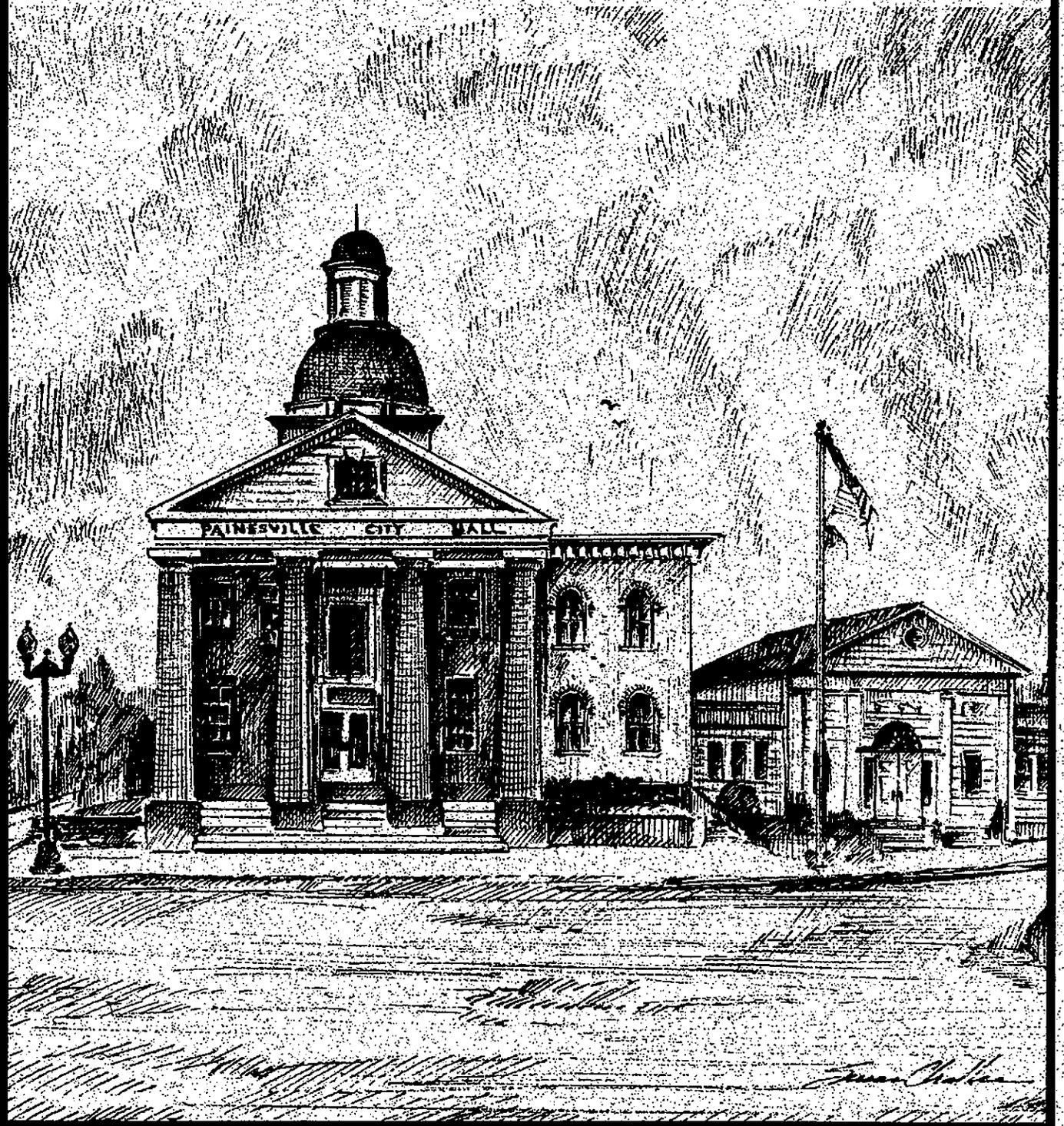


The City of Painesville, Ohio

*Comprehensive Annual Financial Report
for the Year Ended December 31, 2007*





Mary Taylor, CPA
Auditor of State

City Council
City of Painesville
7 Richmond Street
Painesville, Ohio 44077

We have reviewed the *Independent Auditors' Report* of the City of Painesville, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

