution and in matters where the charter is silent. The City's Charter can only be amended by a majority vote of the City's registered voters.

Legislative authority is vested in a seven-member Council, of whom three are elected at-large and four are elected from wards, all for four year staggered terms.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters to that office for a four-year term. The other elected officials (the Director of Finance and Director of Law) are all elected to a four year term. The Mayor also appoints members to a number of boards and commissions. The Charter was amended in 2002 and the voters approved the abolishment of the Treasurer's position upon the completion of the term ending December 31, 2005. Therefore, commencing January 1, 2006 the Director of Finance assumed all the duties assigned to the Treasurer.

ECONOMIC CONDITION AND OUTLOOK

The City offers an attractive opportunity for business growth. Tallmadge's 455 business establishments, from its largest employer, Summit Racing, Inc., to small family businesses constitute the opportunity and interests that keep Tallmadge a vital part of the market place.

The City operates a Community Reinvestment Area Tax Abatement Program. This program is available for commercial and industrial expansions and new construction. The abatement is for a 100% real estate tax exemption of seven years on the increased values of real estate attributable to the improvements. To date 85 companies have taken advantage of the tax abatement program. In addition, the City recently instituted a New Jobs Grant Program. This program is aimed at businesses moving into vacant buildings in the City. Businesses who locate in these structures and that have a payroll exceeding \$250,000 the first year are eligible for a grant equal to the amount of payroll taxes paid in the previous calendar year for up to three years. The qualifying payroll must be maintained throughout the term of the grant.

Beginning in 1987, the City experienced significant economic growth, which continues today. New investment in industrial, commercial and residential development exceeded \$10 million in 1987 and has averaged \$20 million a year for the past five fiscal years.

Virtually all the major employers in the City have expanded or built new facilities during this time period. While the national and local economy has been in a downturn since 2001, there were still a significant number of expansions and relocations in the City. The latest expansions include East End Welding, Summit Racing, Akron Gasket and packaging Enterprises, Inc., Kent Displays, Blatt Welding and Ritchies Sporting Goods.

Net employment as a result of these expansions and other developments typically amounts to approximately 140 positions yearly. The majority of employment within the City occurs in businesses housed in 5,000 to 20,000 square foot buildings. Tallmadge's employment rate remains stable due to this large number of small businesses in the City. Unemployment rates tend to run at least one percent lower than the Akron metropolitan area.

In efforts to stabilize the largest source of general fund revenue, the citizens voted in 2004 to make the City 2% income tax permanent rather than a 5 year renewal. The income tax collections at the end of fiscal year 2006 experienced an increase of 3.15% over the prior fiscal year.

The City created a Joint Economic Development District (JEDD) effective January 1, 2004 that encompasses 70% of the township of Brimfield. This JEDD will result in additional income tax collections for the City in the future. This income tax is distributed to both the City and the Township with the City receiving 55 percent of the tax and the Township receiving 45 percent of the tax and each contributing 5 percent of their share to the Maintenance and Capital Improvement fund maintained by the Township. There are significant areas for development in the JEDD in addition to already established industrial park land adjacent to the Interstate 76/Route 18 interchange.

Residential development has closely paralleled industrial and commercial development during the same period. A total of 61 residential units were built in 2006, which consists of 48 single-family dwellings and 13 condominiums. Interestingly, 536 units have been built in the City during the last five years.

Not only has the City experienced an increase in new housing starts over the past ten years, it is also meeting the demands of a changing population with a number of condominium developments. There are a number of condominium and single family developments underway consisting of East Point Development, Fox Ridge Development, Stonegate Estates, Villas at Waterford Crossing, Green Valley Estates, Woodridge Development, and Shadyside Farms. Increased residential development is a strong indicator of future economic growth of the City.

In order to direct plans that promote a sound pattern of development, the City utilizes a Comprehensive Plan adopted by the administration and Council. The document serves as a guide in defining community objectives, policies and goals and scheduling of capital improvement projects including water lines, sanitary sewer lines, storm sewers, and transportation. Further, to guide the direction of land development, this plan provides a thoroughfare map, zoning district map and future land use map.

Future growth also depends on the ability of the City to provide adequately serviced areas for growth. In 1995, the City successfully annexed 257 acres of industrial zoned property. This property, located at an interstate interchange, is the City's prime industrial area and as such is experiencing increased pressure for development. This new industrial property, and the newly formed JEDD area coupled with the demands for development in the City, indicates a promising future for economic development.

MAJOR INITIATIVES

Current

Major construction projects in 2006 included the completion of the Northwest Avenue Road Improvement Project, the Northeast Road Improvement Project, the Potomac Swank Sewer Rehabilitation Program and undertook many smaller storm water projects throughout the City. The City instituted a storm water utility fee effective May 1, 2005. In the first year of collection the fee generated \$316,990. In 2006 the City collected \$448,224 in storm water fees for various needed projects. The user fee applies to all residential, commercial and industrial customers in the City. The rate is \$3.00 per month for residential. The rate for industrial and commercial customers is based on equivalent rate units measured on impervious surfaces. There is also a credit applied up to 50% if the customer retains 100% of their storm water on their premise.

The City in February of 2006 was assigned for the first time a bond rating of A1 from Moody's Investors Service of Chicago and New York. The A1 rating reflects the City's sound tax base, stable financial operations supported by healthy reserve fund levels, modest direct debt levels and strong management. This should result in more investors attracted to the City and lower rates of interest on future debt issuances.

The City established a minimum fund balance policy in 1998 by legislation. That policy was amended and expanded upon by Ordinance 33-2005 adopted by council. The new minimum fund balance policy provides a more extensive financial management plan with specific guidelines.

Future

Maintaining the City's infrastructure is an ongoing commitment. The City continues with the maintenance of sanitary sewers, water improvements, storm water improvements, road paving, concrete maintenance programs and general infrastructure improvements.

Major construction projects for 2007 consist of the continued work on Northeast Avenue Road improvement project which is being partially funded by ODOT Funds. The Northeast Avenue Project will widen Northeast Avenue from Tallmadge Circle to Linda Drive and will include a middle turn lane as well as storm drainage, curbs and sidewalks. This project is designed to complement the commercial and industrial development along Northeast Avenue.

The City is currently considering building an outdoor pool to replace the City's existing facility. In addition, the City has started the engineering for a new water pumping station to upgrade the existing flow throughout the northeast end of the community as well as to provide adequate pressure for future development in this quadrant of the City. The City has also started the engineering for a major roundabout to be constructed at the Howe Road, Northeast Avenue and Munroe Road intersection.

The City will continue to place a major emphasis on economic development within the City as well as within the newly created JEDD in Brimfield Township. There are numerous sites within the City for development including the Portage Boulevard Industrial Park and within the Circle Redevelopment Area. There are significant areas for development in the Joint Economic Development District including the Karg Industrial Park, the Sunnybrook / Forge Road area and the land associated with the Interstate 76 / Route 18 interchange.

There is currently under construction 600,000 square feet of retail development that includes the completed Wal-Mart, Applebees Restaurant and the Home Savings Bank. Additional development in this area will include a Lowe's Home Center, Arabica Coffee Shop, Strickland's Ice Cream and various other small plaza developments to be completed in 2007 as well as starting a theater complex and a large residential apartment complex.

AWARDS

GFOA Certificate of Achievement

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

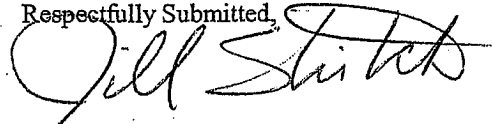
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Tallmadge has received a Certificate of Achievement for the last fourteen consecutive years (1992 - 2005). We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to the GFOA.

ACKNOWLEDGMENTS

This comprehensive annual financial report was prepared by the Director of Finance office with the efficient and knowledgeable services of its staff. As Director of Finance, I would like to express my sincere appreciation to my staff, who assisted in this endeavor and whose dedication and commitment made the publication of this Comprehensive Annual Financial Report a successful accomplishment. Furthermore, I would like to thank the Members of Council for their continued support and commitment.

Respectfully Submitted,

A handwritten signature in black ink that reads "Jill Stritch". The signature is written in a cursive, flowing style with a large initial "J" and "S".

Jill Stritch, Director of Finance, CPFA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tallmadge
Ohio

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

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President

Executive Director

CITY OF TALLMADGE, OHIO

**LISTING OF PRINCIPAL CITY OFFICIALS
AS OF DECEMBER 31, 2006**

ELECTED OFFICIALS

Mayor
Director of Finance
Director of Law
President of Council
Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

Christopher Grimm
Jill Stritch
Penny Taylor
Jack Sarver
Dennis Thompson
Peter De Angelis
Linda Poinar
John Rensel
Lisa Zeno Carano
Jerry Feeman

APPOINTED OFFICIALS

Service Director
Director of Administration
Economic Developer
Assistant Director of Law
Assistant Director of Finance
Chief Deputy Tax Administrator
Clerk of Council
Deputy Clerk of Council

David Kline
Richard Osborne
Ross Pat Sauner
Megan Pierce-Raber
Jimelle Collins
Rosemary Berdy
Susan Wilson
Dennis DiMascio

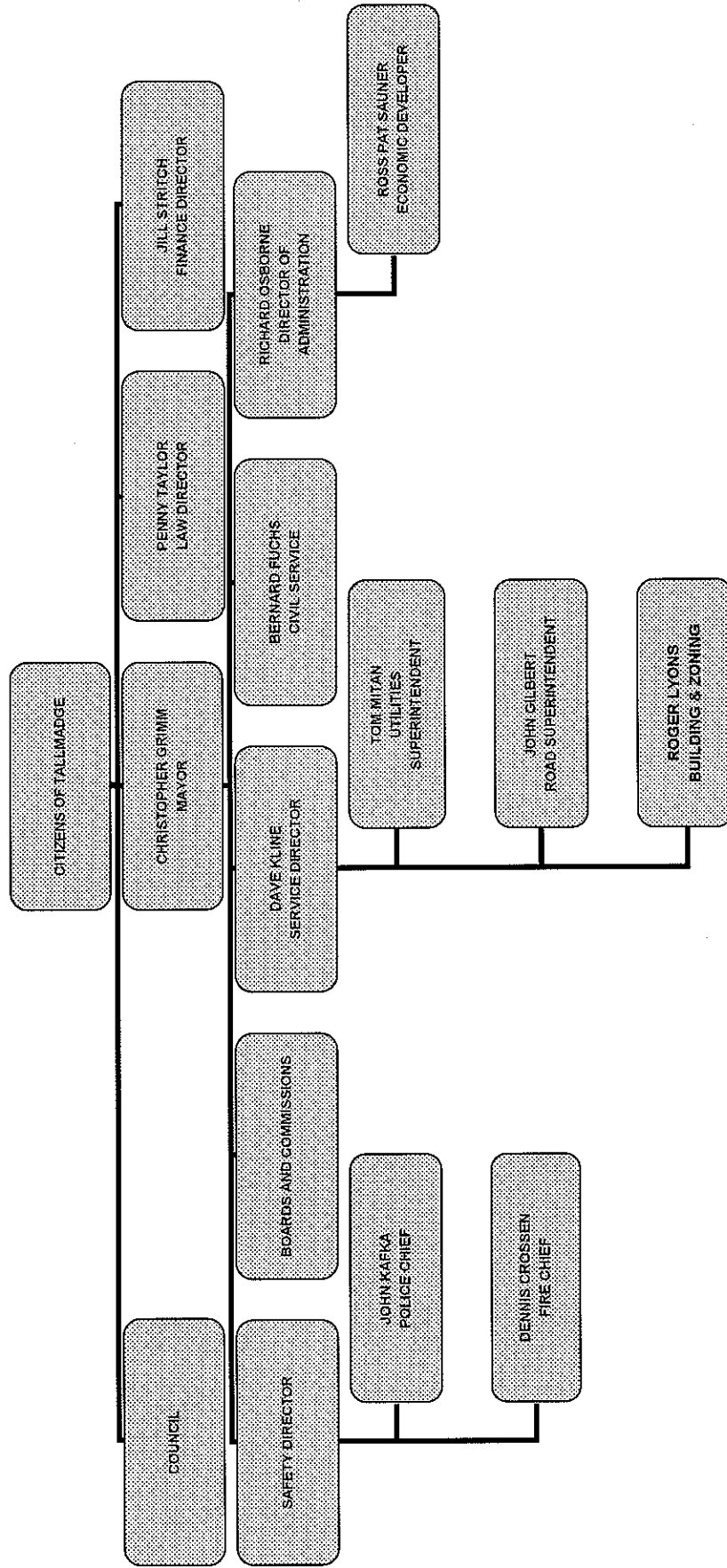
DEPARTMENT OFFICIALS

Chief of Police
Chief of Fire
Road Superintendent
Utilities/Garage Superintendent
Building and Zoning Inspector
Civil Service Chairman

John Kafka
Dennis Crossen
John Gilbert
Thomas Mitan
Roger Lyons
Bernard Fuchs

CITY OF TALLMADGE - 2006

ORGANIZATIONAL CHART



FINANCIAL SECTION



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Tallmadge
Summit County
46 North Avenue
Tallmadge, Ohio 44278

To the City Council:

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 17, 2007

CITY OF TALLMADGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

The management's discussion and analysis of the City of Tallmadge's (the "City") financial statements provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding, one should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net assets of the City increased \$812,539 or 1.93% from 2005. Net assets of governmental activities decreased \$615,814 or 2.75% from 2005 and net assets of business-type activities increased \$1,428,353 or 7.29% from 2005.
- Total assets of the City increased \$1,082,683, an increase of 1.89% from 2005.
- Total current liabilities increased \$267,608 from 2005.
- Total long-term liabilities increased \$2,536 during 2006.
- The City issued \$3,800,000 in bonds to repay a bond anticipation note in 2006 and issued \$870,000 in bonds to advance refund the 1995 Concrete Streets general obligations bonds.

Using this Comprehensive Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are comprised of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The statement of net assets presents information about the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Tallmadge is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

CITY OF TALLMADGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, public health and welfare, transportation, leisure time activities, community environment, and interest and fiscal charges. The government-wide financial statements can be found on pages 11-13 of this report.

Fund Financial Statements

Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. The basic fund financial statements can be found on pages 14-29 of this report.

Governmental Funds

All of the City's major activities (excluding the business-type activities) are reported in the governmental funds. This report shows how monies flow into and out of these governmental funds and the balance of spendable resources available at the end of the year. The accounting method used to report this activity is the modified accrual method. This method reports cash and like-cash items that can be converted into cash. Such information is useful in evaluating a government's near-term financing requirements. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds is reconciled in the financial statements.

The City has sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire/EMS levy, street maintenance and repair, bond retirement, and the recreation center funds which are all considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the combining statements elsewhere in this report.

Proprietary Funds

The City maintains four proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water, and storm water operations. Internal service funds are the other proprietary fund type and account for employee self-insurance. The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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. A private purpose trust fund and agency fund are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31-60 of this report.

CITY OF TALLMADGE, OHIO

*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED*

The nonmajor governmental funds are presented immediately following the notes to the basic financial statements and can be found beginning on page 61 of this report.

Government-Wide Financial Analysis

The statement of net assets serves as a useful indicator of a government's financial position. Net assets of the governmental activities were restated at January 1, 2006 (see Note 3.A. of the notes to the basic financial statements for detail). The table below provides a summary of the City's net assets for 2006 and 2005:

	Net Assets					
	Governmental Activities 2006	Business-type Activities 2006	Restated		2006 Total	Restated 2005 Total
			Governmental Activities 2005	Business-type Activities 2005		
<u>Assets</u>						
Current and other assets	\$ 8,636,134	\$ 8,461,265	\$ 8,834,532	\$ 8,477,628	\$ 17,097,399	\$ 17,312,160
Nondepreciable capital assets	3,461,525	1,123,521	2,926,172	378,844	4,585,046	3,305,016
Depreciable capital assets, net	<u>23,704,066</u>	<u>12,859,441</u>	<u>24,321,019</u>	<u>12,225,074</u>	<u>36,563,507</u>	<u>36,546,093</u>
Capital assets, net	<u>27,165,591</u>	<u>13,982,962</u>	<u>27,247,191</u>	<u>12,603,918</u>	<u>41,148,553</u>	<u>39,851,109</u>
Total assets	<u>35,801,725</u>	<u>22,444,227</u>	<u>36,081,723</u>	<u>21,081,546</u>	<u>58,245,952</u>	<u>57,163,269</u>
<u>Liabilities</u>						
Current and other liabilities	3,475,743	502,482	3,277,037	433,580	3,978,225	3,710,617
Long-term liabilities:						
Due within one year	687,856	152,752	503,037	143,074	840,608	646,111
Due in more than one year	<u>9,854,507</u>	<u>763,206</u>	<u>9,902,216</u>	<u>907,458</u>	<u>10,617,713</u>	<u>10,809,674</u>
Total liabilities	<u>14,018,106</u>	<u>1,418,440</u>	<u>13,682,290</u>	<u>1,484,112</u>	<u>15,436,546</u>	<u>15,166,402</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	17,583,070	13,115,962	17,653,191	11,597,918	30,699,032	29,251,109
Restricted:						
Debt service	854,564	-	802,069	-	854,564	802,069
Capital projects	4,422	-	68,539	-	4,422	68,539
Fire/EMS levy	69,490	-	117,137	-	69,490	117,137
Street maintenance	545,418	-	563,289	-	545,418	563,289
State highway	60,896	-	50,193	-	60,896	50,193
Community environment	3,688	-	9,232	-	3,688	9,232
Law enforcement	15,375	-	39,162	-	15,375	39,162
Unrestricted	<u>2,646,696</u>	<u>7,909,825</u>	<u>3,096,621</u>	<u>7,999,516</u>	<u>10,556,521</u>	<u>11,096,137</u>
Total net assets	<u>\$ 21,783,619</u>	<u>\$ 21,025,787</u>	<u>\$ 22,399,433</u>	<u>\$ 19,597,434</u>	<u>\$ 42,809,406</u>	<u>\$ 41,996,867</u>

Total assets exceeded total liabilities in 2006 by \$42,809,406, compared to \$41,996,867 in 2005, an increase of 1.93% from 2005. During 2006, the City's total assets increased by \$1,082,683 or 1.89% and total liabilities increased by \$270,144 or 1.78%. Capital asset additions were more than depreciation and resulted in an increase to capital assets.

CITY OF TALLMADGE, OHIO

*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED*

The table below shows the changes in net assets for fiscal years 2006 and 2005.

	Change in Net Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2006 Total	2005 Total
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program revenues:						
Charges for services	\$ 2,376,607	\$ 3,690,526	\$ 2,057,585	\$ 4,490,731	\$ 6,067,133	\$ 6,548,316
Operating grants and contributions	894,485	-	993,310	-	894,485	993,310
Capital grants and contributions	<u>1,283,034</u>	<u>-</u>	<u>386,216</u>	<u>-</u>	<u>1,283,034</u>	<u>386,216</u>
Total program revenues	<u>4,554,126</u>	<u>3,690,526</u>	<u>3,437,111</u>	<u>4,490,731</u>	<u>8,244,652</u>	<u>7,927,842</u>
General revenues:						
Property and other local taxes	2,159,769	-	2,089,647	-	2,159,769	2,089,647
Municipal income taxes	7,037,324	-	7,291,435	-	7,037,324	7,291,435
Grants and entitlements	1,716,295	-	1,665,173	-	1,716,295	1,665,173
Interest	293,692	215,710	165,066	120,508	509,402	285,574
Miscellaneous	<u>89,481</u>	<u>8,462</u>	<u>40,897</u>	<u>4,230</u>	<u>97,943</u>	<u>45,127</u>
Total general revenues	<u>11,296,561</u>	<u>224,172</u>	<u>11,252,218</u>	<u>124,738</u>	<u>11,520,733</u>	<u>11,376,956</u>
Total revenues	<u>15,850,687</u>	<u>3,914,698</u>	<u>14,689,329</u>	<u>4,615,469</u>	<u>19,765,385</u>	<u>19,304,798</u>
Program Expenses:						
General government	3,174,313	-	2,909,459	-	3,174,313	2,909,459
Security of persons and property						
Police	3,897,751	-	3,602,372	-	3,897,751	3,602,372
Street lighting	6,989	-	12,834	-	6,989	12,834
Fire	2,248,274	-	1,983,204	-	2,248,274	1,983,204
Public health and welfare	61,698	-	67,088	-	61,698	67,088
Transportation	3,366,399	-	2,843,072	-	3,366,399	2,843,072
Community environment	425,437	-	390,832	-	425,437	390,832
Leisure time activity	1,843,327	-	1,723,848	-	1,843,327	1,723,848
Interest and fiscal charges	442,733	-	453,538	-	442,733	453,538
Sewer operating	-	1,636,351	-	2,185,614	1,636,351	2,185,614
Water operating	-	1,655,596	-	1,640,657	1,655,596	1,640,657
Storm water operating	<u>-</u>	<u>193,978</u>	<u>-</u>	<u>126,335</u>	<u>193,978</u>	<u>126,335</u>
Total expenses	<u>15,466,921</u>	<u>3,485,925</u>	<u>13,986,247</u>	<u>3,952,606</u>	<u>18,952,846</u>	<u>17,938,853</u>
Transfers	<u>(999,580)</u>	<u>999,580</u>	<u>(2,158,885)</u>	<u>2,158,885</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(615,814)	1,428,353	(1,455,803)	2,821,748	812,539	1,365,945
Net assets beginning of year (restated)	<u>22,399,433</u>	<u>19,597,434</u>	<u>23,855,236</u>	<u>16,775,686</u>	<u>41,996,867</u>	<u>40,630,922</u>
Net assets end of year	<u>\$ 21,783,619</u>	<u>\$ 21,025,787</u>	<u>\$ 22,399,433</u>	<u>\$ 19,597,434</u>	<u>\$ 42,809,406</u>	<u>\$ 41,996,867</u>

Governmental Activities

The funding for governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are the property taxes, intergovernmental revenue, and charges for services.

CITY OF TALLMADGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

Program revenues increased in total by 32.50 percent, which is a result of the capital grants and contributions received during 2006 for the Northeast Avenue Road Improvement Project and East/Monroe Project. General revenues remained comparable to 2005 with a slight increase of 0.39 percent.

The City's municipal income tax was established by Ordinance 57 in 1967 at a rate of 1 percent to be renewed every 5 years. The municipal income tax experienced several small increases in the next few years. In 1975 the tax rate was increased to 1.5 percent and remained at that rate until 1985 when the rate went to 2 percent. The income tax rate still remains at 2 percent, however, the voters in February of 2004 voted to make the tax a permanent tax effective March 1, 2004. The City, by ordinance, designates the income tax for capital outlay, leisure time activities and general governmental operations for programs within the general fund. The City also allows for a 100 percent credit of taxes paid to other municipalities.

The operations of the City's police department account for the largest expenses of the governmental activities, representing 25.20 percent and 25.76 percent of the total governmental activities expenses during 2006 and 2005, respectively. During 2006, the City's police department employed 37 full time employees consisting of 1 Chief, 2 lieutenants, 5 sergeants, 20 patrol and 9 telecommunicators. The department provides a full range of services including patrol, the DARE program, bike patrol, juvenile diversionary program, neighborhood crime watch, and residential and commercial security surveys. Security of persons and property expenses related to the police department increased 8.20 percent during 2006 due to an increase in the workers compensation premium and higher medical and dental insurance costs.

The City has operated a fire department since 1945. During 2006, the fire department employed a full time Chief, 2 full time assistant fire chiefs, 9 full time firefighter paramedics, 47 part time paramedics/firefighters and 1 full time clerk. The fire expenses account for 14.54 percent of the total governmental activities expenses. The Fire/EMS department is accounted for in a separate fund which receives tax proceeds from a 3.75 mill property tax levy. Security of persons and property expenses related to the fire department increased 13.37 percent during 2006 due to an increase in the workers compensation premium and higher medical and dental insurance costs.

The Street Maintenance and Repair department employs 21 full time employees who provide the City and the citizens with many services including road maintenance, road salting, ditching, leaf pickup program, cemetery maintenance, park maintenance and many others. The transportation expenses accounted for 21.77 and 20.33 percent of the total governmental activities expenses during 2006 and 2005, respectively. Transportation expenses increased \$523,327 from 2005 due to road maintenance projects that were not capitalized.

Business-Type Activities

Proprietary funds are the business-type activities of the City of Tallmadge which consist of sewer, water and storm water operating activities. The City currently has 7,088 water customers, 5,318 sewer customers, and 7,234 storm water customers. The City owns and maintains all water and sewer lines within the City. In striving to keep revenues in balance with expenses, effective May 1, 2002 water rates for the City increased 1 percent every year. In 2005 there was a 6 percent increase and in 2006 it went back to a 1 percent increase. There has not been a sewer rate increase. The sewage is treated by Summit County.

The revenues and expenses for the water, sewer and storm water activities are reported under the business-type activities. The revenues are primarily from charges for services. In 2006, charges for services in the amount of \$3,690,526 accounted for 94.27 percent of the total business-type revenues compared to 97.30 percent in 2005. During 2006, the City no longer leased certain sewer lines from the County and stopped charging a service fee to residents on those lines. This resulted in a decrease of charges for services revenue in the sewer fund in the amount of \$709,915 and a decrease of \$549,263 in related sewer expenses. The total expenses for the utilities were \$3,485,925, thus leaving an increase in net assets of \$1,428,353 after transfers to the business-type activities. The business-type activities received \$999,580 in capital contributions from other funds during 2006.

CITY OF TALLMADGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

The City's Funds

Information about the City's governmental funds begins on page 14. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$16,393,807 and expenditures of \$20,522,488. The difference of revenues under expenditures is supplemented with the issuance of debt and transfers.

The City's chief operating fund is the general fund. During 2006, the City's general fund had total revenues and financing sources of \$12,494,456 and expenditures and other financing uses of \$12,123,405, resulting in an increase in fund balance of \$371,051.

The City's two major special revenue funds, the fire/ems levy and street maintenance and repair funds had a combined decrease in fund balance of \$131,651. Total combined revenues and other financing sources were \$4,673,411 and expenditures were \$4,805,062.

The City's major bond retirement fund had an increase in fund balance of \$1,807. During 2006, the bond retirement fund received \$94,955 in special assessments, \$610,000 in transfers in and \$1,035,000 in bond proceeds and bond premium to provide for \$777,110 in principal and interest payments on general obligation and special assessment bonds and \$961,038 in bond issuance costs and payment to the refunded bond escrow agent.

The fund balance of the City's major capital projects fund, the recreation center fund, increased by \$94,980. This increase is due to the reduction of the \$100,000 note payable that was reported as a fund liability in 2005. The recreation center fund received bond proceeds of \$3,800,000 and transfers in of \$304,000 to provide for principal retirement and interest and fiscal charges on the recreation center improvement notes.

Information about the proprietary funds begins on page 24. These funds are accounted for on an accrual basis. All proprietary funds had operating revenues of \$3,683,492, which were above operating expenses of \$3,375,392. The total depreciation expense for these business-type funds was \$532,224. The change in net assets at year end for the enterprise funds was an increase of \$1,449,313. The cash and cash equivalents at year end for the proprietary funds total \$6,420,311.

Net assets of the sewer fund increased \$242,319 or 2.68% from 2005 and received \$200,349 in capital contributions from other funds during 2006. Charges for services and expenses from sewer operations decreased from 2005 due to the City no longer leasing certain sewer lines from the County. During 2006 net assets of the water fund increased 2.45% or \$199,123 to \$8,337,964. The storm water fund received \$741,988 in capital contributions from other funds, which contributed to the \$1,007,871 increase in net assets from \$2,420,571 at December 31, 2005 to \$3,428,442 at December 31, 2006.

Budgeting Highlights

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for transactions on a cash basis for receipts, expenditures, and encumbrances. The most significant budgeted fund is the general fund. The legal level of control at which expenditures cannot exceed appropriations is at the program level within the general fund and at the fund level for all other funds of the City. Capital items are budgeted on a program or line item basis. Management may transfer appropriations in accordance with the legislation adopted by City Council. Any budgetary modifications may only be made by ordinance adopted by City Council.

In 2006, City Council adopted eighteen (18) ordinances adjusting the level of appropriations in various funds. In total the increase in appropriations accounted for an increase of 7.45 percent over the total general fund budget. The total actual expenditures at year end were \$246,356 less than the total final budget. In addition, at year end the prior year encumbrances that are determined to be unnecessary are decertified to the County on the final amended certificate and that amount is returned to the fund balance and becomes available resources.

CITY OF TALLMADGE, OHIO

*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED*

The City of Tallmadge has strong financial management and is aided by financial policies adopted by Council. The City established a minimum fund balance policy in 1998 with amendments and updates to the policy in 2005. The amendments in 2005 provided additional financial guidelines. The purpose of the policy is to be proactive in financial management and establish minimum levels to be maintained in the major operating funds, which include the general, fire/EMS levy, street maintenance and repair, sewer and water operating. Even with the downturn of the economy, the City has adopted a budget every year meeting those minimum fund balances.

The City places strong emphasis on monitoring the budget. The Director of Finance produces monthly appropriation, revenue, and fund reports and quarterly financial reports on a cash basis. These reports are distributed to council, administration and appropriate department heads.

The general fund balance at year end is sufficient to allow for a healthy reserve. Income tax revenue increased 3.15 percent over 2005 on a cash basis.

The budgetary variances in the general fund expenditures totaled \$186,670 or 6.0% positive variance in the general governmental functions, \$35,881 or 1.1% positive variance in security of persons and property and positive variances existed in the public health and welfare, community environment, leisure time activities and capital outlay functions. These positive variances in all departments were an effort to contain the budget and control expenditures as the management was aware that the property and other tax collections were not as high as anticipated. The total variance in the general fund revenue was a positive variance of only \$297,052 or an increase of 2.5%. The increases of \$38,503 in intergovernmental and \$6,314 in investment income in addition to many other small variances made for a positive variance in total revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of 2006, the City had \$41,148,553 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Of this total, \$27,165,591 was reported in governmental activities and \$13,982,962 was reported in business-type activities. Capital assets of governmental activities were restated at January 1, 2006 (see Note 7 of notes to the basic financial statements for detail). The following table shows 2006 balances compared to 2005:

	Capital Assets at December 31 (Net of Depreciation)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	Restated 2005	2006	2005	2006	Restated 2005
Land	\$ 2,790,634	\$ 2,740,634	\$ 395,723	\$ 325,519	\$ 3,186,357	\$ 3,066,153
Construction in progress	670,891	185,538	727,798	53,325	1,398,689	238,863
Buildings and improvements	10,595,081	10,931,873	712,446	756,741	11,307,527	11,688,614
Machinery and equipment	1,884,449	1,786,074	404,940	432,267	2,289,389	2,218,341
Infrastructure						
Street subsystem	11,224,536	11,603,072	-	-	11,224,536	11,603,072
Storm sewer subsystem	-	-	2,361,306	1,928,432	2,361,306	1,928,432
Sewer lines	-	-	4,463,832	4,157,866	4,463,832	4,157,866
Water lines	-	-	4,916,917	4,949,768	4,916,917	4,949,768
Totals	<u>\$27,165,591</u>	<u>\$27,247,191</u>	<u>\$13,982,962</u>	<u>\$12,603,918</u>	<u>\$41,148,553</u>	<u>\$39,851,109</u>

CITY OF TALLMADGE, OHIO

*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED*

Total capital assets for the City of Tallmadge for the year ended December 31, 2006 were \$41,148,553 which was an increase of \$1,297,444 from the 2005 balance of \$39,851,109. The increase is due to the increase in construction in progress within the City as reflected in both the governmental and business-type activities. See Note 7 in the financial statements for more information regarding the City's capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2006 and 2005:

	Governmental Activities		Business-type Activities	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Special assessment bonds	\$ 870,000	\$ 910,000	\$ 867,000	\$ 1,006,000
General obligation bonds	8,338,000	4,784,000	-	-
Recreation center improvement note	-	3,800,000	-	-
Capital leases	<u>366,254</u>	<u>41,684</u>	<u>-</u>	<u>-</u>
Total long-term obligations	<u>\$ 9,574,254</u>	<u>\$ 9,535,684</u>	<u>\$ 867,000</u>	<u>\$ 1,006,000</u>

The long-term outstanding debt for the City of Tallmadge as of December 31, 2006 was \$10,441,254. This balance reflects \$1,737,000 in special assessment bonds, \$8,338,000 in general obligation bonds, and \$366,254 in capital lease obligations. This is a decrease in long-term debt of 0.95 percent. For more detailed information on short-term and long-term obligations refer to Notes 9 and 10 of this report.

The Ohio Revised Code provides that the general obligation bonds less self supporting debt (e.g., assessment debt) of the municipal corporation, whether voted or unvoted, shall not exceed 10.5 percent of the assessed valuation of the total property. In addition, the unvoted net debt cannot exceed 5.5 percent of total assessed value of property. The City's legal total debt limit at the 10.5 percent margin is \$36,507,397, and the total unvoted net debt limit at the 5.5 percent margin is \$15,162,712.

Economic Factors and Next Year's Budget and Rates

- The City prepared the annual budget using zero based budgeting for 2007. There were very modest increases, if any, in many departments.
- The City ended 2006 with an increase of 5.43 percent over 2005 in income tax revenue.
- The income tax rate in the JEDD district goes from .25% to .50% in 2006.
- The City instituted a 3 percent water increase to go into effect for 2007
- The City in 2007 went from being self insured to traditional insurance for hospitalization.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with interest in the government's finances. If you have questions about this report or need additional financial information contact the office of the Director of Finance, 46 North Avenue, Tallmadge, Ohio 44278 or at the e-mail of jstritch@tallmadge-ohio.org.

CITY OF TALLMADGE, OHIO

*STATEMENT OF NET ASSETS
DECEMBER 31, 2006*

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,669,935	\$ 6,420,311	\$ 9,090,246
Receivables (net of allowances for uncollectibles):			
Income taxes	1,062,436	-	1,062,436
Real and other taxes	2,121,711	-	2,121,711
Accounts	77,459	1,012,855	1,090,314
Accrued interest	23,216	17,044	40,260
Special assessments	956,161	958,470	1,914,631
Intergovernmental	1,275,517	-	1,275,517
Materials and supplies inventory	308,381	76,856	385,237
Deferred charges	117,047	-	117,047
Internal balances	24,271	(24,271)	-
Capital assets:			
Land and construction in progress	3,461,525	1,123,521	4,585,046
Depreciable capital assets, net	23,704,066	12,859,441	36,563,507
Total capital assets	27,165,591	13,982,962	41,148,553
Total assets	35,801,725	22,444,227	58,245,952
Liabilities:			
Accounts payable	435,883	39,823	475,706
Accrued wages and benefits	241,305	17,487	258,792
Intergovernmental payable	590,513	441,403	1,031,916
Deferred revenue	2,001,009	-	2,001,009
Accrued interest payable	36,994	3,769	40,763
Claims payable	170,039	-	170,039
Long-term liabilities:			
Due within one year	687,856	152,752	840,608
Due in more than one year	9,854,507	763,206	10,617,713
Total liabilities	14,018,106	1,418,440	15,436,546
Net assets:			
Invested in capital assets, net of related debt	17,583,070	13,115,962	30,699,032
Restricted for:			
Debt service	854,564	-	854,564
Capital projects	4,422	-	4,422
Other purposes:			
Fire/EMS levy	69,490	-	69,490
Street maintenance	545,418	-	545,418
State highway	60,896	-	60,896
Community environment	3,688	-	3,688
Law enforcement	15,375	-	15,375
Unrestricted	2,646,696	7,909,825	10,556,521
Total net assets	\$ 21,783,619	\$ 21,025,787	\$ 42,809,406

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 3,174,313	\$ 157,812	\$ -	\$ -
Security of persons and property				
Police	3,897,751	16,567	-	-
Street lights	6,989	-	-	-
Fire	2,248,274	357,459	-	-
Public health and welfare	61,698	81,450	-	-
Transportation	3,366,399	-	756,025	1,215,934
Community environment	425,437	264,462	-	67,100
Leisure time activity	1,843,327	1,498,857	138,460	-
Interest and fiscal charges	442,733	-	-	-
Total governmental activities	<u>15,466,921</u>	<u>2,376,607</u>	<u>894,485</u>	<u>1,283,034</u>
Business-type Activities:				
Sewer Operating Fund	1,636,351	1,523,778	-	-
Water Operating Fund	1,655,596	1,706,887	-	-
Storm Water Fund	193,978	459,861	-	-
Total business-type activities	<u>3,485,925</u>	<u>3,690,526</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 18,952,846</u>	<u>\$ 6,067,133</u>	<u>\$ 894,485</u>	<u>\$ 1,283,034</u>

General Revenues:

Property taxes levied for:

- General purposes
- Fire/EMS Levy
- Police pension

Municipal income taxes levied for:

- General purposes

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year (restated)

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,016,501)	\$ -	\$ (3,016,501)
(3,881,184)	-	(3,881,184)
(6,989)	-	(6,989)
(1,890,815)	-	(1,890,815)
19,752	-	19,752
(1,394,440)	-	(1,394,440)
(93,875)	-	(93,875)
(206,010)	-	(206,010)
(442,733)	-	(442,733)
(10,912,795)	-	(10,912,795)
-	(112,573)	(112,573)
-	51,291	51,291
-	265,883	265,883
-	204,601	204,601
(10,912,795)	204,601	(10,708,194)
956,745	-	956,745
1,085,269	-	1,085,269
117,755	-	117,755
7,037,324	-	7,037,324
1,716,295	-	1,716,295
293,692	215,710	509,402
89,481	8,462	97,943
11,296,561	224,172	11,520,733
(999,580)	999,580	-
(615,814)	1,428,353	812,539
22,399,433	19,597,434	41,996,867
<u>\$ 21,783,619</u>	<u>\$ 21,025,787</u>	<u>\$ 42,809,406</u>

CITY OF TALLMADGE, OHIO

*BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006*

	<u>General</u>	<u>Fire/EMS Levy</u>	<u>Street Maintenance and Repair</u>	<u>Bond Retirement</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,009,676	\$ 129,385	\$ 279,750	\$ 21,558
Receivables (net of allowance for uncollectibles):				
Income taxes	1,062,436	-	-	-
Real and other taxes	880,097	1,115,884	-	-
Accounts	10,697	66,587	-	-
Interfund loans	50,000	-	-	-
Accrued interest	22,025	697	287	-
Special assessments	86,161	-	-	870,000
Intergovernmental	565,297	51,716	375,510	-
Materials and supplies inventory	118,265	-	190,116	-
Total assets	<u>\$ 4,804,654</u>	<u>\$ 1,364,269</u>	<u>\$ 845,663</u>	<u>\$ 891,558</u>
Liabilities:				
Accounts payable	\$ 101,299	\$ 8,129	\$ 79,805	\$ -
Accrued wages and benefits	181,726	29,256	26,927	-
Compensated absences payable	15,536	4,494	2,153	-
Interfund loan payable.	-	-	-	-
Intergovernmental payable.	344,664	105,197	43,749	-
Deferred revenue.	1,395,101	1,168,100	247,848	870,000
Total liabilities	<u>2,038,326</u>	<u>1,315,176</u>	<u>400,482</u>	<u>870,000</u>
Fund Balances:				
Reserved for encumbrances	97,655	-	68,080	-
Reserved for materials and supplies inventory	118,265	-	190,116	-
Unreserved, undesignated, reported in:				
General fund	2,550,408	-	-	-
Special revenue funds.	-	49,093	186,985	-
Debt service fund	-	-	-	21,558
Capital projects funds.	-	-	-	-
Total fund balances	<u>2,766,328</u>	<u>49,093</u>	<u>445,181</u>	<u>21,558</u>
Total liabilities and fund balances	<u>\$ 4,804,654</u>	<u>\$ 1,364,269</u>	<u>\$ 845,663</u>	<u>\$ 891,558</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Recreation Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 79,446	\$ 2,519,815
-	-	1,062,436
-	125,730	2,121,711
-	175	77,459
-	-	50,000
-	207	23,216
-	-	956,161
-	282,994	1,275,517
-	-	308,381
<u>\$ -</u>	<u>\$ 488,552</u>	<u>\$ 8,394,696</u>
\$ -	\$ 246,650	\$ 435,883
-	3,396	241,305
-	-	22,183
-	50,000	50,000
-	96,903	590,513
-	152,408	3,833,457
-	549,357	5,173,341
-	994,339	1,160,074
-	-	308,381
-	-	2,550,408
-	(65,404)	170,674
-	-	21,558
-	(989,740)	(989,740)
-	(60,805)	3,221,355
<u>\$ -</u>	<u>\$ 488,552</u>	<u>\$ 8,394,696</u>

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CITY OF TALLMADGE, OHIO

*RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006*

Total governmental fund balances		\$ 3,221,355
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,165,591
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes	\$ 120,703	
Special assessments	956,161	
Municipal income taxes	106,451	
Investment income	16,640	
Intergovernmental	632,493	
Total		1,832,448
Long-term liabilities, including compensated absences, special assessment bonds and long-term notes are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	(820,612)	
General obligation bonds	(8,338,000)	
Special assessment bonds	(870,000)	
Capital lease obligation	(366,254)	
Total		(10,394,866)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(36,994)
Unamortized deferred charges on refundings are not recognized in the funds.		30,132
Unamortized premiums on bond issuance is not recognized in the funds.		(155,446)
Unamortized bond issuance costs are not recognized in the funds.		117,047
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(19,919)
An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		24,271
Net assets of governmental activities		<u><u>\$ 21,783,619</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>General</u>	<u>Fire/EMS Levy</u>	<u>Street Maintenance and Repair</u>	<u>Bond Retirement</u>
Revenues:				
Property and other taxes	\$ 957,387	\$ 1,083,647	\$ -	\$ -
Municipal income taxes.	7,582,166	-	-	-
Intergovernmental	1,580,600	143,301	757,244	-
Investment income	265,030	8,512	3,441	-
Fines, licenses and permits	373,861	3,226	-	-
Special assessments	15,563	-	-	94,955
Charges for services	1,498,857	354,233	81,450	-
Miscellaneous	69,979	13,402	3,245	-
Total revenues	<u>12,343,443</u>	<u>1,606,321</u>	<u>845,380</u>	<u>94,955</u>
Expenditures:				
Current:				
General government.	2,909,319	-	-	-
Security of persons and property				
Police.	3,296,401	-	-	-
Street lights.	6,989	-	-	-
Fire	-	2,061,974	-	-
Public health and welfare	-	-	61,006	-
Transportation.	335,697	-	1,527,007	-
Leisure time activity	1,318,231	-	316,278	-
Community environment	413,599	-	-	-
Capital outlay	353,225	-	838,797	-
Debt service:				
Principal retirement.	13,245	-	-	351,000
Interest and fiscal charges.	1,899	-	-	426,110
Bond issue costs	-	-	-	123,371
Total expenditures	<u>8,648,605</u>	<u>2,061,974</u>	<u>2,743,088</u>	<u>900,481</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>3,694,838</u>	<u>(455,653)</u>	<u>(1,897,708)</u>	<u>(805,526)</u>
Other financing sources (uses):				
Capital lease transaction.	-	-	-	-
Sale of bonds	-	-	-	870,000
Premium on sale of bonds	-	-	-	165,000
Payment to refunded bond escrow agent	-	-	-	(837,667)
Transfers in	151,013	438,700	1,782,100	610,000
Transfers out	(3,474,800)	-	-	-
Sale of capital assets	-	-	910	-
Total other financing sources (uses).	<u>(3,323,787)</u>	<u>438,700</u>	<u>1,783,010</u>	<u>807,333</u>
Net change in fund balances	371,051	(16,953)	(114,698)	1,807
Fund balances (deficit) at beginning of year.	<u>2,395,277</u>	<u>66,046</u>	<u>559,879</u>	<u>19,751</u>
Fund balances (deficit) at end of year	<u>\$ 2,766,328</u>	<u>\$ 49,093</u>	<u>\$ 445,181</u>	<u>\$ 21,558</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Recreation Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 117,847	\$ 2,158,881
-	-	7,582,166
-	1,308,410	3,789,555
-	2,326	279,309
-	5,170	382,257
-	-	110,518
-	-	1,934,540
67,100	2,855	156,581
<u>67,100</u>	<u>1,436,608</u>	<u>16,393,807</u>
-	-	2,909,319
-	358,370	3,654,771
-	-	6,989
-	-	2,061,974
-	-	61,006
-	71,358	1,934,062
-	-	1,634,509
-	-	413,599
19,000	1,749,984	2,961,006
3,800,000	60,000	4,224,245
106,107	-	534,116
3,521	-	126,892
<u>3,928,628</u>	<u>2,239,712</u>	<u>20,522,488</u>
<u>(3,861,528)</u>	<u>(803,104)</u>	<u>(4,128,681)</u>
-	397,815	397,815
3,800,000	-	4,670,000
3,521	-	168,521
-	-	(837,667)
304,000	240,000	3,525,813
(151,013)	-	(3,625,813)
-	-	910
<u>3,956,508</u>	<u>637,815</u>	<u>4,299,579</u>
94,980	(165,289)	170,898
(94,980)	104,484	3,050,457
<u>\$ -</u>	<u>\$ (60,805)</u>	<u>\$ 3,221,355</u>