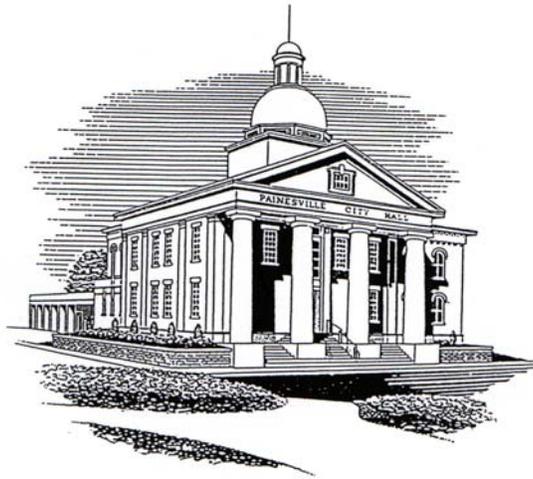
Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Painesville is responsible for compliance with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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2008

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Lake County, Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2007

Prepared by the Finance Department

Andrew A. Unetic
Director

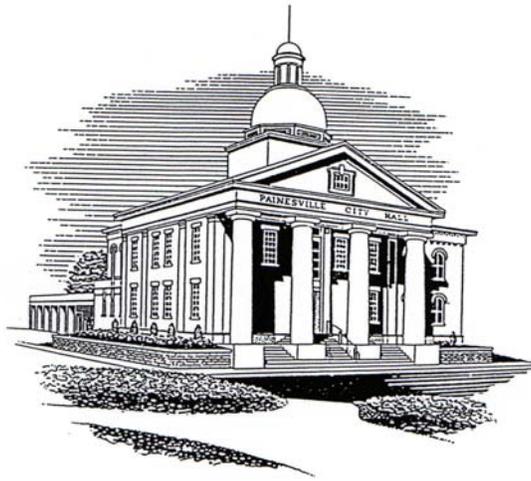


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LAKE COUNTY, OHIO

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INTRODUCTORY SECTION





7 Richmond Street • P.O. Box 601 • Painesville, Ohio 44077 • 440.352.9301 • www.painesville.com

June 27, 2008

Honorable Members of Painesville City Council and
The Citizens of the City of Painesville, Ohio:

We are pleased to present this Comprehensive Annual Financial Report for the City of Painesville, Ohio for the fiscal year ended December 31, 2007. The report has been prepared in conformity with Generally Accepted Accounting Principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

While there is no legal requirement for the preparation of this report, it represents a commitment by the City of Painesville to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data, as presented, is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and includes all disclosures necessary to enable the reader to gain an understanding of the City's financial activity.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The City of Painesville's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity

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

Based on the foregoing, the reporting entity of the City has no component unit but includes the following services as authorized by its charter: public safety (police and fire), health (health department), culture and recreation (parks and recreation), community environment (planning, zoning and community development), basic utility (water, electric, sanitation, public parking, wastewater pollution control and storm water), highways and streets (street and highway maintenance), and general government.

***Letter of Transmittal
For the Year Ended December 31, 2007***

Certain organizations, although sharing some degree of name similarity with the City, are separate and distinct entities, not only from the City, but also from each other. The City is not financially accountable for these entities. Due to their independent nature, the following organizations are not part of the City of Painesville's reporting entity and are excluded from the City's financial statements:

The Painesville City Local School District and Riverside Local School District (the "Districts") are distinct governmental entities, independent of the City and one another. The members of boards of the Districts are elected by the voters. The Districts each represent a body both political and corporate and the City is not financially accountable for the Districts.

Painesville Township is a separate and distinct political subdivision governed by a Board of Trustees elected by the residents of the township. The City is not financially accountable for this legally separate organization.

The History of the City

The City of Painesville was incorporated as a town on February 11, 1832, reclassified as an incorporated village in 1852 and became a city in 1903. The City became a home rule municipal corporation operating under the laws of the State of Ohio in 1962. The City's current Charter has been amended four times since its original adoption. The State Constitution prevails when conflicts exist between the Charter and the Constitution and in matters where the Charter is silent. The City's Charter can only be amended by a majority of the City's voters.