CITY OF TALLMADGE, 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		\$ 170,898
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 1,818,506	
Current year depreciation	<u>(1,504,476)</u>	
Total		314,030
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(395,630)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	888	
Municipal income taxes	(544,842)	
Intergovernmental	37,159	
Investment income	14,383	
Special assessments	<u>(50,708)</u>	
Total		(543,120)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		4,224,245
Payments to refunding bond escrow agents are an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		
		805,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	90,688	
Bond premium	(155,446)	
Deferred charges on refunding	30,132	
Bond issuance costs	<u>117,047</u>	
Total		82,421
Some expenses, such as compensated absences, reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.		
		29,978
Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.		
		(5,067,815)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(235,821)</u>
Change in net assets of governmental activities		<u>\$ (615,814)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal income taxes	\$ 6,742,997	\$ 7,257,327	\$ 7,438,498	\$ 181,171
Property and other taxes	867,871	934,068	957,387	23,319
Intergovernmental	1,433,047	1,542,353	1,580,856	38,503
Investment income	234,983	252,906	259,220	6,314
Fines, licenses and permits	340,705	366,693	375,847	9,154
Special assessments	14,108	15,184	15,563	379
Charges for services.	1,358,920	1,462,573	1,499,085	36,512
Miscellaneous	63,283	68,110	69,810	1,700
Total revenues.	<u>11,055,914</u>	<u>11,899,214</u>	<u>12,196,266</u>	<u>297,052</u>
Expenditures:				
Current:				
General government	2,939,034	3,113,097	2,926,427	186,670
Security of persons and property	3,100,453	3,410,569	3,374,688	35,881
Transportation	320,099	341,799	334,397	7,402
Community environment	436,424	434,445	429,585	4,860
Leisure time activity	1,232,486	1,331,299	1,330,449	850
Capital outlay	<u>428,900</u>	<u>428,900</u>	<u>418,207</u>	<u>10,693</u>
Total expenditures.	<u>8,457,396</u>	<u>9,060,109</u>	<u>8,813,753</u>	<u>246,356</u>
Excess of revenues over expenditures	<u>2,598,518</u>	<u>2,839,105</u>	<u>3,382,513</u>	<u>543,408</u>
Other financing sources (uses):				
Advances out	-	(50,000)	(50,000)	-
Transfers in	136,893	147,335	151,013	3,678
Transfers out	<u>(3,254,800)</u>	<u>(3,474,800)</u>	<u>(3,474,800)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,117,907)</u>	<u>(3,377,465)</u>	<u>(3,373,787)</u>	<u>3,678</u>
Net change in fund balance	(519,389)	(538,360)	8,726	547,086
Fund balance at beginning of year.	1,573,268	1,573,268	1,573,268	-
Prior year encumbrances appropriated	<u>266,643</u>	<u>266,643</u>	<u>266,643</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,320,522</u>	<u>\$ 1,301,551</u>	<u>\$ 1,848,637</u>	<u>\$ 547,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE/EMS LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other taxes	\$ 1,071,586	\$ 1,082,883	\$ 1,083,647	\$ 764
Intergovernmental	101,986	144,336	144,438	102
Investment income	7,731	8,193	8,199	6
Fines, licenses and permits	3,042	3,224	3,226	2
Charges for services	316,590	335,520	335,757	237
Miscellaneous	12,637	13,393	13,402	9
Total revenues.	<u>1,513,572</u>	<u>1,587,549</u>	<u>1,588,669</u>	<u>1,120</u>
Expenditures:				
Current:				
Security of persons and property.	1,956,331	2,070,331	2,054,308	16,023
Total expenditures	<u>1,956,331</u>	<u>2,070,331</u>	<u>2,054,308</u>	<u>16,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(442,759)</u>	<u>(482,782)</u>	<u>(465,639)</u>	<u>17,143</u>
Other financing sources:				
Transfers in	400,000	438,390	438,700	310
Total other financing sources	<u>400,000</u>	<u>438,390</u>	<u>438,700</u>	<u>310</u>
Net change in fund balance	(42,759)	(44,392)	(26,939)	17,453
Fund balance at beginning of year	144,533	144,533	144,533	-
Prior year encumbrances appropriated	<u>2,130</u>	<u>2,130</u>	<u>2,130</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 103,904</u>	<u>\$ 102,271</u>	<u>\$ 119,724</u>	<u>\$ 17,453</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 744,959	\$ 744,959	\$ 761,376	\$ 16,417
Investment income	3,308	3,308	3,381	73
Charges for services	79,694	79,694	81,450	1,756
Other	3,175	3,175	3,245	70
Total revenues.	<u>831,136</u>	<u>831,136</u>	<u>849,452</u>	<u>18,316</u>
Expenditures:				
Current:				
Public health and welfare.	60,917	69,683	61,067	8,616
Transportation	1,514,060	1,552,940	1,517,783	35,157
Leisure time activities	316,804	305,165	317,583	(12,418)
Capital outlay	913,542	936,000	915,789	20,211
Total expenditures	<u>2,805,323</u>	<u>2,863,788</u>	<u>2,812,222</u>	<u>51,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,974,187)</u>	<u>(2,032,652)</u>	<u>(1,962,770)</u>	<u>69,882</u>
Other financing sources:				
Transfers in	1,743,674	1,743,674	1,782,100	38,426
Sale of capital assets	890	890	910	20
Total other financing sources	<u>1,744,564</u>	<u>1,744,564</u>	<u>1,783,010</u>	<u>38,446</u>
Net change in fund balance	(229,623)	(288,088)	(179,760)	108,328
Fund balance at beginning of year	261,567	261,567	261,567	-
Prior year encumbrances appropriated	<u>59,323</u>	<u>59,323</u>	<u>59,323</u>	<u>-</u>
Fund balance at end of year	<u>\$ 91,267</u>	<u>\$ 32,802</u>	<u>\$ 141,130</u>	<u>\$ 108,328</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006*

	Business-type Activities -Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer Operating	Water Operating	Storm Water	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 3,998,105	\$ 2,271,410	\$ 150,796	\$ 6,420,311	\$ 150,120
Receivables (net of allowance for uncollectibles):					
Accounts	443,484	426,703	142,668	1,012,855	-
Accrued interest	11,120	5,924	-	17,044	-
Special assessments.	401,371	557,099	-	958,470	-
Materials and supplies inventory	38,428	38,428	-	76,856	-
Total current assets	<u>4,892,508</u>	<u>3,299,564</u>	<u>293,464</u>	<u>8,485,536</u>	<u>150,120</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	136,897	195,266	791,358	1,123,521	-
Depreciable capital assets, net	4,848,771	5,649,364	2,361,306	12,859,441	-
Total capital assets	<u>4,985,668</u>	<u>5,844,630</u>	<u>3,152,664</u>	<u>13,982,962</u>	<u>-</u>
Total assets	<u>9,878,176</u>	<u>9,144,194</u>	<u>3,446,128</u>	<u>22,468,498</u>	<u>150,120</u>
Liabilities:					
Current liabilities:					
Accounts payable.	14,145	9,210	16,468	39,823	-
Accrued wages and benefits	8,680	8,807	-	17,487	-
Compensated absences	1,876	1,876	-	3,752	-
Intergovernmental payable	167,189	272,996	1,218	441,403	-
Claims payable	-	-	-	-	170,039
Current portion of special assessments bonds .	36,000	113,000	-	149,000	-
Accrued interest payable	1,693	2,076	-	3,769	-
Total current liabilities	<u>229,583</u>	<u>407,965</u>	<u>17,686</u>	<u>655,234</u>	<u>170,039</u>
Long-term liabilities:					
Compensated absences.	22,603	22,603	-	45,206	-
Special assessment bonds	342,338	375,662	-	718,000	-
Total long-term liabilities.	<u>364,941</u>	<u>398,265</u>	<u>-</u>	<u>763,206</u>	<u>-</u>
Total liabilities	<u>594,524</u>	<u>806,230</u>	<u>17,686</u>	<u>1,418,440</u>	<u>170,039</u>
Net assets:					
Invested in capital assets, net of related debt. .	4,607,330	5,355,968	3,152,664	13,115,962	-
Unrestricted	4,676,322	2,981,996	275,778	7,934,096	(19,919)
Total net assets	<u>\$ 9,283,652</u>	<u>\$ 8,337,964</u>	<u>\$ 3,428,442</u>	<u>21,050,058</u>	<u>\$ (19,919)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				(24,271)	
Net assets of business-type activities				<u>\$ 21,025,787</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, 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				Governmental Activities - Internal Service Fund
	Sewer Operating	Water Operating	Storm Water	Total	
Operating revenues:					
Charges for services	\$ 1,517,425	\$ 1,697,744	\$ 459,861	\$ 3,675,030	\$ 1,336,770
Other	-	8,462	-	8,462	106,600
Total operating revenues	<u>1,517,425</u>	<u>1,706,206</u>	<u>459,861</u>	<u>3,683,492</u>	<u>1,443,370</u>
Operating expenses:					
Personal services	305,245	271,803	30,054	607,102	-
Contract services	937,167	963,411	67,803	1,968,381	448,894
Materials and supplies	44,683	90,244	1,059	135,986	-
Depreciation	191,927	245,270	95,027	532,224	-
Other	79,713	51,951	35	131,699	-
Claims	-	-	-	-	1,351,257
Total operating expenses	<u>1,558,735</u>	<u>1,622,679</u>	<u>193,978</u>	<u>3,375,392</u>	<u>1,800,151</u>
Operating income (loss)	<u>(41,310)</u>	<u>83,527</u>	<u>265,883</u>	<u>308,100</u>	<u>(356,781)</u>
Nonoperating revenues (expenses):					
Interest revenue	140,497	75,213	-	215,710	-
Interest expense and fiscal charges	(25,437)	(25,734)	-	(51,171)	-
Special assessments	6,353	9,143	-	15,496	-
Loss on disposal of capital assets	(38,133)	(269)	-	(38,402)	-
Total nonoperating revenues (expenses)	<u>83,280</u>	<u>58,353</u>	<u>-</u>	<u>141,633</u>	<u>-</u>
Income (loss) before transfers and capital contributions	41,970	141,880	265,883	449,733	(356,781)
Capital contributions	200,349	57,243	741,988	999,580	-
Transfers in	-	-	-	-	100,000
Changes in net assets	242,319	199,123	1,007,871	1,449,313	(256,781)
Net assets at beginning of year	<u>9,041,333</u>	<u>8,138,841</u>	<u>2,420,571</u>		<u>236,862</u>
Net assets (deficit) at end of year	<u>\$ 9,283,652</u>	<u>\$ 8,337,964</u>	<u>\$ 3,428,442</u>		<u>\$ (19,919)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				(20,960)	
Changes in net assets of business-type activities				<u>\$ 1,428,353</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006*

	Business-type Activities - Enterprise Funds				Governmental
	Sewer Operating	Water Operating	Storm Water	Total	Activities - Internal Service Fund
Cash flows from operating activities:					
Cash received from customers	\$ 1,691,051	\$ 1,699,142	\$ 448,224	3,838,417	\$ 1,336,770
Cash received from other operations	-	8,462	-	8,462	106,600
Cash payments for personal services	(296,456)	(263,603)	(28,836)	(588,895)	-
Cash payments for contract services.	(912,874)	(940,319)	(52,394)	(1,905,587)	(448,894)
Cash payments for materials and supplies.	(58,916)	(96,966)	-	(155,882)	-
Cash payments for other expenses.	(79,713)	(51,951)	(35)	(131,699)	-
Cash payments for claims	-	-	-	-	(1,257,116)
Net cash provided by (used in) operating activities.	<u>343,092</u>	<u>354,765</u>	<u>366,959</u>	<u>1,064,816</u>	<u>(262,640)</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	-	-	-	-	100,000
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(290,821)	(250,190)	(409,079)	(950,090)	-
Special assessments.	44,217	150,891	-	195,108	-
Principal retirement on special assessment bonds	(36,000)	(103,000)	-	(139,000)	-
Interest and fiscal charges.	(25,570)	(26,142)	-	(51,712)	-
Net cash used in capital and related financing activities	<u>(308,174)</u>	<u>(228,441)</u>	<u>(409,079)</u>	<u>(945,694)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received.	<u>133,106</u>	<u>71,132</u>	<u>-</u>	<u>204,238</u>	<u>-</u>
Net cash provided by investing activities	<u>133,106</u>	<u>71,132</u>	<u>-</u>	<u>204,238</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	168,024	197,456	(42,120)	323,360	(162,640)
Cash and cash equivalents at beginning of year.	<u>3,830,081</u>	<u>2,073,954</u>	<u>192,916</u>	<u>6,096,951</u>	<u>312,760</u>
Cash and cash equivalents at end of year	<u>\$ 3,998,105</u>	<u>\$ 2,271,410</u>	<u>\$ 150,796</u>	<u>\$ 6,420,311</u>	<u>\$ 150,120</u>

- - continued

CITY OF TALLMADGE, OHIO

*STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer Operating</u>	<u>Water Operating</u>	<u>Storm Water</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (41,310)	\$ 83,527	\$ 265,883	\$ 308,100	\$ (356,781)
Adjustments:					
Depreciation	191,927	245,270	95,027	532,224	-
Changes in assets and liabilities:					
(Increase) in materials and supplies inventory	(6,382)	(6,382)	-	(12,764)	-
(Increase) decrease in accounts receivable	173,626	1,398	(11,637)	163,387	-
Increase in accounts payable	2,870	5,514	16,468	24,852	-
Increase in accrued wages and benefits.	1,881	1,703	-	3,584	-
Increase in intergovernmental payable	17,700	22,089	1,218	41,007	-
Increase in compensated absences payable	2,780	1,646	-	4,426	-
Increase in claims payable	-	-	-	-	94,141
Net cash provided by (used in) operating activities	<u>\$ 343,092</u>	<u>\$ 354,765</u>	<u>\$ 366,959</u>	<u>\$ 1,064,816</u>	<u>\$ (262,640)</u>

Non-cash capital transactions:

The Sewer fund received \$200,349 in capital contributions from other funds.
 The Water fund received \$57,243 in capital contributions from other funds.
 The Storm Water fund received \$741,988 in capital contributions from other funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006*

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 37,899	\$ 157,875
Receivables:		
Accrued interest.	<u>103</u>	<u>-</u>
Total assets.	<u>\$ 38,002</u>	<u>\$ 157,875</u>
Liabilities:		
Deposits held and due to others.	<u>-</u>	<u>\$ 157,875</u>
Net assets:		
Held in trust for indigents and the needy	<u>\$ 38,002</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF TALLMADGE, OHIO

*STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006*

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 1,301
Total additions.	<u>1,301</u>
Deductions:	
Expenses per trust agreement	<u>1,061</u>
Total deductions	<u>1,061</u>
Changes in net assets	240
Net assets at beginning of year	<u>37,762</u>
Net assets at end of year	<u>\$ 38,002</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF TALLMADGE, OHIO

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

NOTE 1 - DESCRIPTION OF THE CITY

The City of Tallmadge, Ohio (the "City") was incorporated as a village in 1936 and became a city in 1951. The City is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a Mayor-Council form of government. The Mayor, Council, Finance Director and Law Director are elected.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The City's significant accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police and fire protection, parks and recreation, water and sewer service, street maintenance and repairs, and general administrative services.

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

The City participates in the Akron Metropolitan Area Transportation Study, Brimfield Township-City of Tallmadge Joint Economic Development District and Summit Suburban Council of Governments. These jointly governed organizations are presented in Note 16 of the basic financial statements.

B. Basis of Presentation - Fund Accounting

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

CITY OF TALLMADGE, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operation. The principal operating revenues of the City’s proprietary funds are charges for services. Operating expenses for the enterprise funds include personnel and other expenses related to sewer, water and storm water operations and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

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

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

CITY OF TALLMADGE, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Fire/EMS Levy Fund - The fire/emergency medical service levy fund accounts for property tax collections received through a permanent tax levy. An additional source of significant revenue is charges for services. Expenditures are for the operations of the fire and emergency medical service programs and staff.

Street Maintenance and Repair Fund - The street maintenance and repair fund is required by Ohio Revised Code to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Bond Retirement Fund - The bond retirement fund is used to account for monies used for the purpose of retiring principal and interest on debt.

Recreation Center Fund - The recreation center fund is used to account for revenue and expenditures related to the construction of the new recreation facility.

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

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

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

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

Water Operating - The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

Storm Water - The storm water fund accounts for the provision of storm drainage runoff service to the residents and commercial users located within the City.

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

CITY OF TALLMADGE, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust fund established to account for monies to benefit indigent and needy citizens of Tallmadge. The portion representing the principal amount of the trust fund is non-expendable. The City's only agency fund is a revolving trust fund used to account for refundable deposits.

D. Measurement Focus

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

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

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

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

E. Basis of Accounting

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

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

CITY OF TALLMADGE, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 6). Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

F. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the program level within the general fund and at the fund level for all other funds. Capital items such as capital equipment are budgeted on a program or line item basis as specified by City Council legislatively. The Finance Director may transfer appropriations within each fund and within each general fund program as long as the totals are not exceeded.

CITY OF TALLMADGE, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

G. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2006, investments were limited to STAR Ohio and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to \$265,030 which includes \$161,653 assigned from other City funds.

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

An analysis of the City's investment account at year-end is provided in Note 4.

H. Materials and Supplies Inventory

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

CITY OF TALLMADGE, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Buildings and improvements	25 - 80
Equipment	3 - 25
Infrastructure	25 - 40

The City's infrastructure consists of a streets subsystem, storm sewer subsystem, and water and sewer lines.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after seven years of service with the City (non-bargaining employees) and ten years of service with the City (bargaining employees).

K. Prepaid Items

Payments made to vendors for services that will benefit beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which the services are consumed. The City had no material prepaid items as of December 31, 2006.

CITY OF TALLMADGE, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

N. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

O. Interfund Activity

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

CITY OF TALLMADGE, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditures. As a result, encumbrances and materials and supplies inventory are recorded as a reservation of fund balance.

Q. Estimates

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

R. Capital contributions

Contributions of capital in proprietary fund financial statements arise from contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. During 2006, the enterprise funds received \$999,580 in capital contributions from governmental funds.

S. Extraordinary and Special Items

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

T. Net Assets

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

At January 1, 2006, a prior period adjustment was required to properly state the accumulated depreciation of the governmental activities streets subsystem infrastructure capital assets. The prior period adjustment increased governmental activities net assets at the beginning of the year by \$977,008 from \$21,422,425 to \$22,399,433. See Note 7 for details on the effect of the prior period adjustment on capital assets of the governmental activities.

CITY OF TALLMADGE, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Change in Accounting Principles

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

The purpose of GASB Statement No. 44 is to improve the understandability and usefulness of the information that state and local governments present as supplementary information in the statistical section.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the City as previously reported at December 31, 2005.

C. Deficit Fund Balance

Fund balances at December 31, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Community Development	\$ 42,973
Police Pension	87,842
Self-Insurance	19,919

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the Community Development fund is the result of an interfund loan payable reported as a fund liability and the deficit fund balance in the Police Pension fund is the result of a pension liability. The deficit fund balance in the Self-Insurance internal service fund is the result of claims payable, which will be paid during the next fiscal year.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

CITY OF TALLMADGE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds and other obligations guaranteed by the United States;
2. Discount notes of the Federal National Mortgage Association;
3. Bonds of the State of Ohio; and
4. Bonds of any municipal corporation, village, county, township, or other political subdivision of Ohio, as to which there is no default of principal, interest or coupons;

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

CITY OF TALLMADGE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all City deposits was \$5,087,410, exclusive of the \$796,979 repurchase agreement included in investments below. As of December 31, 2006, \$4,912,133 of the City's bank balance of \$5,230,953 was exposed to custodial risk as discussed below, while \$318,820 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

As of December 31, 2006, the City had the following investments and maturities:

Investment type	Fair Value	Investment
		<u>Maturities</u> 6 months or less
STAR Ohio	\$ 3,401,631	\$ 3,401,631
Repurchase agreements	<u>796,979</u>	<u>796,979</u>
	<u>\$ 4,198,610</u>	<u>\$ 4,198,610</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

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. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The City's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to a repurchase agreement must exceed the principal value of securities subject to a repurchase agreement by 2%.

CITY OF TALLMADGE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,401,631	81.02
Repurchase agreements	796,979	18.98
	<u>\$ 4,198,610</u>	<u>100.00</u>

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 5,087,410
Investments	4,198,610
Total	<u>\$ 9,286,020</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,669,935
Business type activities	6,420,311
Private-purpose trust fund	37,899
Agency fund	157,875
Total	<u>\$ 9,286,020</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. The General Fund transferred \$304,000 to the recreation center fund to pay a portion of the construction costs. The remaining transfers are general operating transfers. These transfers consist of \$438,700 to Fire/EMS Levy Fund, \$1,782,100 to Street Maintenance and Repair Fund, \$610,000 to Bond Retirement fund, \$60,000 to Fire/EMS Capital Fund, \$180,000 to Police Pension Fund, and \$100,000 to the Self-Insurance Fund. The purpose of the \$151,013 transfer from the Recreation Center Fund to the General Fund was to transfer excess funds remaining from the recreation center construction project to the General Fund as the project was completed.

CITY OF TALLMADGE, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Major Funds</u>		
General	\$ 151,013	\$3,474,800
Fire/EMS Levy	438,700	-
Street Maintenance and Repair	1,782,100	-
Bond Retirement	610,000	-
Recreation Center	304,000	151,013
Total Major Funds	<u>3,285,813</u>	<u>3,625,813</u>
<u>Nonmajor Governmental Funds</u>		
Fire/EMS Capital	60,000	-
Police Pension	180,000	-
Total Nonmajor Governmental Funds	<u>240,000</u>	<u>-</u>
<u>Internal Service Fund</u>		
Self-Insurance	100,000	-
Total	<u>\$3,625,813</u>	<u>\$3,625,813</u>

- B.** The interfund balance at December 31, 2006 as reported on the fund financial statements consist of the following interfund loan receivable/payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ 50,000

The primary purpose of the interfund loan is to cover expenditures in the Community Development nonmajor special revenue fund. The interfund balance will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances between governmental funds at December 31, 2006 are reported on the statement of net assets.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2006, consisted primarily of municipal income taxes, property and other taxes, special assessments, accounts and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

Special assessments expected to be collected in more than one year amount to \$870,000 in the bond retirement fund. The City had no material outstanding delinquencies at December 31, 2006.

CITY OF TALLMADGE, OHIO

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

NOTE 6 - RECEIVABLES - (Continued)

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenues received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2005 real property taxes are levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien December 31, 2005, are levied after October 1, 2006 and collected in 2007 real property taxes.

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 December 31, 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% for 2007, 6.25% for 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 and 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.

The tax full rate for all City operations for the year ended December 31, 2006, was \$6.15 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$ 389,593,110
Public Utility Property	6,667,810
Tangible Personal Property	<u>30,632,783</u>
Total	<u>\$ 426,893,703</u>

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

CITY OF TALLMADGE, OHIO

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

NOTE 6 - RECEIVABLES - (Continued)

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

The County Fiscal Officer collects property taxes on behalf of all taxing districts within the County, including the City of Tallmadge. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2006 and for which there is an enforceable legal claim. In the general fund, fire/ems levy and police pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

The City levies a municipal income tax of 2 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent on the income earned outside of the City and paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually.

Ohio law requires all City income tax rates above 1 percent to be voted by residents of the City. Additional increase in the income tax rate would require voter approval. The City, by ordinance, designates the income tax for capital outlay, leisure time activities and general governmental operations for programs within the general fund.

In addition, the City receives income tax monies as the result of its agreement with Brimfield Township for a Joint Economic Development District (JEDD). Businesses within the JEDD currently pay a .5 percent income tax on all income earned within the JEDD and are required to withhold income tax on employee earnings and remit the tax to the City. The City is responsible for collection and administration of the income tax for the JEDD. The City is entitled to 55% of all income taxes collected from the JEDD and is required to contribute 5% of that amount to the JEDD Maintenance and Capital Improvement Fund maintained by the Township.

C. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local Government	\$ 483,213
Homestead and Rollback	97,557
Inheritance Tax	34,011
Public Utility Reimbursements	5,614
Miscellaneous	4,276
Auto License Tax	76,080
Gas Tax and Municipal Cents per Gallon Tax	328,116
Grants	<u>246,650</u>
Total	<u>\$ 1,275,517</u>

CITY OF TALLMADGE, OHIO

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

NOTE 7 - CAPITAL ASSETS

Capital assets of the governmental activities have been restated at December 31, 2005, to properly state accumulated depreciation of the streets subsystem. Accumulated depreciation of the streets subsystem decreased by \$977,008 from \$7,529,911 to \$6,552,903 and total capital assets, net of accumulated depreciation, increased \$977,008 from \$26,270,183 to \$27,247,191 at the beginning of the year as a result of the restatement. Capital asset activity for the year ended December 31, 2006, was as follows:

<u>Governmental Activities:</u>	<u>Restated Balance 12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,740,634	\$ 50,000	\$ -	\$ 2,790,634
Construction in progress	<u>185,538</u>	<u>488,063</u>	<u>(2,710)</u>	<u>670,891</u>
Total capital assets, not being depreciated	<u>2,926,172</u>	<u>538,063</u>	<u>(2,710)</u>	<u>3,461,525</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	13,933,219	19,000	-	13,952,219
Equipment	7,178,361	601,550	(283,373)	7,496,538
Infrastructure - streets subsystem	<u>18,155,975</u>	<u>662,603</u>	<u>(866,102)</u>	<u>17,952,476</u>
Total capital assets, being depreciated	<u>39,267,555</u>	<u>1,283,153</u>	<u>(1,149,475)</u>	<u>39,401,233</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,001,346)	(355,792)	-	(3,357,138)
Equipment	(5,392,287)	(500,959)	281,157	(5,612,089)
Infrastructure - streets subsystem	<u>(6,552,903)</u>	<u>(647,725)</u>	<u>472,688</u>	<u>(6,727,940)</u>
Total accumulated depreciation	<u>(14,946,536)</u>	<u>(1,504,476)</u>	<u>753,845</u>	<u>(15,697,167)</u>
Total capital assets, being depreciated, net	<u>24,321,019</u>	<u>(221,323)</u>	<u>(395,630)</u>	<u>23,704,066</u>
Governmental activities capital assets, net	<u>\$ 27,247,191</u>	<u>\$ 316,740</u>	<u>\$ (398,340)</u>	<u>\$ 27,165,591</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 168,319
Security of persons and property	267,930
Public health and welfare	692
Transportation	864,787
Leisure time activity	<u>202,748</u>
Total depreciation expense	<u>\$ 1,504,476</u>

CITY OF TALLMADGE, OHIO

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

NOTE 7 - CAPITAL ASSETS - (Continued)

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

<u>Business-Type Activities:</u>	<u>Balance</u> 12/31/05	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/06
<i>Capital assets, not being depreciated:</i>				
Land	\$ 325,519	\$ 70,204	\$ -	\$ 395,723
Construction in progress	<u>53,325</u>	<u>716,565</u>	<u>(42,092)</u>	<u>727,798</u>
Total capital assets, not being depreciated	<u>378,844</u>	<u>786,769</u>	<u>(42,092)</u>	<u>1,123,521</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	1,464,561	-	-	1,464,561
Equipment	1,051,418	67,671	(125,228)	993,861
Infrastructure				
Water lines	8,281,411	147,136	-	8,428,547
Sewer lines	7,622,263	462,285	-	8,084,548
Storm sewer subsystem	<u>2,586,836</u>	<u>527,901</u>	<u>-</u>	<u>3,114,737</u>
Total capital assets, being depreciated	<u>21,006,489</u>	<u>1,204,993</u>	<u>(125,228)</u>	<u>22,086,254</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(707,820)	(44,295)	-	(752,115)
Equipment	(619,151)	(56,596)	86,826	(588,921)
Infrastructure				
Water lines	(3,331,643)	(179,987)	-	(3,511,630)
Sewer lines	(3,464,397)	(156,319)	-	(3,620,716)
Storm sewer subsystem	<u>(658,404)</u>	<u>(95,027)</u>	<u>-</u>	<u>(753,431)</u>
Total accumulated depreciation	<u>(8,781,415)</u>	<u>(532,224)</u>	<u>86,826</u>	<u>(9,226,813)</u>
Total capital assets, being depreciated, net	<u>12,225,074</u>	<u>672,769</u>	<u>(38,402)</u>	<u>12,859,441</u>
Business-type activities capital assets, net	<u>\$ 12,603,918</u>	<u>\$ 1,459,538</u>	<u>\$ (80,494)</u>	<u>\$ 13,982,962</u>

Depreciation expense was charged to business-type activities as follows:

Sewer operating	\$ 191,927
Water operating	245,270
Storm water	<u>95,027</u>
Total depreciation expense	<u>\$ 532,224</u>

CITY OF TALLMADGE, OHIO

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

NOTE 8 - CAPITAL LEASE

During a prior fiscal year, the City entered into a capital lease for three police vehicles. During 2006, the City entered into capital leases for an ambulance and a fire truck. These capital leases will be paid out of the general fund and the Fire/EMS capital nonmajor special revenue fund. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases." Capital assets were capitalized at the present value of the minimum lease payments at the time the leases were entered into.

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Equipment	\$ 439,499
Less: accumulated depreciation	(32,178)
Total	\$ 407,321

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2006:

<u>Year Ended December 31,</u>	<u>Amount</u>
2007	\$ 92,915
2008	92,915
2009	77,771
2010	77,771
2011	77,771
Total	419,143
Less: amount representing interest	(52,889)
Present value of net minimum lease payments	\$ 366,254

NOTE 9 - NOTE PAYABLE

A summary of the note transactions for the year ended December 31, 2006 follows:

	Balance 12/31/05	Issued	Retired	Balance 12/31/06
Recreation Center Improvement Note - 1.388%	\$ 100,000	\$ -	\$ (100,000)	\$ -

The note was backed by the full faith and credit of the City and matured March 13, 2006. The note was issued to fund the building of a recreation center. The note was issued in anticipation of long-term bond financing which occurred during 2006 (see Note 10).

CITY OF TALLMADGE, OHIO

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

NOTE 10 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds and loans follows:

Special Assessment Bonds

1992 Southwest Sanitary Sewer and Water	6.390%	\$ 493,000	6/1/2012
1996 Northwest Quad Sanitary Sewer	5.862%	450,000	12/1/2016
1998 Ernest Waterline	4.560%	285,000	12/1/2008
2001 Elm/Ferguson Waterline	4.725%	425,000	12/1/2011
2001 Parker/Milton Waterline	4.725%	250,000	12/1/2011
2000 West Avenue Street Improvement	6.000%	1,070,000	12/1/2020

General Obligation Bonds

1992 Tallmadge Woods	6.390%	852,000	6/1/2012
1995 Concrete Streets *	6.540%	1,250,000	12/1/2015
1998 Storm Water Improvement	5.120%	2,400,000	12/1/2018
2001 City Building Improvement	4.725%	2,270,000	12/1/2021
2006 Various Purpose Refunding	4.124%	870,000	12/31/2015
2006 Recreation Center	4.427%	3,800,000	12/31/2031

* Advance refunded during 2006

Recreation Center Improvement Notes

2005 Recreation Center Note	3.250%	3,900,000	3/13/2006
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CITY OF TALLMADGE, OHIO

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The changes in long-term obligations during the year were as follows:

	Balance			Balance	Amounts
	12/31/05	Additions	Reductions	12/31/06	Due in
					One Year
Business-Type Activities:					
<u>Special Assessment Bonds</u>					
1992 Southwest Sanitary Sewer and Water	\$ 166,000	\$ -	\$ (24,000)	\$ 142,000	\$ 24,000
1996 Northwest Quad Sanitary Sewer	305,000	-	(20,000)	285,000	20,000
1998 Ernest Waterline	100,000	-	(30,000)	70,000	35,000
2001 Elm/Ferguson Waterline	275,000	-	(40,000)	235,000	45,000
2001 Parker/Milton Waterline	160,000	-	(25,000)	135,000	25,000
Total Special Assessment Bonds	<u>1,006,000</u>	<u>-</u>	<u>(139,000)</u>	<u>867,000</u>	<u>149,000</u>
Compensated Absences	44,532	7,366	(2,940)	48,958	3,752
Total Business-Type Activities					
Long-Term Obligations	<u>\$ 1,050,532</u>	<u>\$ 7,366</u>	<u>\$ (141,940)</u>	<u>\$ 915,958</u>	<u>\$ 152,752</u>
Governmental Activities:					
<u>General Obligation Bonds</u>					
1992 Tallmadge Woods	\$ 289,000	\$ -	\$ (41,000)	\$ 248,000	\$ 41,000
1995 Concrete Streets	805,000	-	(805,000)	-	-
1998 Storm Water Improvement	1,800,000	-	(100,000)	1,700,000	105,000
2001 City Building Improvement	1,890,000	-	(85,000)	1,805,000	90,000
2006 Various Purpose Refunding	-	870,000	(85,000)	785,000	75,000
2006 Recreation Center	-	3,800,000	-	3,800,000	90,000
Total General Obligation Bonds	<u>4,784,000</u>	<u>4,670,000</u>	<u>(1,116,000)</u>	<u>8,338,000</u>	<u>401,000</u>
<u>Special Assessment Bonds</u>					
2000 West Avenue Street Improvement	910,000	-	(40,000)	870,000	40,000
<u>Long-Term Notes</u>					
2005 Recreation Center Improvement Note	3,800,000	-	(3,800,000)	-	-
Total Long-Term Notes	<u>3,800,000</u>	<u>-</u>	<u>(3,800,000)</u>	<u>-</u>	<u>-</u>
Capital Lease	41,684	397,815	(73,245)	366,254	75,201
Compensated Absences	869,569	162,808	(189,582)	842,795	171,655
Total Governmental Activities					
Long-Term Obligations	<u>\$ 10,405,253</u>	<u>\$ 5,230,623</u>	<u>\$ (5,218,827)</u>	<u>10,417,049</u>	<u>\$ 687,856</u>
Add: Unamortized Premium on Bond Issue				155,446	
Less: Unamortized Deferred Charges on Refunding				<u>(30,132)</u>	
Total Reported on Statement of Net Assets				<u>\$ 10,542,363</u>	

CITY OF TALLMADGE, OHIO

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Special Assessment Bonds Payable:

Under business-type activities Ernest Waterline, Elm/Ferguson Waterline and Parker/Milton Waterline are all petitioned waterline improvement projects. These projects are paid by assessments over a ten year period and will be paid from the water operating fund.

Southwest Sanitary Sewer and Water is a petitioned sewer and water project which was assessed over a twenty year period. This will be paid from the water and sewer operating funds.

Northwest Quad Sanitary Sewer is a petitioned twenty year sewer project. This project is paid by assessments over a twenty year period from the sanitary sewer operating fund.

West Avenue Street Improvement is a twenty year assessed street improvement project and is paid from the bond retirement fund.

The special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event a property owner would fail to pay the assessment, payment would be made by the City.

General Obligation Bonds Payable:

Under governmental activities Tallmadge Woods, Concrete Streets, Storm Water Improvement, and City Building Improvement are twenty year general obligations bonds. The Recreation Center bonds are twenty five year bonds. These bonds are backed by the full faith and credit of the City and are paid from the bond retirement fund.

Various Purpose Refunding Bonds Payable:

On March 1, 2006, the City issued general obligation refunding bonds (2006 Various Purpose Refunding Bonds). These bonds refunded the \$805,000 callable portion of the 1995 Concrete Streets general obligation bond issue. These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment.

The reacquisition price exceeded the net carrying amount of the old debt by \$32,667. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$83,828 and resulted in an economic gain of 10.33%.

Capital Lease Obligations:

Capital leases consisted of the purchase of three police vehicles, an ambulance, and a fire truck which are paid from the general fund and fire/ems capital nonmajor special revenue fund. See Note 8 to the basic financial statements for detail.

Compensated Absences:

Compensated absences will be paid from the general fund, fire/ems levy fund, street maintenance and repair fund, and sewer and water operating funds.

CITY OF TALLMADGE, OHIO

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$36,507,397 and the unvoted legal debt margin was \$15,162,712. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2006 are as follows:

Year	General Obligation Bonds			Governmental Activities West Avenue Special Assessment		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 401,000	\$ 391,729	\$ 792,729	\$ 40,000	\$ 52,200	\$ 92,200
2008	411,000	374,807	785,807	45,000	49,800	94,800
2009	426,000	357,230	783,230	45,000	47,100	92,100
2010	436,000	338,781	774,781	50,000	44,400	94,400
2011	462,000	319,696	781,696	50,000	41,400	91,400
2012 - 2016	2,332,000	1,281,838	3,613,838	310,000	156,900	466,900
2017 - 2021	1,825,000	744,365	2,569,365	330,000	51,900	381,900
2022 - 2026	905,000	391,050	1,296,050	-	-	-
2027 - 2031	1,140,000	154,660	1,294,660	-	-	-
Total	\$ 8,338,000	\$ 4,354,156	\$ 12,692,156	\$ 870,000	\$ 443,700	\$ 1,313,700

Year	Business-Type Activities Special Assessment Debt		
	Principal	Interest	Total
2007	\$ 149,000	\$ 45,219	\$ 194,219
2008	154,000	38,071	192,071
2009	119,000	30,483	149,483
2010	129,000	25,971	154,971
2011	128,000	17,962	145,962
2012 - 2016	188,000	32,141	220,141
Total	\$ 867,000	\$ 189,847	\$ 1,056,847

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2006, the City contracted with Selective Insurance of South Carolina for general liability, automobile, firefighters, errors and omissions, and police and professional liability for the policy period covering January 1, 2006 through December 31, 2006. Selective Insurance also covers buildings and contents and boiler and machinery. The City carries a \$2,000,000 general liability with \$1,000,000 occurrence and a \$1,000,000 automobile liability and a \$10,000,000 umbrella liability extending coverage on the general, automobile, police professional liability, firefighter's errors and omissions and public official's liability.

CITY OF TALLMADGE, OHIO

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

NOTE 11 - RISK MANAGEMENT - (Continued)

Western Surety Company insures performance bonds for all necessary officials and Old Republic/Century Surety covers other employees. The City carries an individual bond for the Director of Finance in the amount of \$250,000. All persons working under the Director of Finance are bonded for the sum of \$50,000. All other employees paid by the City are covered by a \$10,000 blanket bond. In addition, the City carries blanket bond insurance with \$100,000 per occurrence for guaranteeing the honest and faithful performance of the City's employees.

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

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

The City has elected to provide employee comprehensive medical and dental benefits through a self-insurance program. The City maintains a self-insurance fund to account for and finance its uninsured risks for loss in this program. The plan provides a comprehensive medical plan with an out of pocket cost of \$500 single and \$1,000 family for in the network and a deductible of \$500 single, \$1,000 couple and \$1,500 family for out of the network. The City uses a third party administrator to review, process, and pay all claims, on behalf of the City.

The City purchases stop-loss coverage for claims in excess of \$50,000 per employee per year and an aggregate of \$1,000,000. The City pays into the self-insurance internal service fund \$1,250 per family coverage or \$500 for individual coverage per employee per month which represents the entire premium required. This premium is paid by the fund that pays the salary of the employee and is based on historical cost information.

The claims liability of \$170,039 reported in the internal service fund at December 31, 2006 is estimated by a third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amounts in 2005 and 2006 are:

	<u>Balance at Beginning of Year</u>	<u>Current Claims</u>	<u>Claims Payment</u>	<u>Balance at End of Year</u>
2005	\$ 34,950	\$ 776,038	\$ (735,090)	\$ 75,898
2006	75,898	1,351,257	(1,257,116)	170,039

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

CITY OF TALLMADGE, OHIO

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$381,178, \$390,116, and \$374,147, respectively; 100% has been contributed for 2006, 2005 and 2004. The City and plan members did not make any contributions to the member-directed plan for 2006.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the City is required to contribute 11.75% for police officers and 16.25% for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for police and firefighters were \$195,982 and \$121,434 for the year ended December 31, 2006, \$173,238 and \$117,421 for the year ended December 31, 2005 and \$174,234 and \$116,864 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 71.48% and 71.85%, respectively, have been contributed for 2006 with the remainder being reported as a liability.

CITY OF TALLMADGE, OHIO

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

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The City's actual employer contributions for 2006 which were used to fund postemployment benefits were \$189,704. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability 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, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

CITY OF TALLMADGE, OHIO

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

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. 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.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$129,030 for police and \$57,937 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 (the latest information available), was 13,922 for police and 10,537 for firefighters.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

A. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

Vacation leave is earned at rates which vary depending upon length of service. Current policy credits vacation leave on January 1 of each year for all full time employees. Vacation accumulation may not exceed two weeks accrual at year end. Any unused excess is eliminated from the employee's leave balance. In case of death, termination, lay-off, or retirement, an employee (or his estate) is paid for his unused vacation to a maximum of two weeks carry-over of previous year plus any current year accrual which depends on time of year plus number of years service.

Sick leave is earned at the rate of .0575 hours per hour of service. Upon termination, an employee with at least 7 years of service may receive up to 50 percent of their accumulated sick leave not to exceed a maximum of 150 days. Termination payments are calculated using the rate of pay at the date of termination.

B. Life Insurance

The City provides life insurance to its employees through Standard Life Insurance Company of Oregon.

CITY OF TALLMADGE, OHIO

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented.