Painesville is located approximately 35 miles east of the City of Cleveland in northeastern Ohio. It is the county seat for Lake County and is the fourth largest city, based upon population, within the County. According to the 2000 Census, Painesville is the 97th largest city in the State. Some of the City's major transportation arteries include State Routes 2, 44, 84 and 86, U. S. Highway 20 and Interstate Highway I-90. Lake Erie College, a private four-year college with an enrollment of approximately 900, is located near the center of the City.

The Management

The Council-Manager form of government is established by the Charter. The legislative power of the City is vested in a Council of seven members who are elected on a non-partisan basis for a term of four years. Four of the members are elected from wards and their current term expired on December 31, 2007; the remaining members are elected At-Large and their current terms expire on December 31, 2009. The chief executive power of the City is vested in the City Manager who is appointed by the City Council. The Director of Finance and Law Director, as well as other administrative directors, are appointed by the City Manager, with the affirmation of City Council.

The Painesville Municipal Court provides judicial services for the City of Painesville. The jurisdiction of the court, as established by the Ohio Revised Code, encompasses the east side of Lake County. The Court serves the following communities: Concord Township, Fairport Harbor Village, Grand River Village, Leroy Township, Madison Township, Madison Village, North Perry Village, Painesville Township, Perry Township and Perry Village.

***Letter of Transmittal
For the Year Ended December 31, 2007***

Services Provided

As authorized by its Charter and codified ordinances, the City provides a full range of municipal services that include police and fire protection, emergency medical service, street construction, maintenance and repair, recreation and cultural activities, cemeteries, municipal court, community development, economic development, public improvements, planning and general administrative services. The City does not operate hospitals or schools, nor is it responsible for public assistance programs.

The City also operates seven enterprise activities: a water system, sanitary sewer system, storm water system, electric system, refuse, off-street parking facilities and a community program activity. These activities are accounted for in separate enterprise funds. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

The Organization

The municipal government consists of four chartered departments and one office. Four departments were created at the direction of City Council. A director who is appointed by and reports directly to the City Manager heads each department. All directors work closely with the City Manager in providing the citizens of Painesville with the highest quality of services while maintaining efficiency and cost effectiveness.

The Department of Public Safety consists of two divisions: Police Division and Fire Division. The Police Division enforces local, state, and federal laws in addition to protecting citizens and their property. Most recently, the division has taken a more community oriented policing approach that has met with great success. Numerous programs are offered to citizens. The division is headed by the Police Chief. The Police Division is located in a separate section of City Hall. The Fire Division provides fire protection and emergency medical services to citizens, as well as placing strong emphasis on community involvement and education. The Fire Chief heads the division. A Fire Prevention unit focuses on the reduction of potential fires and loss of property within the City. The fire station is a separate section of City Hall.

The Department of Public Service is comprised of three divisions and two enterprise activities administered by a director. The Public Works Division is responsible for the maintenance of all City vehicles, all non-contractual street repairs, snow and ice removal, leaf and yard waste pick-up and maintenance of storm and sanitary sewers. The Parking Division is in charge of installation, removal, maintenance of the City parking meters including collection and deposit of all monies from the meters. This division is also responsible for striping, cleaning and plowing snow from off-street parking areas. The Traffic Division consists of the fabrication and installation of regulatory, warning

***Letter of Transmittal
For the Year Ended December 31, 2007***

and informational signage within the City. This division is also responsible for the striping of traffic lanes, edge lines and parking stalls on the City streets. The enterprise functions within the Department of Public Service consists of the general operational maintenance of the parking garage (Off-Street Parking) and a storm water utility. The Off-Street Parking operation is sustained through a user-fee for hourly and monthly parkers as well as merchant validations for surrounding businesses. The Storm Water Division is responsible for the management and monitoring of the general maintenance of the storm water system of the City. This division is also responsible for providing long-range planning for the infrastructure improvements for the overall system. The operation of the Storm Water Utility is a part of the Public Works Division.

The Department of Finance is responsible for the accurate recording of all receipts and disbursements. The department also maintains the fixed asset system. The department compiles the Annual Budget, and prepares the Comprehensive Annual Financial Report for residents, and assists the City Manager in all financial decisions.