Net Change in Fund Balance

	<u>General</u>	<u>Fire/EMS Levy</u>	<u>Street Maintenance and Repair</u>
Budget basis	\$ 8,726	\$ (26,939)	\$ (179,760)
Net adjustment for revenue accruals	147,177	17,652	(4,072)
Net adjustment for expenditure accruals	20,470	(16,809)	(69,273)
Net adjustment for other financing sources (uses)	50,000	-	-
Adjustment for encumbrances	<u>144,678</u>	<u>9,143</u>	<u>138,407</u>
GAAP basis	<u>\$ 371,051</u>	<u>\$ (16,953)</u>	<u>\$ (114,698)</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Akron Metropolitan Area Transportation Study (AMATS)

The City participates in the Akron Metropolitan Area Transportation Study. This organization is responsible for fulfilling the area's continuous, cooperative and comprehensive transportation planning process. The AMATS service area consists of Summit, Portage, and Chippewa Township of Wayne County. AMATS is led by the AMATS Transportation Policy Committee. The City is a member of the 43 member Policy Committee that is responsible for the preparation of regional transportation policies, plans and programs that meet the areas present and future needs. In 2006, the City contributed \$2,645 to the Akron Metropolitan Area Transportation Study, which represents the City's formula share.

CITY OF TALLMADGE, OHIO

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

Brimfield Township - City of Tallmadge Joint Economic Development District (District) - The City of Tallmadge has entered into a contractual agreement effective January 1, 2004 with Brimfield Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, the Counties of Summit and Portage, the City, the Township and the District. The District is administered by a five member Board of Directors consisting of one member representing the City and appointed by the Mayor, one member representing the Township and appointed by the Township Trustees, one member who is a business owner in the District representing the business owners in the District and appointed by the Township Trustees, one member who is a person employed within the District and appointed by the Mayor with confirmation of City Council and one member selected by unanimous vote of all members appointed at the time. The City nor the Township have any fixed financial obligation set aside for administrative costs and expenses of the Board. The City is responsible for basic administrative costs of the Board. The Board of Directors has entered into an agreement to administer, collect and enforce the income tax on behalf of the District with the City of Tallmadge. Upon termination of the contractual agreement, any property, assets and obligations of the District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party.

Summit Suburban Council of Governments (Council) - On September 8, 2005, the City passed a resolution to join the Council and to enter into a co-operative agreement with the Council to provide unified emergency dispatch services in a cost efficient manner that insures an effective and quality program by working in cooperation with other local governments, as well as state and federal agencies and departments to integrate the program. The communities that have agreed to join the co-operative agreement are Brimfield Township, the villages of Mogadore and Silver Lake, and the cities of Munroe Falls, Stow and Tallmadge. As of year end the Council is still not operational.

NOTE 17 - CONTRACTUAL COMMITMENTS

On December 31, 2006, the City had a total of \$1,700,087 in contractual commitments. These included \$1,091,929 to Don Wartko Construction for the Northeast Avenue project, \$478,894 to Insituform for the Potomac/Swank project, \$111,213 to Lee Infrastructure for the Potomac/Swank project, and \$18,051 to Don Wartko for the East Avenue/Munroe project.

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2006.

B. Litigation

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

CITY OF TALLMADGE, OHIO

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

NOTE 19 - SUBSEQUENT EVENTS

Effective January 1, 2007 the City switched from being self-insured to fully insured for employee medical and dental benefits.

COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES

CITY OF TALLMADGE, OHIO

*INDIVIDUAL FUND SCHEDULES
FUND DESCRIPTIONS - GOVERNMENTAL FUNDS*

GENERAL FUND

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

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for all specific financial resources (other than major capital projects) that are legally restricted for specified expenditure purposes. The following are the special revenue funds which the City operates:

Major Special Revenue Funds

Fire/EMS Levy Fund

The fire/emergency medical service levy fund accounts for property tax collections received through a (5) year tax levy. An additional source of significant revenue is charges for services. Expenditures are for the operations of the fire and emergency medical service programs and staff.

Street Maintenance and Repair Fund

The street maintenance and repair fund is required by Ohio Revised Code to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Nonmajor Special Revenue Funds

Fire/EMS Capital Fund

To accumulate a portion of the fire and EMS property tax collections to be used exclusively for repair and refurbishment of equipment.

State Highway Fund

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

Community Development Fund

To account for monies received from the Community Development Block Grant Project.

Alcohol Enforcement and Education Fund

Required by Ohio Revised Code Section 4511.99 to account for fines received from offenders. These funds are used in educating the public of laws governing the operation of a motor vehicle and the dangers of the operations of a motor vehicle while under the influence of alcohol.

Law Enforcement Trust Fund

To account for proceeds from the sale of contraband that are restricted to subsidizing law enforcement efforts.

Drug Law Enforcement Trust Fund

To account for monies from mandatory fines for trafficking offenses to be used for the investigation and prosecution of drug cases.

Emergency Medical Service Donation Fund

To account for donations received for the City's emergency medical service and fire programs.

CITY OF TALLMADGE, OHIO

*INDIVIDUAL FUND SCHEDULES
FUND DESCRIPTIONS - GOVERNMENTAL FUNDS (CONTINUED)*

Nonmajor Special Revenue Funds (Continued)

Police Pension Fund

To accumulate property taxes and subsidy from the General Fund for the payment of the current and accrued police disability and pension benefits.

MAJOR DEBT SERVICE FUND

Bond Retirement Fund

The bond retirement fund is used to account for monies used for the purpose of retiring principal and interest on debt.

CAPITAL PROJECTS FUNDS

The capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary fund types. Following is a description of the capital project funds:

Major Capital Projects Fund

Recreation Center Fund

The recreation center fund is used to account for revenue and expenditures related to the construction of the new recreation facility.

Nonmajor Capital Projects Funds

General Infrastructure Reserve Fund

To account for a percentage of revenue from the General Fund, in accordance with local ordinances, to maintain the general infrastructure of the City.

Northeast Avenue Road Improvement Project

To account for the Northeast Avenue road improvements.

East/Monroe Project

To account for the East/Monroe Avenue road improvements.

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
Personal property	\$ 96,863	\$ 104,251	\$ 106,854	\$ 2,603
Real estate (public utility)	687,722	740,179	758,657	18,478
Municipal income taxes	6,742,997	7,257,327	7,438,498	181,171
Franchise tax	83,286	89,638	91,876	2,238
Intergovernmental				
Local government	970,336	1,044,349	1,070,420	26,071
Rollback	76,585	82,426	84,484	2,058
Inheritance	346,518	372,949	382,259	9,310
Miscellaneous	39,608	42,629	43,693	1,064
Investment income	234,983	252,906	259,220	6,314
Fines, licenses and permits	340,705	366,693	375,847	9,154
Special assessments	14,108	15,184	15,563	379
Charges for services	1,358,920	1,462,573	1,499,085	36,512
Miscellaneous	63,283	68,110	69,810	1,700
Total revenues	<u>11,055,914</u>	<u>11,899,214</u>	<u>12,196,266</u>	<u>297,052</u>
Expenditures:				
Current:				
General government				
Mayor/Administration	444,720	487,890	487,337	553
Economic Development	-	75,000	65,873	9,127
Finance Director	779,020	780,571	780,130	441
Law Director	297,414	297,414	293,822	3,592
Service Director	272,942	302,641	292,017	10,624
Manager of Information Service	117,100	117,100	114,264	2,836
Council	164,236	164,236	163,191	1,045
Civil Service	23,200	23,200	21,651	1,549
Custodian	200,681	225,324	212,897	12,427
General administration	630,721	630,721	488,177	142,544
Boards and commissions	9,000	9,000	7,068	1,932
Total general government	<u>2,939,034</u>	<u>3,113,097</u>	<u>2,926,427</u>	<u>186,670</u>
Security of persons and property				
Police	3,081,672	3,389,869	3,367,699	22,170
Street lighting	18,781	20,700	6,989	13,711
Total security of persons and property	<u>3,100,453</u>	<u>3,410,569</u>	<u>3,374,688</u>	<u>35,881</u>
Transportation				
Garage	320,099	341,799	334,397	7,402
Total transportation	<u>320,099</u>	<u>341,799</u>	<u>334,397</u>	<u>7,402</u>

Continued

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community environment				
Building	\$ 247,001	\$ 246,288	\$ 245,031	\$ 1,257
Zoning	189,423	188,157	184,554	3,603
Total community environment	<u>436,424</u>	<u>434,445</u>	<u>429,585</u>	<u>4,860</u>
Leisure time activities				
Recreation	978,253	1,054,701	1,070,969	(16,268)
Maca Aquatic Center	254,233	276,598	259,480	17,118
Total leisure time activities	<u>1,232,486</u>	<u>1,331,299</u>	<u>1,330,449</u>	<u>850</u>
Capital outlay				
Police equipment	368,900	428,900	418,207	10,693
Recreation equipment	60,000	-	-	-
Total capital outlay	<u>428,900</u>	<u>428,900</u>	<u>418,207</u>	<u>10,693</u>
Total expenditures	<u>8,457,396</u>	<u>9,060,109</u>	<u>8,813,753</u>	<u>246,356</u>
Excess of revenues over expenditures	<u>2,598,518</u>	<u>2,839,105</u>	<u>3,382,513</u>	<u>543,408</u>
Other financing sources (uses):				
Advances out				
Community development	-	(50,000)	(50,000)	-
Transfers in	136,893	147,335	151,013	3,678
Transfers out				
Police pension	(150,000)	(180,000)	(180,000)	-
Fire/EMS Levy	(383,700)	(438,700)	(438,700)	-
Fire/EMS Capital	-	(60,000)	(60,000)	-
Street maintenance and repair	(1,712,100)	(1,782,100)	(1,782,100)	-
Debt service	(705,000)	(610,000)	(610,000)	-
Recreation center	(304,000)	(304,000)	(304,000)	-
Self insurance fund	-	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>(3,117,907)</u>	<u>(3,377,465)</u>	<u>(3,373,787)</u>	<u>3,678</u>
Net change in fund balance	(519,389)	(538,360)	8,726	547,086
Fund balance at beginning of year	<u>1,573,268</u>	<u>1,573,268</u>	<u>1,573,268</u>	<u>-</u>
Prior year encumbrances appropriated.	<u>266,643</u>	<u>266,643</u>	<u>266,643</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,320,522</u>	<u>\$ 1,301,551</u>	<u>\$ 1,848,637</u>	<u>\$ 547,086</u>

CITY OF TALLMADGE, OHIO

*COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006*

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 75,159	\$ 4,287	\$ 79,446
Receivables (net of allowances of uncollectibles):			
Real and other taxes	125,730	-	125,730
Accounts	175	-	175
Accrued interest.	72	135	207
Intergovernmental	36,344	246,650	282,994
Total assets	<u>\$ 237,480</u>	<u>\$ 251,072</u>	<u>\$ 488,552</u>
Liabilities:			
Accounts payable	\$ -	\$ 246,650	\$ 246,650
Accrued wages and benefits	3,396	-	3,396
Interfund loan payable	50,000	-	50,000
Intergovernmental payable.	96,903	-	96,903
Deferred revenue.	152,312	96	152,408
Total liabilities	<u>302,611</u>	<u>246,746</u>	<u>549,357</u>
Fund Balances:			
Fund balances:			
Reserved for encumbrances	273	994,066	994,339
Unreserved, undesignated, reported in:			
Special revenue funds	(65,404)	-	(65,404)
Capital projects funds	-	(989,740)	(989,740)
Total fund balances (deficit)	<u>(65,131)</u>	<u>4,326</u>	<u>(60,805)</u>
Total liabilities and fund equity	<u>\$ 237,480</u>	<u>\$ 251,072</u>	<u>\$ 488,552</u>

CITY OF TALLMADGE, OHIO

*COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Property and other taxes	\$ 117,847	\$ -	\$ 117,847
Intergovernmental	92,476	1,215,934	1,308,410
Investment income	805	1,521	2,326
Fines, licenses and permits	5,170	-	5,170
Other	2,855	-	2,855
	<hr/>	<hr/>	<hr/>
Total revenues	219,153	1,217,455	1,436,608
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Security of persons and property.	358,370	-	358,370
Transportation	71,358	-	71,358
Capital outlay	473,362	1,276,622	1,749,984
Debt service:			
Principal retirement.	60,000	-	60,000
	<hr/>	<hr/>	<hr/>
Total expenditures	963,090	1,276,622	2,239,712
	<hr/>	<hr/>	<hr/>
Deficiency of revenues under expenditures	(743,937)	(59,167)	(803,104)
	<hr/>	<hr/>	<hr/>
Other financing sources:			
Capital lease transaction	397,815	-	397,815
Transfers in	240,000	-	240,000
	<hr/>	<hr/>	<hr/>
Total other financing sources	637,815	-	637,815
	<hr/>	<hr/>	<hr/>
Net change in fund balances.	(106,122)	(59,167)	(165,289)
	<hr/>	<hr/>	<hr/>
Fund balances at beginning of year	40,991	63,493	104,484
	<hr/>	<hr/>	<hr/>
Fund balances (deficit) at end of year	\$ (65,131)	\$ 4,326	\$ (60,805)
	<hr/>	<hr/>	<hr/>

CITY OF TALLMADGE, OHIO

*COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2006*

	Fire/EMS Capital	State Highway	Community Development	Alcohol Enforcement and Education
Assets:				
Equity in pooled cash and cash equivalents.	\$ 4,607	\$ 39,554	\$ 7,027	\$ 4,528
Receivables (net of allowances for uncollectibles):				
Real and other taxes.	-	-	-	-
Accounts	-	-	-	-
Accrued interest.	42	30	-	-
Intergovernmental.	-	28,686	-	-
Total assets	<u>\$ 4,649</u>	<u>\$ 68,270</u>	<u>\$ 7,027</u>	<u>\$ 4,528</u>
Liabilities:				
Accrued wages and benefits	\$ -	\$ 3,396	\$ -	\$ -
Interfund loan payable	-	-	50,000	-
Intergovernmental payable	-	3,978	-	-
Deferred revenue	30	18,894	-	-
Total liabilities	<u>30</u>	<u>26,268</u>	<u>50,000</u>	<u>-</u>
Fund Balances:				
Reserved for encumbrances	-	-	-	-
Unreserved, undesignated, reported in:				
Special revenue funds	4,619	42,002	(42,973)	4,528
Total fund balances (deficits).	<u>4,619</u>	<u>42,002</u>	<u>(42,973)</u>	<u>4,528</u>
Total liabilities and fund equity	<u>\$ 4,649</u>	<u>\$ 68,270</u>	<u>\$ 7,027</u>	<u>\$ 4,528</u>

<u>Law Enforcement Trust</u>	<u>Drug Law Enforcement</u>	<u>Emergency Medical Service Donation</u>	<u>Police Pension</u>	<u>Totals</u>
\$ 8,455	\$ 2,217	\$ 3,688	\$ 5,083	\$ 75,159
-	-	-	125,730	125,730
75	100	-	-	175
-	-	-	-	72
-	-	-	7,658	36,344
<u>\$ 8,530</u>	<u>\$ 2,317</u>	<u>\$ 3,688</u>	<u>\$ 138,471</u>	<u>\$ 237,480</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,396
-	-	-	-	50,000
-	-	-	92,925	96,903
-	-	-	133,388	152,312
-	-	-	226,313	302,611
-	273	-	-	273
8,530	2,044	3,688	(87,842)	(65,404)
<u>8,530</u>	<u>2,317</u>	<u>3,688</u>	<u>(87,842)</u>	<u>(65,131)</u>
<u>\$ 8,530</u>	<u>\$ 2,317</u>	<u>\$ 3,688</u>	<u>\$ 138,471</u>	<u>\$ 237,480</u>

CITY OF TALLMADGE, OHIO

*COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Fire/EMS Capital	State Highway	Community Development	Alcohol Enforcement and Education
Revenues:				
Property and other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	77,160	-	-
Investment income.	435	370	-	-
Fines, licenses and permits.	-	-	-	105
Other.	-	-	-	-
Total revenues.	435	77,530	-	105
Expenditures:				
Current:				
Security of persons and property	-	-	-	-
Transportation	-	71,358	-	-
Capital outlay	423,819	-	49,543	-
Debt service:				
Principal retirement	60,000	-	-	-
Total expenditures.	483,819	71,358	49,543	-
Excess (deficiency) of revenues over (under) expenditures	(483,384)	6,172	(49,543)	105
Other financing sources:				
Capital lease transaction	397,815	-	-	-
Transfers in	60,000	-	-	-
Total other financing sources	457,815	-	-	-
Net change in fund balances	(25,569)	6,172	(49,543)	105
Fund balances (deficit) at beginning of year.	30,188	35,830	6,570	4,423
Fund balances (deficit) at end of year	\$ 4,619	\$ 42,002	\$ (42,973)	\$ 4,528

Law Enforcement Trust	Drug Law Enforcement	Emergency Medical Service Donation	Police Pension	Totals
\$ -	\$ -	\$ -	\$ 117,847	\$ 117,847
-	-	-	15,316	92,476
-	-	-	-	805
1,419	3,646	-	-	5,170
-	-	2,855	-	2,855
<u>1,419</u>	<u>3,646</u>	<u>2,855</u>	<u>133,163</u>	<u>219,153</u>
1,830	27,127	1,829	327,584	358,370
-	-	-	-	71,358
-	-	-	-	473,362
-	-	-	-	60,000
<u>1,830</u>	<u>27,127</u>	<u>1,829</u>	<u>327,584</u>	<u>963,090</u>
<u>(411)</u>	<u>(23,481)</u>	<u>1,026</u>	<u>(194,421)</u>	<u>(743,937)</u>
-	-	-	-	397,815
-	-	-	180,000	240,000
-	-	-	180,000	637,815
(411)	(23,481)	1,026	(14,421)	(106,122)
<u>8,941</u>	<u>25,798</u>	<u>2,662</u>	<u>(73,421)</u>	<u>40,991</u>
<u>\$ 8,530</u>	<u>\$ 2,317</u>	<u>\$ 3,688</u>	<u>\$ (87,842)</u>	<u>\$ (65,131)</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE/EMS LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,071,586	\$ 1,082,883	\$ 1,083,647	\$ 764
Intergovernmental	101,986	144,336	144,438	102
Investment income	7,731	8,193	8,199	6
Fines, licenses and permits	3,042	3,224	3,226	2
Charges for services	316,590	335,520	335,757	237
Miscellaneous.	12,637	13,393	13,402	9
Total revenues	<u>1,513,572</u>	<u>1,587,549</u>	<u>1,588,669</u>	<u>1,120</u>
Expenditures:				
Current:				
Security of persons and property				
Fire	<u>1,956,331</u>	<u>2,070,331</u>	<u>2,054,308</u>	<u>16,023</u>
Total security of persons and property	<u>1,956,331</u>	<u>2,070,331</u>	<u>2,054,308</u>	<u>16,023</u>
Total expenditures	<u>1,956,331</u>	<u>2,070,331</u>	<u>2,054,308</u>	<u>16,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(442,759)</u>	<u>(482,782)</u>	<u>(465,639)</u>	<u>17,143</u>
Other financing sources:				
Transfers in.	<u>400,000</u>	<u>438,390</u>	<u>438,700</u>	<u>310</u>
Total other financing sources	<u>400,000</u>	<u>438,390</u>	<u>438,700</u>	<u>310</u>
Net change in fund balance.	(42,759)	(44,392)	(26,939)	17,453
Fund balance at beginning of year	144,533	144,533	144,533	-
Prior year encumbrances appropriated	<u>2,130</u>	<u>2,130</u>	<u>2,130</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 103,904</u>	<u>\$ 102,271</u>	<u>\$ 119,724</u>	<u>\$ 17,453</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 744,959	\$ 744,959	\$ 761,376	\$ 16,417
Investment income	3,308	3,308	3,381	73
Charges for services.	79,694	79,694	81,450	1,756
Miscellaneous.	3,175	3,175	3,245	70
Total revenues.	<u>831,136</u>	<u>831,136</u>	<u>849,452</u>	<u>18,316</u>
Expenditures:				
Current:				
Public health and welfare.	60,917	69,683	61,067	8,616
Transportation	1,514,060	1,552,940	1,517,783	35,157
Leisure time activities.	316,804	305,165	317,583	(12,418)
Capital outlay				
Road program.	725,584	751,000	727,368	23,632
Rehab trucks/salt spreader	140,750	138,000	141,096	(3,096)
East Monroe project	47,208	47,000	47,325	(325)
Total expenditures	<u>2,805,323</u>	<u>2,863,788</u>	<u>2,812,222</u>	<u>51,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,974,187)</u>	<u>(2,032,652)</u>	<u>(1,962,770)</u>	<u>69,882</u>
Other financing sources:				
Transfers in.	1,743,674	1,743,674	1,782,100	38,426
Sale of capital assets.	890	890	910	20
Total other financing sources.	<u>1,744,564</u>	<u>1,744,564</u>	<u>1,783,010</u>	<u>38,446</u>
Net change in fund balance.	(229,623)	(288,088)	(179,760)	108,328
Fund balance at beginning of year	261,567	261,567	261,567	-
Prior year encumbrances appropriated . . .	<u>59,323</u>	<u>59,323</u>	<u>59,323</u>	<u>-</u>
Fund balance at end of year	<u>\$ 91,267</u>	<u>\$ 32,802</u>	<u>\$ 141,130</u>	<u>\$ 108,328</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE/EMS CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ 299	\$ 489	\$ 190
Total revenues	<u>-</u>	<u>299</u>	<u>489</u>	<u>190</u>
Expenditures:				
Capital outlay:				
Equipment	26,504	86,004	86,004	-
Total capital outlay.	<u>26,504</u>	<u>86,004</u>	<u>86,004</u>	<u>-</u>
Total expenditures	<u>26,504</u>	<u>86,004</u>	<u>86,004</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,504)</u>	<u>(85,705)</u>	<u>(85,515)</u>	<u>190</u>
Other financing sources:				
Transfers in.	36,800	60,000	60,000	-
Total other financing sources.	<u>36,800</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Net change in fund balance.	10,296	(25,705)	(25,515)	190
Fund balance at beginning of year	3,587	3,587	3,587	-
Prior year encumbrances appropriated . .	<u>26,504</u>	<u>26,504</u>	<u>26,504</u>	<u>-</u>
Fund balance at end of year.	<u><u>\$ 40,387</u></u>	<u><u>\$ 4,386</u></u>	<u><u>\$ 4,576</u></u>	<u><u>\$ 190</u></u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STATE HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 54,150	\$ 72,466	\$ 77,535	\$ 5,069
Investment income	250	335	358	23
Total revenues.	<u>54,400</u>	<u>72,801</u>	<u>77,893</u>	<u>5,092</u>
Expenditures:				
Current:				
Transportation	<u>67,000</u>	<u>67,000</u>	<u>66,996</u>	<u>4</u>
Total expenditures.	<u>67,000</u>	<u>67,000</u>	<u>66,996</u>	<u>4</u>
Net change in fund balance	(12,600)	5,801	10,897	5,096
Fund balance at beginning of year.	<u>28,634</u>	<u>28,634</u>	<u>28,634</u>	<u>-</u>
Fund balance at end of year	<u>\$ 16,034</u>	<u>\$ 34,435</u>	<u>\$ 39,531</u>	<u>\$ 5,096</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 43,430	\$ 50,000	\$ -	\$ (50,000)
Total revenues	<u>43,430</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Expenditures:				
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>49,543</u>	<u>457</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>49,543</u>	<u>457</u>
Deficiency of revenues under expenditures. .	<u>(6,570)</u>	<u>-</u>	<u>(49,543)</u>	<u>(49,543)</u>
Other financing sources:				
Advance in.	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net change in fund balance.	(6,570)	-	457	457
Fund balance at beginning of year	<u>6,570</u>	<u>6,570</u>	<u>6,570</u>	<u>-</u>
Fund balance at end of year.	<u>\$ -</u>	<u>\$ 6,570</u>	<u>\$ 7,027</u>	<u>\$ 457</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALCOHOL ENFORCEMENT AND EDUCATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, licenses and permits	\$ 1,600	\$ 1,600	\$ 190	\$ (1,410)
Total revenues	<u>1,600</u>	<u>1,600</u>	<u>190</u>	<u>(1,410)</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,100</u>	<u>1,100</u>	<u>-</u>	<u>1,100</u>
Total expenditures	<u>1,100</u>	<u>1,100</u>	<u>-</u>	<u>1,100</u>
Net change in fund balance.	500	500	190	(310)
Fund balance at beginning of year	<u>4,338</u>	<u>4,338</u>	<u>4,338</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 4,838</u>	<u>\$ 4,838</u>	<u>\$ 4,528</u>	<u>\$ (310)</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, licenses and permits	\$ 1,200	\$ 1,344	\$ 1,344	\$ -
Total revenues	<u>1,200</u>	<u>1,344</u>	<u>1,344</u>	<u>-</u>
Expenditures:				
Current:				
Security of persons and property	<u>4,229</u>	<u>4,229</u>	<u>1,830</u>	<u>2,399</u>
Total expenditures	<u>4,229</u>	<u>4,229</u>	<u>1,830</u>	<u>2,399</u>
Net change in fund balance.	(3,029)	(2,885)	(486)	2,399
Fund balance at beginning of year	7,112	7,112	7,112	-
Prior year encumbrances appropriated	<u>1,829</u>	<u>1,829</u>	<u>1,829</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 5,912</u>	<u>\$ 6,056</u>	<u>\$ 8,455</u>	<u>\$ 2,399</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DRUG LAW ENFORCEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, licenses and permits	\$ 5,000	\$ 5,000	\$ 3,546	\$ (1,454)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>3,546</u>	<u>(1,454)</u>
Expenditures:				
Current:				
Security of persons and property	<u>2,400</u>	<u>27,400</u>	<u>27,400</u>	<u>-</u>
Total expenditures	<u>2,400</u>	<u>27,400</u>	<u>27,400</u>	<u>-</u>
Net change in fund balance.	2,600	(22,400)	(23,854)	(1,454)
Fund balance at beginning of year	<u>25,798</u>	<u>25,798</u>	<u>25,798</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 28,398</u>	<u>\$ 3,398</u>	<u>\$ 1,944</u>	<u>\$ (1,454)</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMERGENCY MEDICAL SERVICE DONATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Miscellaneous.	\$ 2,855	\$ 2,855	\$ 2,855	\$ -
Total revenues	<u>2,855</u>	<u>2,855</u>	<u>2,855</u>	<u>-</u>
Expenditures:				
Current:				
Security of persons and property	<u>4,787</u>	<u>7,287</u>	<u>4,287</u>	<u>3,000</u>
Total expenditures	<u>4,787</u>	<u>7,287</u>	<u>4,287</u>	<u>3,000</u>
Net change in fund balance.	(1,932)	(4,432)	(1,432)	3,000
Fund balance at beginning of year	1,333	1,333	1,333	-
Prior year encumbrances appropriated . .	<u>3,787</u>	<u>3,787</u>	<u>3,787</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 3,188</u>	<u>\$ 688</u>	<u>\$ 3,688</u>	<u>\$ 3,000</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 147,513	\$ 120,837	\$ 117,847	\$ (2,990)
Intergovernmental	15,842	15,705	15,316	(389)
Total revenues	<u>163,355</u>	<u>136,542</u>	<u>133,163</u>	<u>(3,379)</u>
Expenditures:				
Current:				
Security of persons and property	<u>288,700</u>	<u>318,700</u>	<u>315,529</u>	<u>3,171</u>
Total expenditures	<u>288,700</u>	<u>318,700</u>	<u>315,529</u>	<u>3,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(125,345)</u>	<u>(182,158)</u>	<u>(182,366)</u>	<u>(208)</u>
Other financing sources:				
Transfers in.	<u>145,000</u>	<u>184,567</u>	<u>180,000</u>	<u>(4,567)</u>
Total other financing sources.	<u>145,000</u>	<u>184,567</u>	<u>180,000</u>	<u>(4,567)</u>
Net change in fund balance.	19,655	2,409	(2,366)	(4,775)
Fund balance at beginning of year	<u>7,449</u>	<u>7,449</u>	<u>7,449</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 27,104</u>	<u>\$ 9,858</u>	<u>\$ 5,083</u>	<u>\$ (4,775)</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BOND RETIREMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessments.	\$ 89,211	\$ 94,955	\$ 94,955	\$ -
Total revenues.	<u>89,211</u>	<u>94,955</u>	<u>94,955</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal retirement.	355,325	351,000	351,000	-
Interest and fiscal charges.	432,262	427,000	426,110	890
Bond issue costs	-	-	123,371	(123,371)
Total expenditures.	<u>787,587</u>	<u>778,000</u>	<u>900,481</u>	<u>(122,481)</u>
Deficiency of revenues under expenditures	<u>(698,376)</u>	<u>(683,045)</u>	<u>(805,526)</u>	<u>(122,481)</u>
Other financing sources:				
Transfers in.	573,099	610,000	610,000	-
Sale of refunding bonds	817,371	837,566	870,000	32,434
Premium on sale of bonds	155,019	73,962	165,000	91,038
Payment to refunding bond escrow agent	(855,413)	(845,000)	(837,667)	7,333
Total other financing sources (uses)	<u>690,076</u>	<u>676,528</u>	<u>807,333</u>	<u>130,805</u>
Net change in fund balance.	(8,300)	(6,517)	1,807	8,324
Fund balance at beginning of year	<u>19,751</u>	<u>19,751</u>	<u>19,751</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 11,451</u>	<u>\$ 13,234</u>	<u>\$ 21,558</u>	<u>\$ 8,324</u>

CITY OF TALLMADGE, OHIO

*COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2006*

	General Infrastructure	Northeast Avenue Road Improvement Project	East/Monroe Project	Totals
Assets:				
Equity in pooled cash and cash equivalents.	\$ 4,287	\$ -	\$ -	\$ 4,287
Receivables (net of allowances for uncollectibles):				
Accrued interest.	135	-	-	135
Intergovernmental.	-	246,650	-	246,650
Total assets	<u>\$ 4,422</u>	<u>\$ 246,650</u>	<u>\$ -</u>	<u>\$ 251,072</u>
Liabilities:				
Accounts payable.	\$ -	\$ 246,650	\$ -	\$ 246,650
Deferred revenue	96	-	-	96
Total liabilities	<u>96</u>	<u>246,650</u>	<u>-</u>	<u>246,746</u>
Fund Balances:				
Reserved for encumbrances	360	975,655	18,051	994,066
Unreserved, undesignated, reported in:				
Capital projects funds	3,966	(975,655)	(18,051)	(989,740)
Total fund balances.	<u>4,326</u>	<u>-</u>	<u>-</u>	<u>4,326</u>
Total liabilities and fund equity	<u>\$ 4,422</u>	<u>\$ 246,650</u>	<u>\$ -</u>	<u>\$ 251,072</u>

CITY OF TALLMADGE, OHIO

*COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006*

	General Infrastructure	Northeast Avenue Road Improvement Project	East/Monroe Project	Totals
Revenues:				
Intergovernmental	\$ -	\$ 756,594	\$ 459,340	\$ 1,215,934
Investment income.	1,521	-	-	1,521
Total revenues.	<u>1,521</u>	<u>756,594</u>	<u>459,340</u>	<u>1,217,455</u>
Expenditures:				
Capital outlay	<u>60,688</u>	<u>756,594</u>	<u>459,340</u>	<u>1,276,622</u>
Total expenditures.	<u>60,688</u>	<u>756,594</u>	<u>459,340</u>	<u>1,276,622</u>
Net change in fund balances	(59,167)	-	-	(59,167)
Fund balances at beginning of year	<u>63,493</u>	<u>-</u>	<u>-</u>	<u>63,493</u>
Fund balances at end of year	<u>\$ 4,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,326</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RECREATION CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 71,148	\$ 67,100	\$ 67,100	\$ -
Total revenues	71,148	67,100	67,100	-
Expenditures:				
Capital outlay	72,013	73,283	19,142	54,141
Debt service:				
Principal retirement	3,832,408	3,900,000	3,900,000	-
Interest and fiscal charges	202,921	206,500	106,107	100,393
Bond issue costs	-	-	3,521	(3,521)
Total expenditures	4,107,342	4,179,783	4,028,770	151,013
Deficiency of revenues under expenditures	(4,036,194)	(4,112,683)	(3,961,670)	151,013
Other financing sources (uses):				
Transfers in	320,000	304,000	304,000	-
Transfers out	-	-	(151,013)	(151,013)
Sale of bonds	3,711,032	3,803,521	3,800,000	(3,521)
Premium on sale of bonds	-	-	3,521	3,521
Total other financing sources (uses)	4,031,032	4,107,521	3,956,508	(151,013)
Net change in fund balance	(5,162)	(5,162)	(5,162)	-
Fund balance at beginning of year	4,320	4,320	4,320	-
Prior year encumbrances appropriated.	842	842	842	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL INFRASTRUCTURE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 500	\$ 1,407	\$ 1,583	\$ 176
Total revenues.	<u>500</u>	<u>1,407</u>	<u>1,583</u>	<u>176</u>
Expenditures:				
Capital outlay	<u>51,500</u>	<u>61,500</u>	<u>61,048</u>	<u>452</u>
Total expenditures	<u>51,500</u>	<u>61,500</u>	<u>61,048</u>	<u>452</u>
Net change in fund balance	(51,000)	(60,093)	(59,465)	628
Fund balance at beginning of year	<u>63,292</u>	<u>63,292</u>	<u>63,292</u>	<u>-</u>
Fund balance at end of year	<u>\$ 12,292</u>	<u>\$ 3,199</u>	<u>\$ 3,827</u>	<u>\$ 628</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NORTHEAST AVENUE ROAD IMPROVEMENT PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental.	\$ 1,875,500	\$ 1,499,214	\$ 509,944	\$ (989,270)
Total revenues.	<u>1,875,500</u>	<u>1,499,214</u>	<u>509,944</u>	<u>(989,270)</u>
Expenditures:				
Capital outlay	<u>2,410,400</u>	<u>1,499,214</u>	<u>1,485,599</u>	<u>13,615</u>
Total expenditures.	<u>2,410,400</u>	<u>1,499,214</u>	<u>1,485,599</u>	<u>13,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(534,900)</u>	<u>-</u>	<u>(975,655)</u>	<u>(975,655)</u>
Other financing sources:				
Transfers in	<u>534,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>534,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(975,655)	(975,655)
Fund balance at beginning of year.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (975,655)</u>	<u>\$ (975,655)</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EAST/MONROE PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental.	\$ 477,391	\$ 477,391	\$ 459,340	\$ (18,051)
Total revenues.	477,391	477,391	459,340	(18,051)
Expenditures:				
Capital outlay	477,391	477,391	477,391	-
Total expenditures.	477,391	477,391	477,391	-
Excess (deficiency) of revenues over (under) expenditures	-	-	(18,051)	(18,051)
Other financing sources:				
Transfers in	496,877	-	-	-
Total other financing sources	496,877	-	-	-
Net change in fund balance	496,877	-	(18,051)	(18,051)
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ 496,877	\$ -	\$ (18,051)	\$ (18,051)

CITY OF TALLMADGE, OHIO

*INDIVIDUAL FUND SCHEDULES
FUND DESCRIPTIONS - PROPRIETARY FUNDS*

MAJOR ENTERPRISE FUNDS

The enterprise funds are used to account for the City's sewer and water operations. These operations are financed and operated in a manner similar to that of a private business enterprise. The intent of the City is that the costs (expenses including depreciation) of providing goods and services on a continuing basis be recovered primarily through user charges. Following is a description of the City's major enterprise funds:

Sewer Operating Fund

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

Water Operating Fund

The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

Storm Water Fund

The storm water fund accounts for the provision of storm water drainage runoff service to the residents and commercial users located within the City.

NONMAJOR INTERNAL SERVICE FUND

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The following is the City's internal service fund:

Self Insurance Fund

This fund accounts for a self insurance program for employee medical and dental benefits.

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 154,358	\$ 130,434	\$ 130,884	450
Charges for services	1,994,336	1,685,238	1,691,051	5,813
Special assessments	52,147	44,065	44,217	152
Intergovernmental	355,025	300,000	-	(300,000)
Miscellaneous	11,834	10,000	-	(10,000)
Total revenues	<u>2,567,700</u>	<u>2,169,737</u>	<u>1,866,152</u>	<u>(303,585)</u>
Expenses:				
Personal services	348,624	315,069	296,456	18,613
Materials and supplies	66,087	59,726	61,499	(1,773)
Contractual services	1,054,199	952,729	881,755	70,974
Other	102,019	92,200	80,025	12,175
Capital outlay				
Software	9,295	8,400	8,400	-
Sewer cleaning	48,730	44,040	15,320	28,720
Pumphouse radio	607	549	549	-
Truck	19,917	18,000	15,575	2,425
Monroe/East Avenue intersection	287,690	260,000	252,359	7,641
Potamac/Swank sewer	763,486	690,000	628,892	61,108
Sewer rehabilitation	37,621	34,000	-	34,000
Sewer pump replacement	11,065	10,000	-	10,000
Water meter replacement	13,278	12,000	10,589	1,411
Debt service:				
Principal retirement	39,834	36,000	36,000	-
Interest and fiscal charges	18,257	16,500	25,570	(9,070)
Total expenses	<u>2,820,709</u>	<u>2,549,213</u>	<u>2,312,989</u>	<u>236,224</u>
Net loss before transfers	<u>(253,009)</u>	<u>(379,476)</u>	<u>(446,837)</u>	<u>(67,361)</u>
Transfers out	<u>(165,975)</u>	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>
Net change in fund equity	(418,984)	(529,476)	(446,837)	82,639
Fund equity at beginning of year	3,783,743	3,783,743	3,783,743	-
Prior year encumbrances appropriated . . .	40,298	40,298	40,298	-
Fund equity at end of year	<u>\$ 3,405,057</u>	<u>\$ 3,294,565</u>	<u>\$ 3,377,204</u>	<u>\$ 82,639</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 68,872	\$ 69,152	\$ 69,718	566
Charges for services	1,678,510	1,685,349	1,699,142	13,793
Special assessments	149,059	149,666	150,891	1,225
Miscellaneous	8,359	8,393	8,462	69
Total revenues	<u>1,904,800</u>	<u>1,912,560</u>	<u>1,928,213</u>	<u>15,653</u>
Expenses:				
Personal services	291,102	300,327	263,603	36,724
Materials and supplies	109,934	98,726	99,549	(823)
Contractual services	1,074,757	1,224,332	973,231	251,101
Other	57,796	38,727	52,336	(13,609)
Capital outlay				
Software	9,276	8,400	8,400	-
Truck	17,200	18,000	15,575	2,425
Monroe/East Avenue intersection	99,271	60,000	89,893	(29,893)
New watertower	102,289	122,000	92,626	29,374
Pumphouse radio control	606	549	549	-
Water meter replacement	12,882	12,000	11,665	335
Debt service:				
Principal retirement	113,745	103,000	103,000	-
Interest and fiscal charges	28,869	30,400	26,142	4,258
Total expenses	<u>1,917,727</u>	<u>2,016,461</u>	<u>1,736,569</u>	<u>279,892</u>
Net change in fund equity	(12,927)	(103,901)	191,644	295,545
Fund equity at beginning of year	2,042,155	2,042,155	2,042,155	-
Prior year encumbrances appropriated	<u>28,812</u>	<u>28,812</u>	<u>28,812</u>	<u>-</u>
Fund equity at end of year	<u>\$ 2,058,040</u>	<u>\$ 1,967,066</u>	<u>\$ 2,262,611</u>	<u>\$ 295,545</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STORM WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 424,700	\$ 425,128	\$ 448,224	23,096
Total revenues.	<u>424,700</u>	<u>425,128</u>	<u>448,224</u>	<u>23,096</u>
Expenses:				
Personal services.	22,951	65,000	28,836	36,164
Contractual services	63,306	110,000	79,536	30,464
Other	35	-	44	(44)
Capital outlay				
Overdale Northwest Avenue improvement	9,949	30,000	12,500	17,500
Northeast Avenue improvement.	117,823	-	148,032	(148,032)
Monroe/East Avenue intersection.	208,469	250,000	261,918	(11,918)
Mapping project.	<u>2,467</u>	<u>80,000</u>	<u>3,100</u>	<u>76,900</u>
Total expenses	<u>425,000</u>	<u>535,000</u>	<u>533,966</u>	<u>1,034</u>
Net change in fund equity	(300)	(109,872)	(85,742)	24,130
Fund equity at beginning of year.	189,936	189,936	189,936	-
Prior year encumbrances appropriated . . .	<u>2,980</u>	<u>2,980</u>	<u>2,980</u>	<u>-</u>
Fund equity at end of year	<u>\$ 192,616</u>	<u>\$ 83,044</u>	<u>\$ 107,174</u>	<u>\$ 24,130</u>

CITY OF TALLMADGE, OHIO

*SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SELF-INSURANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,141,829	\$ 1,335,221	\$ 1,336,770	\$ 1,549
Miscellaneous	91,054	106,477	106,600	123
Total revenues.	<u>1,232,883</u>	<u>1,441,698</u>	<u>1,443,370</u>	<u>1,672</u>
Expenses:				
Contractual services	304,173	442,500	448,894	(6,394)
Claims	851,827	1,293,500	1,257,116	36,384
Total expenses	<u>1,156,000</u>	<u>1,736,000</u>	<u>1,706,010</u>	<u>29,990</u>
Net income (loss) before transfers	<u>76,883</u>	<u>(294,302)</u>	<u>(262,640)</u>	<u>31,662</u>
Transfers in	<u>85,417</u>	<u>99,884</u>	<u>100,000</u>	<u>116</u>
Net change in fund equity	162,300	(194,418)	(162,640)	31,778
Fund equity at beginning of year.	<u>312,760</u>	<u>312,760</u>	<u>312,760</u>	<u>-</u>
Fund equity at end of year	<u>\$ 475,060</u>	<u>\$ 118,342</u>	<u>\$ 150,120</u>	<u>\$ 31,778</u>

CITY OF TALLMADGE, OHIO

*INDIVIDUAL FUND SCHEDULES
FUND DESCRIPTION - AGENCY FUND*

AGENCY FUND

Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is the City's agency fund:

Revolving Trust Fund

To account for monies put on deposit with the City in accordance with various City ordinances.

CITY OF TALLMADGE, OHIO

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

Revolving Trust	Beginning Balance 12/31/2005	Additions	Reductions	Ending Balance 12/31/2006
Assets:				
Equity in pooled cash and cash equivalents	\$ 148,398	\$ 112,449	\$ 102,972	\$ 157,875
Total assets.	<u>\$ 148,398</u>	<u>\$ 112,449</u>	<u>\$ 102,972</u>	<u>\$ 157,875</u>
Liabilities:				
Deposits held and due to others	\$ 148,398	\$ 112,449	\$ 102,972	\$ 157,875
Total liabilities	<u>\$ 148,398</u>	<u>\$ 112,449</u>	<u>\$ 102,972</u>	<u>\$ 157,875</u>

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STATISTICAL SECTION

CITY OF TALLMADGE, OHIO

STATISTICAL SECTION

This part of the City of Tallmadge'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.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	S 3
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the income tax.	S 11
Debt Capacity 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.	S 20
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	S 24
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.	S 26

Sources: 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.