The Department of Law advises Council, the City Manager, and all departments on legal matters concerning the City. The department prepares or reviews all contracts, legislation, and legal documents.

The City Manager's Office was established to ensure that the policies of City Council are followed and implemented by all of the City employees. There are several functions managed and maintained under the umbrella of this office. Community and public relations is managed through this office for the entire City. The retention, expansion and attraction of businesses to the City of Painesville are coordinated through the Economic Development activities in this office. The information technology management and maintenance is coordinated through this department.

The four departments created by City Council are the Recreation and Public Lands Department, the Human Resources Department, the Community Development Department, and the Department of Utilities. These departments are outlined below:

The Recreation and Public Lands Department provides numerous courses and programs throughout the year. This department provides a diverse range of leisure activities and services to improve the quality of life within the community. The Division of Parks within this department maintains the publicly owned parks and facilities of the City. The Cemetery Division is a non-profit enterprise activity that provides for the daily operation and maintenance of eighty-four acres of cemetery properties and their amenities.

The Human Resources Department furnishes consistent and timely guidance to management and employees in all human resource functions including retirement, employee enhancement, employee orientation, development and training and labor relations. This department ensures compliance with established policies and procedures, labor contracts and employment laws. The department also handles all personnel matters, including health insurance.

***Letter of Transmittal
For the Year Ended December 31, 2007***

The Community Development Department is responsible for implementing plans and programs that promote the comprehensive and orderly development of the City. The department works in conjunction with the Planning Commission and the Board of Zoning. This department is responsible for interpreting and enforcing all building codes in the City. The department issues permits and citations, conducts site inspections, and licenses all contractors. This department was reorganized in 2006 to include the engineering function. The engineering division must insure that all contractors working in Painesville meet the general engineering requirements of the City. Engineering controls the review and implementation of plans and programs relating to the City's infrastructure.

The Department of Utilities consists of three divisions that are individually operated utility systems—Water, Water Pollution Control, and Electric. The Water Division consists of the plant and a water distribution system. The Water Division provides the highest quality service in a timely, safe and reliable manner to its customers. The Water Pollution Control Division consists of the wastewater treatment plant. The collection and transmission is maintained by the Department of Public Services as noted above. The goal of this division is to efficiently operate and maintain the wastewater treatment facility. The Electric Division consists of the plant and an electric distribution system. The Electric Division provides adequate, reliable and economical power to its customers in an efficient and professional manner.

Basis of Accounting

The basis of accounting used by the City are in conformity with GAAP as applicable to governmental units and are consistent with GASB Section 1600, "Basis of Accounting," except for accounting used for budgetary purposes. All governmental funds are accounted for using a flow of current financial resources measurement focus. The modified accrual basis of accounting is utilized for the governmental funds. Revenues are recognized when they are susceptible to accrual, both measurable and available. Expenditures are recognized when the related liability is incurred, except for the interest on long-term debt which is recorded when due.

The measurement focus for the City's proprietary and private-foundation trust funds is on "economic resources." All assets and all liabilities associated with the operation of these funds are included on the balance sheet. The accrual basis of accounting is used for the proprietary and private-foundation trust funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses when they are incurred.

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual, and encumbrances are recorded as expenditures rather than as reservations of fund balances. A reconciliation of the results of these two methods appears in Note 1.

**Letter of Transmittal
For the Year Ended December 31, 2007**

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Residential, industrial and commercial economy has grown considerably over the past years resulting in several new subdivisions, offices and retail spaces in the City of Painesville. At present, the City's has hundreds of acres of land available for development.

The City of Painesville began in 2003 to reap the benefits of its hard work in economic and community development. The City experienced substantial residential growth from the ten new subdivisions under construction or completed during 2004. Despite the economic downturn experienced on a national level, especially in housing, the City of Painesville continued to lead Lake County in the number of new housing starts. In 2007, seven subdivisions continued development and expansion of the City. The chart below provides a summary and comparison of the number of permits issued for the last three years. Multi-family and single-family residential building permits increased from the previous year as noted in the chart below. The City anticipates continued growth in the level of activity in commercial, industrial, and residential construction. The City is expecting continual interest in economic and community development in the years to come. Building permit valuations increased as the construction of the new schools continued in 2007 as well as the construction of the new PCC Airfoils building.