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TABLE 1

CITY OF TALLMADGE, OHIO

*NET ASSETS BY COMPONENT
LAST FOUR YEARS
(ACCRUAL BASIS OF ACCOUNTING)*

	Year Ended			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 17,737,954	\$ 18,399,103	\$ 17,653,191	\$ 17,583,070
Restricted	1,674,816	1,529,570	1,649,621	1,553,853
Unrestricted	3,503,641	2,949,555	3,096,621	2,646,696
Total governmental activities net assets	<u>\$ 22,916,411</u>	<u>\$ 22,878,228</u>	<u>\$ 22,399,433</u>	<u>\$ 21,783,619</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 9,615,868	\$ 9,745,354	\$ 11,597,918	\$ 13,115,962
Unrestricted	7,410,786	7,030,332	7,999,516	7,909,825
Total business-type activities net assets	<u>\$ 17,026,654</u>	<u>\$ 16,775,686</u>	<u>\$ 19,597,434</u>	<u>\$ 21,025,787</u>
Primary government				
Invested in capital assets, net of related debt	\$ 27,353,822	\$ 28,144,457	\$ 29,251,109	\$ 30,699,032
Restricted	1,674,816	1,529,570	1,649,621	1,553,853
Unrestricted	10,914,427	9,979,887	11,096,137	10,556,521
Total primary government net assets	<u>\$ 39,943,065</u>	<u>\$ 39,653,914</u>	<u>\$ 41,996,867</u>	<u>\$ 42,809,406</u>

Note: 2003 was the first year the City implemented GASB Statement No. 34, so comparative information before that date is not available.

TABLE 2

CITY OF TALLMADGE, OHIO

CHANGES IN NET ASSETS
LAST FOUR YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Year Ended			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 2,751,310	\$ 2,813,020	\$ 2,909,459	\$ 3,174,313
Security of persons and property				
Police	3,247,632	3,587,033	3,602,372	3,897,751
Street lights	20,798	18,986	12,834	6,989
Fire	1,947,126	1,885,594	1,983,204	2,248,274
Public health and welfare	150,404	209,709	67,088	61,698
Transportation	2,981,215	2,168,223	2,843,072	3,366,399
Community environment	409,640	387,578	390,832	425,437
Leisure time activity	731,878	1,342,519	1,723,848	1,843,327
Interest and fiscal charges	407,820	383,820	453,538	442,733
Total governmental activities expenses	<u>12,647,823</u>	<u>12,796,482</u>	<u>13,986,247</u>	<u>15,466,921</u>
Business-type activities:				
Sewer	2,329,878	2,485,670	2,185,614	1,636,351
Water	1,758,751	1,708,243	1,640,657	1,655,596
Storm Water	-	-	126,335	193,978
Total business-type activities expenses	<u>4,088,629</u>	<u>4,193,913</u>	<u>3,952,606</u>	<u>3,485,925</u>
Total primary government expenses	<u>\$ 16,736,452</u>	<u>\$ 16,990,395</u>	<u>\$ 17,938,853</u>	<u>\$ 18,952,846</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 203,117	\$ 104,361	\$ 133,617	\$ 157,812
Security of persons and property				
Police	19,465	8,070	10,313	16,567
Fire	317,028	320,636	357,757	357,459
Public health and welfare	78,931	63,360	70,254	81,450
Community environment	302,380	305,058	203,636	264,462
Leisure time activity	136,947	887,084	1,282,008	1,498,857
Operating grants and contributions	633,414	764,100	993,310	894,485
Capital grants and contributions	370,041	106,961	386,216	1,283,034
Total governmental program revenues	<u>2,061,323</u>	<u>2,559,630</u>	<u>3,437,111</u>	<u>4,554,126</u>
Business-type activities:				
Charges for services:				
Sewer	2,207,559	2,196,419	2,233,693	1,523,778
Water	1,544,119	1,652,053	1,869,017	1,706,887
Storm Water	-	-	388,021	459,861
Capital grants and contributions	289,989	-	-	-
Total business-type activities program revenues	<u>4,041,667</u>	<u>3,848,472</u>	<u>4,490,731</u>	<u>3,690,526</u>
Total primary government program revenue	<u>\$ 6,102,990</u>	<u>\$ 6,408,102</u>	<u>\$ 7,927,842</u>	<u>\$ 8,244,652</u>
Net (Expense)/Revenue				
Governmental activities	\$ (10,586,500)	\$ (10,236,852)	\$ (10,549,136)	\$ (10,912,795)
Business-type activities	(46,962)	(345,441)	538,125	204,601
Total primary government net expense	<u>\$ (10,633,462)</u>	<u>\$ (10,582,293)</u>	<u>\$ (10,011,011)</u>	<u>\$ (10,708,194)</u>

-- Continued

TABLE 2

CITY OF TALLMADGE, OHIO

CHANGES IN NET ASSETS (CONTINUED)
 LAST FOUR YEARS
 (ACCRUAL BASIS OF ACCOUNTING)

	Year Ended			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 1,730,744	\$ 1,979,761	\$ 2,089,647	\$ 2,159,769
Income taxes	6,896,029	6,686,817	7,291,435	7,037,324
Unrestricted grants and contributions	1,449,803	1,445,510	1,665,173	1,716,295
Investment earnings	160,018	61,788	165,066	293,692
Miscellaneous	103,835	38,535	40,897	89,481
Transfers	-	(13,742)	(2,158,885)	(999,580)
Total governmental activities	<u>10,340,429</u>	<u>10,198,669</u>	<u>9,093,333</u>	<u>10,296,981</u>
Business-type activities:				
Investment earnings	64,954	47,643	120,508	215,710
Miscellaneous	11,979	33,088	4,230	8,462
Transfers	-	13,742	2,158,885	999,580
Total business-type activities	<u>76,933</u>	<u>94,473</u>	<u>2,283,623</u>	<u>1,223,752</u>
Total primary government	<u>\$ 10,417,362</u>	<u>\$ 10,293,142</u>	<u>\$ 11,376,956</u>	<u>\$ 11,520,733</u>
Change in Net Assets				
Governmental activities	\$ (246,071)	\$ (38,183)	\$ (1,455,803)	\$ (615,814)
Business-type activities	29,971	(250,968)	2,821,748	1,428,353
Total primary government	<u>\$ (216,100)</u>	<u>\$ (289,151)</u>	<u>\$ 1,365,945</u>	<u>\$ 812,539</u>

Note: 2003 was the first year the City implemented GASB Statement No. 34, so comparative information before that date is not available.

TABLE 3

CITY OF TALLMADGE, OHIO

FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$ 297,359	\$ 185,840	\$ 299,134	\$ 304,593
Unreserved	2,833,982	2,727,989	1,937,915	2,080,625
Total general fund	<u>\$ 3,131,341</u>	<u>\$ 2,913,829</u>	<u>\$ 2,237,049</u>	<u>\$ 2,385,218</u>
All Other Governmental Funds				
Reserved	\$ 679,364	\$ 1,890,569	\$ 716,629	\$ 1,139,645
Unreserved, reported in:				
Special revenue funds	768,847	702,766	530,363	155,020
Debt service funds	-	-	-	-
Capital projects funds	(1,221,212)	(280,351)	(214,125)	(1,552,761)
Total all other governmental funds	<u>\$ 226,999</u>	<u>\$ 2,312,984</u>	<u>\$ 1,032,867</u>	<u>\$ (258,096)</u>

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 123,950	\$ 181,078	\$ 65,682	\$ 141,361	\$ 119,505	\$ 215,920
2,487,149	2,622,779	2,647,039	1,924,934	2,275,772	2,550,408
<u>\$ 2,611,099</u>	<u>\$ 2,803,857</u>	<u>\$ 2,712,721</u>	<u>\$ 2,066,295</u>	<u>\$ 2,395,277</u>	<u>\$ 2,766,328</u>
\$ 464,640	\$ 600,930	\$ 1,222,263	\$ 105,120	\$ 255,652	\$ 1,252,535
357,432	825,375	355,423	426,887	411,964	170,674
-	-	24,123	36,601	19,751	21,558
351,804	160,882	(504,608)	(140,627)	(32,187)	(989,740)
<u>\$ 1,173,876</u>	<u>\$ 1,587,187</u>	<u>\$ 1,097,201</u>	<u>\$ 427,981</u>	<u>\$ 655,180</u>	<u>\$ 455,027</u>

TABLE 4

CITY OF TALLMADGE, OHIO

GOVERNMENTAL FUND REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION (1)
LAST TEN YEARS

	1997	1998	1999
Revenues			
Property and other taxes	\$ 1,849,843	\$ 1,604,135	\$ 1,582,460
Municipal income taxes	6,099,877	6,354,273	6,589,765
Intergovernmental	1,997,967	2,772,376	2,221,884
Investment income	271,019	291,124	183,937
Fines, licenses, and permits	240,615	258,358	243,252
Special assessments	7,611	1,687	1,695
Charges for services	280,488	289,438	311,443
Miscellaneous	200,747	254,767	95,461
Total revenues	<u>\$ 10,948,167</u>	<u>\$ 11,826,158</u>	<u>\$ 11,229,897</u>
Expenditures			
Current:			
General government	\$ 2,158,319	\$ 2,114,131	\$ 2,221,779
Security of persons and property (2)	3,686,799	4,119,655	4,534,246
Police	N/A	N/A	N/A
Street lighting	N/A	N/A	N/A
Fire	N/A	N/A	N/A
Public health and welfare	148,372	166,522	156,997
Transportation	1,111,354	1,221,798	1,272,087
Leisure time activities	685,236	608,091	682,367
Community environment	296,608	250,321	320,732
Capital outlay	4,312,045	2,781,815	2,930,553
Debt service			
Principal retirement	616,767	367,747	797,434
Interest and fiscal charges	207,766	284,151	333,460
Bond issue costs	-	-	-
Total expenditures	<u>13,223,266</u>	<u>11,914,231</u>	<u>13,249,655</u>
Excess of revenues over (under) expenditures	<u>(2,275,099)</u>	<u>(88,073)</u>	<u>(2,019,758)</u>
Other Financing Sources (Uses)			
Capital lease transaction	1,175,981	123,606	133,350
Bond issuance	-	2,400,000	-
Note issuance	-	-	-
Bond and note premium	-	-	-
Payment to refunded bond escrow agent	-	-	-
Sale of assets	-	-	350,000
Transfers in	3,980,769	3,359,328	4,233,877
Transfers out	<u>(3,040,570)</u>	<u>(3,954,616)</u>	<u>(4,631,007)</u>
Total other financing sources (uses)	<u>2,116,180</u>	<u>1,928,318</u>	<u>86,220</u>
Change in reserve for inventory	<u>(23,477)</u>	<u>28,228</u>	<u>(23,359)</u>
Net change in fund balances	<u>\$ (182,396)</u>	<u>\$ 1,868,473</u>	<u>\$ (1,956,897)</u>
Debt service as a percentage of noncapital expenditures	6.24%	5.47%	8.54%

(1) Includes General, Special Revenue, Debt Service and Capital Projects fund.

(2) 2003 was the first year subcategories were identified for security of persons and property.

2000	2001	2002	2003	2004	2005	2006
\$ 1,618,751	\$ 2,010,802	\$ 1,944,979	\$ 1,708,242	\$ 1,980,804	\$ 2,058,105	\$ 2,158,881
6,775,780	6,739,909	6,617,777	6,914,659	6,860,554	7,191,712	7,582,166
2,466,027	2,119,103	2,223,887	2,256,760	2,259,133	2,970,383	3,789,555
319,377	296,318	145,717	160,018	61,788	162,809	279,309
234,493	323,608	414,832	351,338	339,752	316,559	382,257
143,926	85,883	105,829	35,606	103,835	96,587	110,518
326,951	593,539	700,941	706,530	1,270,980	1,709,942	1,934,540
128,147	366,468	124,480	103,835	145,496	109,857	156,581
<u>\$ 12,013,452</u>	<u>\$ 12,535,630</u>	<u>\$ 12,278,442</u>	<u>\$ 12,236,988</u>	<u>\$ 13,022,342</u>	<u>\$ 14,615,954</u>	<u>\$ 16,393,807</u>
\$ 2,392,119	\$ 2,639,616	\$ 2,580,493	\$ 2,667,992	\$ 2,573,741	\$ 2,738,094	\$ 2,909,319
4,559,866	4,546,800	4,554,729	N/A	N/A	N/A	N/A
N/A	N/A	N/A	3,204,202	3,296,195	3,446,848	3,654,771
N/A	N/A	N/A	20,798	18,986	12,834	6,989
N/A	N/A	N/A	1,929,459	1,932,466	1,892,249	2,061,974
159,353	173,349	178,764	164,022	208,182	65,978	61,006
1,464,656	1,403,016	1,410,876	1,988,834	1,767,576	2,092,159	1,934,062
780,070	727,899	695,650	649,449	1,211,521	1,536,463	1,634,509
350,053	385,460	382,185	408,898	382,994	394,293	413,599
3,588,325	2,845,234	1,512,013	5,270,018	1,797,036	1,053,137	2,961,006
318,242	200,000	255,000	363,906	4,513,067	4,210,000	4,224,245
303,277	358,523	401,197	367,969	422,365	416,172	534,116
-	-	-	-	-	-	126,892
<u>13,915,961</u>	<u>13,279,897</u>	<u>11,970,907</u>	<u>17,035,547</u>	<u>18,124,129</u>	<u>17,858,227</u>	<u>20,522,488</u>
<u>(1,902,509)</u>	<u>(744,267)</u>	<u>307,535</u>	<u>(4,798,559)</u>	<u>(5,101,787)</u>	<u>(3,242,273)</u>	<u>(4,128,681)</u>
259,957	101,441	-	-	-	41,684	397,815
1,070,000	2,175,000	-	-	-	-	4,670,000
-	-	-	4,200,000	3,900,000	3,800,000	-
-	-	-	17,437	25,074	16,770	168,521
-	-	-	-	-	-	(837,667)
25,988	-	-	-	-	-	910
3,830,192	3,583,534	3,706,381	3,066,651	3,458,795	3,111,900	3,525,813
(4,146,953)	(3,775,531)	(3,697,688)	(3,066,651)	(3,472,537)	(3,171,900)	(3,625,813)
<u>1,039,184</u>	<u>2,084,444</u>	<u>8,693</u>	<u>4,217,437</u>	<u>3,911,332</u>	<u>3,798,454</u>	<u>4,299,579</u>
<u>31,874</u>	<u>6,330</u>	<u>56,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (831,451)</u>	<u>\$ 1,346,507</u>	<u>\$ 372,386</u>	<u>\$ (581,122)</u>	<u>\$ (1,190,455)</u>	<u>\$ 556,181</u>	<u>\$ 170,898</u>
4.47%	4.21%	5.48%	4.30%	27.23%	25.90%	23.80%

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TABLE 5**CITY OF TALLMADGE, OHIO***REAL AND PUBLIC UTILITY PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS*

Year	Net Tax Levy (Current Billed Portion)	Current Collections	Percent of Current Collections to Net Levy	Delinquent Collections	Total Collections	Percent of Total Collections to Levy	Current Delinquent Amount
1997	\$ 1,639,879	\$ 1,591,741	97.06%	\$ 41,325	\$ 1,633,066	99.58%	\$ 48,138
1998	1,490,904	1,457,910	97.79%	26,591	1,484,501	99.57%	32,994
1999	1,515,291	1,469,755	96.99%	15,961	1,485,716	98.05%	45,536
2000	1,594,350	1,576,485	98.88%	43,833	1,620,318	101.63%	17,865
2001	1,631,483	1,568,764	96.16%	51,773	1,620,537	99.33%	62,719
2002	1,660,530	1,593,716	95.98%	46,620	1,640,336	98.78%	66,814
2003	1,789,863	1,700,547	95.01%	67,051	1,767,598	98.76%	89,316
2004	1,824,148	1,764,078	96.71%	83,855	1,847,933	101.30%	60,707
2005	1,882,841	1,819,123	96.62%	43,881	1,863,004	98.95%	63,718
2006	1,967,591	1,906,144	96.88%	69,070	1,975,214	100.39%	61,446

Source: Summit County, Ohio; County Fiscal Officer

TABLE 6**CITY OF TALLMADGE, OHIO***TANGIBLE PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS*

Year	Net Tax Levy (Current Billed Portion)	Current Collections	Percent of Current Collections to Net Levy	Delinquent Collections	Total Collections	Percent of Total Collections to Levy	Current Delinquent Amount
1997	\$ 304,878	\$ 301,282	98.82%	\$ 7,244	\$ 308,526	101.20%	\$ 3,596
1998	247,895	239,125	96.46%	8,367	247,492	99.84%	8,770
1999	241,711	238,398	98.63%	8,195	246,593	102.02%	3,313
2000	255,877	233,492	91.25%	4,092	237,584	92.85%	22,385
2001	264,479	256,127	96.84%	9,048	265,175	100.26%	8,352
2002	263,718	253,179	96.00%	9,199	262,378	99.49%	10,539
2003	254,955	252,476	99.03%	8,416	260,892	102.33%	2,479
2004	243,161	226,035	92.96%	9,025	235,060	96.67%	17,126
2005	263,235	245,108	93.11%	27,437	272,545	103.54%	18,128
2006	189,649	183,596	96.81%	19,468	203,064	107.07%	6,053

Source: Summit County, Ohio; County Fiscal Officer

TABLE 7**CITY OF TALLMADGE, OHIO***ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS*

Year	Real Property		Public Utility Property	
	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value
1997	\$ 712,889,971	\$ 249,511,490	\$ 26,051,600	\$ 9,118,060
1998	731,460,714	256,011,250	25,261,429	8,841,500
1999	738,369,000	258,429,150	25,669,029	8,984,160
2000	816,517,314	285,781,060	26,022,429	9,107,850
2001	859,139,571	300,698,850	23,372,200	8,180,270
2002	886,031,029	310,110,860	20,721,286	7,252,450
2003	999,731,057	349,905,870	21,472,543	7,515,390
2004*	994,362,914	348,027,020	21,155,829	7,404,540
2005*	1,187,532,747	360,024,610	21,559,086	7,545,680
2006*	1,113,123,171	389,593,110	19,050,886	6,667,810

Note: The current assessed valuation is computed at approximately the following percentages of estimated true value; real property - 35% public utilities - 100%. The assessed value of Tangible Personal Property has declined as a result of State law from 35% in 1984 to 25% for capital assets and 23% for inventory.

* Summit County valuations only - Portage County not included.

Source: Summit County, Ohio; County Fiscal Officer

Tangible Personal Property		Total	
Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value
\$ 159,034,324	\$ 39,758,581	\$ 897,975,895	\$ 298,388,131
161,008,104	40,252,026	917,730,247	305,104,776
157,077,640	39,269,410	921,115,669	306,682,720
166,424,376	41,606,094	1,008,964,119	336,495,004
185,788,176	46,447,044	1,068,299,947	355,326,164
184,328,148	46,082,037	1,091,080,463	363,445,347
168,715,748	42,178,937	1,189,919,348	399,600,197
157,341,724	39,335,431	1,172,860,467	394,766,991
150,316,368	37,579,092	1,359,408,201	405,149,382
122,531,132	30,632,783	1,254,705,189	426,893,703

TABLE 8**CITY OF TALLMADGE, OHIO**

*PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN YEARS*

	<u>Collection Year</u>	<u>County Levy</u>	<u>School Levy</u>	<u>Akron/Summit Library</u>	<u>Fire/Ambulance</u>	<u>Total Levy</u>	<u>Debt Service</u>
1	1997	\$ 11.39	\$ 53.83	\$ 0.89	\$ 7.66	\$ 73.77	\$ 0.49
2	1997	11.39	49.34		7.66	68.39	3.09
1	1998	11.65	53.83	1.87	6.15	73.50	1.32
2	1998	11.65	47.74		6.15	65.54	2.25
1	1999	12.27	53.83	1.79	6.15	74.04	1.35
2	1999	12.27	47.64		6.15	66.06	2.55
1	2000	12.27	53.68	1.39	6.15	73.49	0.86
2	2000	12.27	46.44		6.15	64.86	2.16
1	2001	13.07	53.68	1.39	6.15	74.29	0.86
2	2001	13.07	46.44		6.15	65.66	2.86
1	2002	13.07	59.73	1.35	6.15	80.30	0.82
2	2002	13.07	45.74		6.15	64.96	1.94
1	2003	13.07	59.73	1.59	6.15	80.54	1.22
2	2003	13.07	48.32		6.15	67.54	1.87
1	2004	13.07	59.73	0.78	6.15	79.73	1.47
2	2004	13.07	47.93		6.15	67.15	2.09
1	2005	13.07	64.42	2.14	6.15	85.78	6.10
2	2005	13.07	47.88		6.15	67.10	2.07
1	2006	13.07	64.42	2.04	6.15	85.68	6.10
2	2006	13.07	46.73	1.00	6.15	66.95	2.07

Source: Summit County, Ohio; County Fiscal Officer

Note: Taxes are levied at the same rate in both the 1st and 2nd half; however, there are two sets of rates because both Tallmadge CSD (1) and Stow/Munroe Falls CSD (2) overlap Tallmadge City.