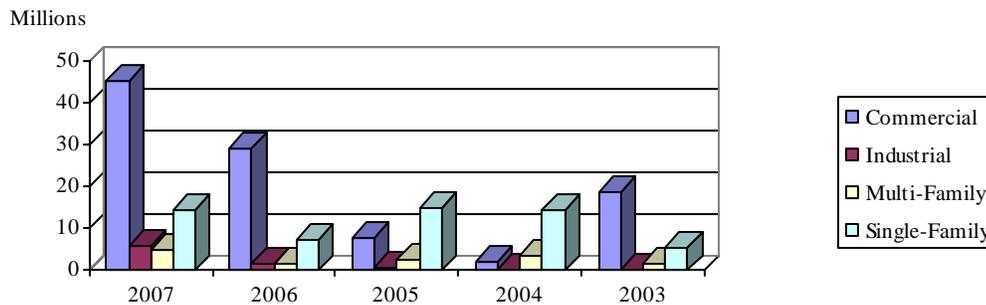
Comparison of Permits Issued

Category	2007	2006	2005
Residential	328	520	451
Commercial/Industrial	51	51	54

Building Permit Valuations

Category	2007	2006	2005	2004	2003
Commercial	\$45,481,620	\$29,260,700	\$7,937,450	\$2,169,286	\$18,639,766
Industrial	5,898,707	1,802,084	551,000	315,700	122,836
Multi-Family	4,872,420	1,800,000	2,700,000	3,515,000	1,890,000
Single-Family	<u>14,487,164</u>	<u>7,253,027</u>	<u>14,739,553</u>	<u>14,445,603</u>	<u>5,553,151</u>
Totals	<u>\$57,701,511</u>	<u>\$40,115,811</u>	<u>\$26,028,003</u>	<u>\$20,445,589</u>	<u>\$26,205,753</u>

Comparison of Building Permits



CITY OF PAINESVILLE, OHIO

Letter of Transmittal For the Year Ended December 31, 2007

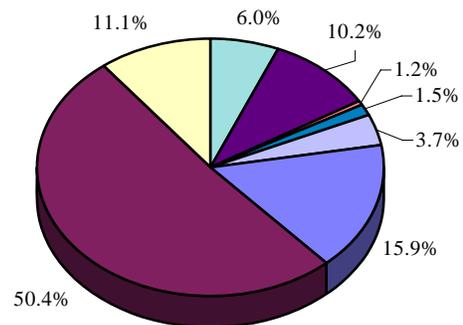
Unemployment in Lake County was lower than the state and higher than national levels during 2007. The unemployment rate for Lake County increased by .5%. Listed below are the respective unemployment rates for the county, state and nation as of December 31, 2007:

Lake County	5.2%
Ohio	5.6%
United States	4.6%

Local Business

The City of Painesville has 596 businesses which employ approximately 6,529 workers in all sectors of the economy. The percentage of businesses by sector breakdown is as follows:

Sector	Businesses	Percentage of Total
Retail	95	15.9%
Service	300	50.4%
Manufacturing	66	11.1%
Construction	36	6.0%
Finance, Insurance and Real Estate	61	10.2%
Other	7	1.2%
Wholesale	9	1.5%
Government	22	3.7%
Total	596	100.00%



The largest business sector of the City is the service sector at 50.4% of all businesses in the City of Painesville. The remainder of the business composite is retail at 15.9%, Manufacturing at 11.1%, Finance, Insurance and Real Estate at 10.2%, Construction at 6.0%, Government at 3.7% and Wholesale and Others at 2.8%.

The Economic Development Department has been aggressively working on business attraction, retention and expansion this past year.

Attraction efforts of the department over the past year have been aggressive toward industry while still maintaining the strong retention and expansion programs that have been the cornerstone of growth within the City for many years. Our strong attraction efforts in 2007 resulted in bringing a \$32.5 million dollar investment from PCC Airfoils, LLC. This investment will also result in bringing 150 new jobs to the State of Ohio in the next two years along with a new 100,000 sq. ft. facility to Painesville.