TABLE 9**CITY OF TALLMADGE, OHIO**

*CITY - WIDE PROPERTY TAX RATES (PER \$1,000 OF ASSESSED VALUATION)
LAST TEN YEARS*

<u>Collection Year</u>	<u>Inside Operating</u>	<u>Outside Operating</u>	<u>Police Pension</u>	<u>Fire/Ambulance</u>	<u>Total Tax Rate</u>
1997	2.10	N/A	0.30	3.75	6.15
1998	2.10	N/A	0.30	3.75	6.15
1999	2.10	N/A	0.30	3.75	6.15
2000	2.10	N/A	0.30	3.75	6.15
2001	2.10	N/A	0.30	3.75	6.15
2002	2.10	N/A	0.30	3.75	6.15
2003	2.10	N/A	0.30	3.75	6.15
2004	2.10	N/A	0.30	3.75	6.15
2005	2.10	N/A	0.30	3.75	6.15
2006	2.10	N/A	0.30	3.75	6.15

Source: Summit County, Ohio; County Fiscal Officer

TABLE 10

CITY OF TALLMADGE, OHIO

REAL PROPERTY PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

		December 31, 2006	
Name of Taxpayer	Nature of Business	Valuation	Assessed Valuation
Eastwood Square Associates LTD	Retail Property Management	\$ 2,516,820	0.65%
Big Zilla Development LLC	Retail Property Management	2,423,270	0.62%
Tallmadge Oaks LTD	Apartment Complex	2,317,100	0.59%
Heather Knoll Rental Properties LLC	Apartment Complex	1,809,510	0.46%
Saxon Village Limited	Apartment Complex	1,770,780	0.46%
OHI Asset Essex OH LLC	Nursing Home	1,615,550	0.42%
Myers Family Limited Partnership Limited	Light Manufacturing	1,589,950	0.41%
GE Tallmadge Portfolio LP	Grocery	1,409,730	0.36%
DWEK Ohio LLC	Retail Property Management	1,326,540	0.34%
Tallmadge Acres Apartments Inc.	Apartment Complex	1,261,690	0.32%
Total		<u>\$ 18,040,940</u>	<u>4.63%</u>
Total Assessed Valuation - Real Property		<u>\$ 389,593,110</u>	<u>91.26%</u>
		December 31, 1997	
Name of Taxpayer	Nature of Business	Valuation	Assessed Valuation
Tallmadge Associates	Retail Property Management	\$ 2,636,150	1.06%
Tallmadge Oaks II	Apartment Complex	1,947,930	0.78%
Saxon Village Limited	Apartment Complex	1,775,380	0.71%
Paul D. Sergi	Auto Parts Distribution	1,630,040	0.65%
Colonial Gardens Inc.	Nursing Home	1,508,150	0.60%
Tell Schipper Prop. Inc.	Rental/Office Space	1,169,460	0.47%
David Schipper	Industrial Property Management	1,153,360	0.46%
Tallmadge Acres	Senior Apartment Complex	1,086,160	0.44%
Wolar Tallmadge & Associates	Property Management	988,490	0.40%
Venture Akron Ltd.	Industrial Property Management	941,490	0.38%
Total		<u>\$ 14,836,610</u>	<u>5.95%</u>
Total Assessed Valuation - Real Property		<u>\$ 249,511,490</u>	<u>83.62%</u>

Source: Summit County, Ohio; County Fiscal Officer

TABLE 11

CITY OF TALLMADGE, OHIO

TANGIBLE AND PUBLIC UTILITY PERSONAL PROPERTY PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

		<u>December 31, 2006</u>	
<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Valuation</u>	<u>Assessed Valuation</u>
Autosales, Inc.	Auto Parts Distribution	\$ 3,821,340	10.24%
Owens Corning	Insulation: Sheet and Foam	3,448,850	9.25%
Ohio Edison	Utilities	2,586,080	6.93%
Waltco Truck Equipment Co.	Electro-Hydraulic Tailgate Lifts	2,085,810	5.59%
Steere Enterprises, Inc.	Custom Plastics & Vinyl	1,819,290	4.88%
Ohio Bell Telephone	Telephone Service	1,730,890	4.64%
Mark-Glen, Inc.	Auto Sales	1,341,990	3.60%
Star Chevrolet, Inc.	Auto Sales	1,267,680	3.40%
Comdoc, Inc.	Data Systems Archiving	1,231,590	3.30%
Horton Manufacturing Co., Inc.	Manufacturing	1,189,510	3.19%
Total		<u>\$ 20,523,030</u>	<u>55.02%</u>
Total Assessed Valuation - Tangible and Public Utility Personal Property		<u>\$ 37,300,593</u>	<u>8.74%</u>
		<u>December 31, 1997</u>	
<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Valuation</u>	<u>Assessed Valuation</u>
Autosales, Inc.	Auto Parts Distribution	\$ 6,096,880	12.47%
Ohio Bell Telephone	Telephone Service	4,022,150	8.23%
Ohio Edison	Utilities	3,234,700	6.62%
UC Industries	Insulation: Sheet and Foam	2,574,364	5.27%
Fred Godard Ford Inc.	Auto Sales	1,500,900	3.07%
Waltco Truck Equipment Co.	Electro-Hydraulic Tailgate Lifts	1,373,260	2.81%
S.D Myers Inc.	Electrical Transformers/Recycling & Repair	1,356,970	2.78%
Star Chevrolet, Inc.	Auto Sales	1,268,730	2.60%
The Martin Wheel Co.	Manufacturing	1,198,610	2.45%
Hunt Machine & Manufacturing Co. Inc.	Manufacturing	1,167,950	2.39%
Total		<u>\$ 23,794,514</u>	<u>48.68%</u>
Total Assessed Valuation - Tangible and Public Utility Personal Property		<u>\$ 48,876,641</u>	<u>16.38%</u>

Source: Summit County, Ohio; County Fiscal Officer

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TABLE 12

CITY OF TALLMADGE

INCOME TAX REVENUE BASE AND COLLECTIONS
LAST TEN YEARS

Year	Tax Rate	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits
1997	2.00%	\$ 6,111,864	\$ 4,402,511	72.03%	\$ 880,122	14.40%
1998	2.00%	6,321,201	4,661,122	73.74%	840,404	13.30%
1999	2.00%	6,496,482	4,824,341	74.26%	776,025	11.95%
2000	2.00%	6,775,781	5,004,743	73.86%	920,206	13.58%
2001	2.00%	6,724,384	4,945,590	73.55%	771,159	11.47%
2002	2.00%	6,617,577	4,873,435	73.64%	740,076	11.18%
2003	2.00%	6,866,532	4,931,204	71.82%	912,822	13.29%
2004	2.00%	6,688,843	4,860,149	72.66%	821,027	12.27%
2005	2.00%	7,211,176	5,289,862	73.36%	895,984	12.42%
2006	2.00%	7,438,498	5,519,329	74.20%	960,195	12.91%

Source: City of Tallmadge Income Tax Department.

Taxes from Individuals	Percentage of Taxes from Individuals	Tax from Utilities	Percentage of Tax from Utilities
\$ 829,231	13.57%	\$ -	0.00%
819,675	12.97%	-	0.00%
896,116	13.79%	-	0.00%
850,832	12.56%	-	0.00%
1,007,635	14.98%	-	0.00%
1,004,066	15.17%	-	0.00%
975,582	14.21%	46,924	0.68%
959,188	14.34%	48,479	0.72%
947,627	13.14%	77,703	1.08%
936,441	12.59%	22,533	0.30%

TABLE 13

CITY OF TALLMADGE, OHIO

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

Year	Governmental Activities				Business-Type Activities		
	General Obligation Bonds	Special Assessment Bonds	Notes	Capital Leases	Special Assessment Bonds	Notes	Capital Leases
1997	\$ 1,809,000	\$ -	\$ 1,765,000	\$ 790,435	\$ 1,080,000	\$ 1,000,000	\$ -
1998	4,124,000	-	1,155,000	631,294	1,272,000	445,000	-
1999	3,964,000	-	1,155,000	127,210	1,154,000	-	-
2000	3,799,000	1,070,000	2,270,000	233,925	1,036,000	900,000	-
2001	5,804,000	1,040,000	-	203,313	1,606,000	-	-
2002	5,579,000	1,010,000	-	91,973	1,451,000	-	25,306
2003	5,324,000	980,000	500,000	13,067	1,286,000	-	13,068
2004	5,059,000	945,000	4,200,000	-	1,146,000	-	-
2005	4,784,000	910,000	3,900,000	41,684	1,006,000	-	-
2006	8,338,000	870,000	-	366,254	867,000	-	-

Sources:

- (a) See notes to the financial statements regarding the City's debt information.
(b) See Table 18 Demographic and Economic Statistics - Last Ten Years for personal income and population.

(a) Total Primary Government	(b) Total Personal Income	Percentage of Personal Income	(b) Population	Per Capita
\$ 6,444,435	\$ 231,615,120	2.78%	14,870	\$ 433
7,627,294	231,615,120	3.29%	14,870	513
6,400,210	231,615,120	2.76%	14,870	430
9,308,925	447,922,310	2.08%	16,390	568
8,653,313	447,922,310	1.93%	16,390	528
8,157,279	447,922,310	1.82%	16,390	498
8,116,135	447,922,310	1.81%	16,390	495
11,350,000	447,922,310	2.53%	16,390	692
10,641,684	475,743,232	2.24%	17,408	611
10,441,254	475,743,232	2.19%	17,408	600

TABLE 14

CITY OF TALLMADGE, OHIO

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

Year	General Obligation Bonds	(a) Estimated Actual Property Value	Percentage of Actual Taxable Value of Property	(b) Population	Per Capita
1997	\$ 1,809,000	\$ 897,975,895	0.20%	14,870	\$ 122
1998	4,124,000	917,730,247	0.45%	14,870	277
1999	3,964,000	921,115,669	0.43%	14,870	267
2000	3,799,000	1,008,964,119	0.38%	16,390	232
2001	5,804,000	1,068,299,947	0.54%	16,390	354
2002	5,579,000	1,091,080,463	0.51%	16,390	340
2003	5,324,000	1,189,919,348	0.45%	16,390	325
2004	5,059,000	1,172,860,467	0.43%	16,390	309
2005	4,784,000	1,359,408,201	0.35%	17,408	275
2006	8,338,000	1,254,705,189	0.66%	17,408	479

Sources:

(a) Summit County, Ohio; County Fiscal Officer

(b) See Table 18 Demographic and Economic Statistics - Last Ten Years for personal income and population.

TABLE 15

CITY OF TALLMADGE, OHIO

SPECIAL ASSESSMENT TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Year	Current Billed	Delinquent Billed	Current % Collected	Total Collected	Total % Collected	Current Delinquent
1997	\$ 126,142	\$ 15,479	92.86%	\$ 125,321	99.35%	\$ 9,005
1998	130,516	17,605	85.25%	125,040	95.80%	19,250
1999	152,712	23,220	94.05%	165,384	108.30%	9,088
2000	170,497	11,794	73.42%	134,740	79.03%	45,321
2001	253,383	18,555	95.26%	254,666	100.51%	19,256
2002	337,626	32,005	90.85%	338,236	100.18%	30,882
2003	334,470	30,984	93.08%	342,579	102.42%	23,146
2004	320,793	22,047	86.70%	310,487	96.79%	32,353
2005	324,158	23,846	44.06%	160,920	49.64%	181,334
2006	307,396	32,620	93.32%	318,301	103.55%	20,529

Source: Summit County, Ohio; County Fiscal Officer

TABLE 16

CITY OF TALLMADGE, OHIO

*COMPUTATION OF DIRECT AND OVERLAPPING
GENERAL OBLIGATION BONDED DEBT
DECEMBER 31, 2006*

<u>Jurisdiction</u>	<u>General Tax Bonded Debt</u>	<u>Percentage Overlapping</u>	<u>Applicable to the City</u>
Direct:			
City of Tallmadge	\$ 8,338,000	100.00%	\$ 8,338,000
Overlapping Debt:			
Summit County	63,040,000	3.33%	2,099,232
Portage County	11,403,319	0.42%	47,894
MRTA (Metro Regional Transit Authority)	1,005,000	3.33%	33,467
Stow/Munroe Falls City School District	3,187,000	0.15%	4,781
Tallmadge City School District	29,020,000	99.69%	28,930,038
Field Local School District	24,175,000	2.23%	539,103
Akron/Summit Library	56,845,000	4.95%	2,813,828
Total Overlapping Debt	<u>188,675,319</u>		<u>34,468,343</u>
Total Direct and Overlapping Debt	<u>\$ 197,013,319</u>		<u>\$ 42,806,343</u>

Sources: Summit County, Ohio; County Fiscal Officer

Note: The percentage of debt outstanding applicable to the City was determined by dividing each jurisdiction's assessed valuation within the City by the jurisdiction's total assessed valuation.

TABLE 17

CITY OF TALLMADGE, OHIO

*COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN YEARS*

<u>Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Debt Service Available Balance</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
1997	\$ 31,330,754	\$ 1,809,000	\$ 371,553	\$ 29,893,307	5.77%
1998	32,036,001	4,124,000	236,025	28,148,026	12.87%
1999	32,201,686	3,964,000	231,561	28,469,247	12.31%
2000	35,331,975	3,799,000	64,114	31,597,089	10.75%
2001	37,309,247	5,804,000	51,519	31,556,766	15.56%
2002	38,161,761	5,579,000	21,151	32,603,912	14.62%
2003	41,958,021	5,324,000	24,123	36,658,144	12.69%
2004	41,450,534	5,059,000	36,601	36,428,135	12.20%
2005	42,540,685	4,784,000	19,751	37,776,436	11.25%
2006	44,823,839	8,338,000	21,558	36,507,397	18.60%

Note: Ohio Bond Law sets a limit of 10.5% for voted debt and 5.5% for unvoted debt.

TABLE 18

CITY OF TALLMADGE, OHIO

*DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS*

Year	Population (a)	Personal Income (c)	Per Capita Personal Income (a)	Unemployment Rates (b)		
				Summit County	Ohio	United States
1997	14,870	\$ 231,615,120	\$ 15,576	4.5%	4.6%	4.9%
1998	14,870	231,615,120	15,576	4.1%	4.3%	4.5%
1999	14,870	231,615,120	15,576	4.3%	4.3%	4.2%
2000	16,390	447,922,310	27,329	4.1%	4.0%	4.0%
2001	16,390	447,922,310	27,329	4.6%	4.4%	4.7%
2002	16,390	447,922,310	27,329	6.0%	5.7%	5.8%
2003	16,390	447,922,310	27,329	6.0%	6.2%	6.0%
2004	16,390	447,922,310	27,329	6.1%	6.2%	5.5%
2005	17,408	475,743,232	27,329	5.8%	5.9%	5.1%
2006	17,408	475,743,232	27,329	4.9%	5.1%	4.3%

Sources:

- (a) Information obtained from the U.S. Census Bureau
- (b) Information obtained from the Ohio Department of Job and Family Services
- (c) Population times per capita personal income

TABLE 19

CITY OF TALLMADGE, OHIO

*NEW HOUSING STARTS
LAST TEN YEARS*

Year	New Housing Starts
1997	92
1998	96
1999	110
2000	159
2001	153
2002	123
2003	104
2004	104
2005	54
2006	78

Source: City of Tallmadge Building Department.

TABLE 20

CITY OF TALLMADGE, OHIO

*PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO*

	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Summit Racing Inc.	650	1	9.2%	300	2	4.6%
Tallmadge City Schools	360	2	5.1%	180	3	2.7%
Waltco Truck Equipment Company	293	3	4.1%	179	5	2.7%
Steere Enterprises Inc	257	4	3.6%	180	4	2.7%
Giant Eagle	145	5	2.1%	-	-	-
Owens Corning	130	6	1.8%	100	8	1.5%
S. D. Myers Inc	111	7	1.5%	450	1	6.9%
City of Tallmadge	110	8	1.5%	105	7	1.6%
The Martin Wheel Co.,Inc	98	9	1.4%	89	10	1.3%
East End Welding	90	10	1.2%	-	-	-
Norton Company Inc.	-	-	-	120	6	1.8%
Hunt Machine Inc.	-	-	-	90	9	1.4%
Total	2,244		31.5%	1,793		27.1%

Source: City of Tallmadge Economic Development Department

TABLE 21

CITY OF TALLMADGE, OHIO

*MISCELLANEOUS STATISTICS
DECEMBER 31, 2006*

Founded	1806	
Incorporated as Village	1936	
Incorporated as City	1951	
Town Hall erected	1859	
Form of government	Charter	
Population	17,408	
Area	6,891	Dwelling units
	13.5	Square miles
	8,915	Acres
Education:		
Elementary schools	3	K-1, 2-3, 4-5
Middle schools	1	6-8
High schools	1	9-12
Libraries	1	(30,000 volumes)
Churches	28	

Source: Various Departments of the City of Tallmadge

TABLE 22

CITY OF TALLMADGE, OHIO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Council	6.0	5.5	5.5	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Mayor	8.0	6.5	6.5	7.0	7.0	6.5	6.5	6.5	5.5	5.5
Finance	6.0	6.0	6.0	6.5	6.0	6.0	6.5	6.0	6.0	11.0
Treasurer *	4.5	5.5	4.5	4.5	4.5	5.0	4.5	4.5	5.0	-
Law	3.0	3.0	4.0	3.0	3.0	3.5	3.5	3.5	3.0	3.5
Service	5.5	6.0	8.0	7.0	7.5	5.5	8.5	6.5	5.5	5.0
Information Systems	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Civil Service	2.0	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Maintenance	1.0	1.0	1.0	1.0	0.5	1.5	1.5	2.0	2.5	1.0
Boards and Commissions	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Security of Persons and Property										
Police	51.0	49.0	48.0	55.5	53.5	52.5	55.5	51.5	52.0	51.5
Fire	26.0	33.0	32.0	32.0	34.5	33.0	35.5	35.5	36.5	36.5
Leisure Time Activities										
MACA Pool	20.0	20.5	19.5	19.0	17.5	24.0	26.5	18.0	18.5	17.5
Aquatics Center	-	-	-	-	-	-	-	-	9.5	-
Recreation Center	-	-	-	-	-	-	-	24.5	56.0	62.5
Community Environment										
Building & Zoning	7.5	7.5	7.5	8.0	8.5	9.0	7.5	8.0	7.5	9.0
Transportation										
Garage	4.5	4.5	4.5	4.5	4.5	5.0	5.0	6.0	4.5	4.5
Street	17.5	20.0	21.0	22.0	21.0	22.0	22.0	21.5	22.0	22.0
Utilities										
Utilities Services	8.5	7.5	8.0	9.0	8.0	9.5	9.0	11.0	9.0	8.5
Total	171.5	178.5	178.5	187.5	183.5	191.5	200.5	213.5	251.5	246.5

Source: City of Tallmadge Finance Department

*The Treasurer's Office was combined with the Finance Office in 2006.

TABLE 23

CITY OF TALLMADGE, OHIO

OPERATING INDICATORS BY FUNCTION
LAST TEN YEARS

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Security of Persons and Property										
Police										
Physical Arrests	N/A	N/A	715	658	816	702	654	711	793	718
Parking Violations	N/A	N/A	100	186	122	96	94	62	61	23
Traffic Violations	N/A	N/A	3,296	2,283	2,495	1,742	1,799	1,307	1,544	1,082
Fire										
Emergency Response Calls	N/A	N/A	N/A	N/A	1,748	1,878	2,004	2,073	2,261	2,283
Fires Extinguished	N/A	N/A	N/A	N/A	47	28	40	27	42	34
Inspections Conducted	N/A	N/A	N/A	N/A	188	153	256	603	638	605
Transportation										
Street resurfacing miles	1.46	1.83	9.19	8.30	6.96	6.56	7.38	4.71	7.03	6.02
Leisure Time Activities										
Trees Planted	25	44	85	33	14	97	10	-	8	36
Recreation Center Memberships**										
Annual	-	-	-	-	-	-	-	N/A	N/A	1,238
Monthly	-	-	-	-	-	-	-	N/A	N/A	2,902
Swimming Pool Family Memberships	190	181	221	207	183	200	153	170	145	166
Water										
Customers Served	5,441	5,586	5,761	6,025	6,226	6,342	6,514	6,629	6,723	7,088
New Connections	N/A	N/A	164	252	120	108	150	131	127	150
Water Main Breaks	N/A	15	24	22	20	18	14	21	16	10
Avg. Daily Consumption (gpd) million gallons per day	N/A	N/A	1.58	1.41	1.37	1.59	1.51	1.42	1.55	1.31
Peak Daily Consumption (gpd) million gallons per day	N/A	N/A	2.11	1.78	1.83	2.05	1.97	1.82	1.95	1.61
Sewer										
Customers Served	4,698	4,757	4,806	6,997	7,169	7,261	7,367	7,519	7,571	5,318
Storm Water										
Customers Served*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,918	7,234

Note: Information for 10 years prior was not available for all functions/programs.

*The City did not begin billing for storm water until 2005.

**The Recreation Center opened February 14, 2004. Information regarding memberships was not available until 2006.

Source: Various City of Tallmadge Department Records

TABLE 24

CITY OF TALLMADGE, OHIO

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN YEARS

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Security of Persons and Property										
Police:										
Stations	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Patrol Units	8.0	9.0	10.0	10.0	12.0	14.0	15.0	16.0	19.0	22.0
Fire Stations	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public Health and Welfare										
Cemeteries	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Leisure Time Activities										
Park Acreage	103.0	103.0	103.0	103.0	103.0	103.0	103.0	161.7	161.7	161.7
Parks	8.0	8.0	8.0	8.0	8.0	8.0	8.0	10.0	10.0	10.0
Swimming Pools	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0
Tennis Courts	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Baseball/Softball Fields	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Soccer Fields	3.0	3.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Recreation Center	-	-	-	-	-	-	-	1.0	1.0	1.0
Transportation										
Streets (paved miles)	88.0	88.5	88.5	88.5	89.0	89.0	89.0	91.7	91.7	108.5
Traffic Signals	146.0	146.0	182.0	186.0	186.0	186.0	186.0	186.0	186.0	187.0
Water										
Water Mains (miles)	68.5	68.9	68.9	68.9	69.3	69.3	69.3	71.4	71.4	84.5
Sewer										
Sanitary Sewers (miles)	49.2	49.5	49.5	49.5	49.8	49.8	49.8	51.3	51.3	60.7

Source: City of Tallmadge Records



Mary Taylor, CPA
Auditor of State

CITY OF TALLMADGE

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 12, 2007**