***Letter of Transmittal
For the Year Ended December 31, 2007***

Specific detail on local industry, key accounts and large employers, reviewed this year, proved the results of the Synchronist Survey conducted in 2005 are on track toward the estimates of local industry. The projections outlined growth anticipated by 2009 to include 192 new jobs, \$8,365,000 in capital investment and add an estimated 124,000 square feet within their existing facilities. With just one year until the '09 projected date they have added 203 employees and have met nearly three-quarters of the capital investment projections. These employment figures and investments are positive news moving into 2009 and showcase the growth of our existing largest employers and largest energy users.

In addition to the industry growth we have also formed the Downtown Painesville Organization creating a structured management system within the downtown. This organization now offers the City some assistance in redevelopment efforts from local merchants, organizations and primary property owners. The organization provides a structure mechanism for all active participants to address concerns, improve properties and detail future plans of action for the historic business district. This organization will be key to maintaining a strong business base within the central business district as the community grows closer to the indirect effects from the loss of the hospital. Going into this coming year the departments primary objective is to grow business and strength amongst both large industry and business within the downtown district to offset this impact.

Listed below are new businesses, which have opened in or relocated to the City of Painesville during 2007. The City of Painesville has taken a very aggressive approach with its economic development programs and is making a concerted effort to acquaint new businesses with the advantages of locating in the City of Painesville.

2007 New Painesville Businesses

<i>Company Name</i>	<i>Facility</i>	<i>No. of Employees</i>
Diverse Kuts	Barber	1-4
Leo Talikka	LPA	1-4
Massage Therapists	Massage Therapists	1-4
Ohio Real Title Agency	Title Agency	1-4
Bon V's Beauty Supply	Beauty Supply Retail	1-4
Burgers & More	Restaurant	1-4
Painesville Stoves	Retail Distribution	1-4
Terkk's Computer	Computer Retail / Service	1-4
All Title Services	Title Agency	1-4
Raw Styles	Retail Clothing	1-4
New Business Total Employment		10 – 40

CITY OF PAINESVILLE, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2007**

2007 Painesville Businesses Expansions / Re-Openings

<u>Company Name</u>	<u>Facility</u>	<u>No. of Employees</u>
Wojtila's Bakery	Re-Opened	
Summit Academy	Expansion	1-4
Industrial Coating Equipment	Manufacturing (Relocation)	
Jimmy's Restaurant	New Ownership	
Aero Control X	Expansion/ Manufacturing	15 - 20
The Hideout	New Ownership	
China House	New Ownership	
Special Events Floral	Relocation	
	Expansion Employment Added	<hr/> 16 - 24

Approximate Gained Employees during 2007 **26 - 64**

The business growth in the City of Painesville is a direct result of the Economic Development Offices focus on business retention, expansion and attraction. The office continues to aggressively work to attract commercial, retail and manufacturing companies into various city wide developments including a business center and a business parkway. In addition to marketing those developments the City is focusing on the Ohio Main Street Approach to economic restructuring for the downtown retail and commercial district.

Business connections and communication are also very important to the City of Painesville. This past year we have been working on new marketing initiatives for each of our events that focus on collaboration between business and residents of the area. These efforts have been placed on the Business Networking Breakfasts, Art in the Park, Taste of Painesville, Painesville Holiday Open Houses, and the Annual Business Appreciation After-Hours. In addition, we publish a quarterly "Work For Business" newsletter which is sent to each city business. This newsletter details new projects, new businesses and other on-going community events that are focused around the Painesville Business Community. We also initiated a manufacturing DVD known as **Painesville Manufacturing**. This DVD showcases our largest employers within the City and the types of career opportunities lie within our industries. The DVD plays monthly on the Channel 12 government access channel.

MAJOR INITIATIVES

Current Year Projects

The City Wide goals are the primary factor used in making determinations of the appropriateness of increased expenditures in any given budget year. The mission of the City of Painesville, City Council and City employees is to enhance and improve the quality of life and growth in the community by providing the highest level of service in an efficient and cost effective manner. In 2007, the City continued to uphold that mission by expanding and improving services, upgrading and constructing infrastructure, and enhancing public grounds and facilities.

***Letter of Transmittal
For the Year Ended December 31, 2007***

During the year, vehicles were acquired by the following departments: Public Works, Community Development, Utilities, Recreation and Public Lands, Electric, and Water to enhance the overall operational effectiveness and readiness of the City. To maintain the public safety, the Police Department also replaced three patrol cars.

The Fire Station underwent renovations to provide for office space for administration and operational staff as well as provide living space for captains and lieutenants.

Public Works entered into its third year of intensive sanitary sewer maintenance program. Public Works along with the Department of Recreation maintains most City vehicles (with basic maintenance) resulting in substantial savings to the City.

The Building Maintenance Division continued the installation of an overall Energy Conservation Project at the City Hall Complex which included the installation of a new HVAC System at the City Hall Complex as well as various repairs and the exterior painting at City Hall. The HVAC system and roof were replaced at the Morse Avenue Community Center.

The Water Pollution Control Division was awarded a loan through the Water Pollution Control Loan for equipment upgrades at the plant. The Water Pollution Control Division had a study done to review the Water Pollution Control Plants capital improvement list and develop alternatives for the proposed improvements. Preliminary design reports were done for the Water Pollution Control Loan Fund. Construction drawings and specifications and were completed for the WPCLF.

The Water Plant purchased a variable frequency drive to pace low service motors to control flow and interface with the SCADA system. The Water Plant also purchased new chains and sprockets for the flocculation drive and implemented the first phase of electrical and energy upgrades through a performance contract with Johnson Controls.

The Electric Plant had several capital improvement projects for 2007. One of their projects was to ensure the plant was in compliance with the MACT requirements and the new EPA air pollution standards. The Electric Plant also tore down and rebuilt cooling tower #3. The plant installed a SCADA system, upgraded the substation, and bought a new transformer. Electric distribution also extended wiring into Renaissance Park and provide service to PCC-Airfoil.

All of the Utility Departments are undergoing a major energy efficiency analysis which will allow the plants to operate more efficiently.

The municipal court renovated the front and back entrances and the judge's and secretary's offices got renovated as well. The courts also upgraded their computer system.

***Letter of Transmittal
For the Year Ended December 31, 2007***

Various improvements to the infrastructure took place throughout 2007. The sixth year of an annual paving program was completed. The 2007 program included resurfacing the following streets: Parkview Avenue, North State Street, Lawnview Avenue, Chardon Street, Crescent Drive, Stage Avenue, and Elm Street. In addition, the water line on Elm Street was replaced. Storm sewer improvements were made on the following roads: Steele Avenue, Grand River Avenue, South St. Clair Street, Nelson Drive, and at Tiber Creek Tributary. Electric distribution had numerous improvement projects for infrastructure. Some of these projects were: install underground facilities at Heisley Park, Liberty Greens, Azalea Ridge, Lighthouse Pointe. The Water Pollution Control Plant driveway and parking lot were repaved. Electric distribution also installed a primary line for the Maple Elementary School. Engineering started work on designing and developing the Shamrock Boulevard Phase I. The Public Works Department will do a traffic signalization project for Cedarbrook & Chestnut and Liberty Kensington.

Future Projects

The City has limited capital projects planned for 2008. General Fund operations are projected to have limited expenditures focusing on needed improvements to enhance operations. Three new Police cars will replace retired vehicles while the Fire Department will purchase a new fire engine to replace a 1986 fire engine.

The City will update plans, bid and construct a new road called Shamrock Blvd Phase I. This road will go from Jackson Street north to the property north of the railroad. This road is needed to access the new Shamrock Business Center. Another big project the City will have in 2008 is the acquisition of the Millstone and Gristmill properties that were destroyed in the 2006 flood. These properties will be acquired with Hazard Mitigation Funds. These properties will be demolished and the land will become a preservation. Various storm sewers will also be improved throughout the City.

The Public Works Division will continue the street asphalt overlay program and several major street resurfacings in 2008. The City will resurface Nelson Street, Kerr Avenue, Gillett Street, Hine Avenue, East Main Street and Mentor Avenue. Traffic signals and school flashers will be upgraded for Maple, Elm, and Heritage Schools. Public works will also purchase sign making equipment and a new 2 ½ ton dump truck.

Water Distribution will spend over \$1,300,000 to improve the water lines on Jackson Street. The Water Pollution Control Plant will spend over \$2,900,000 on plant upgrades. The Water Pollution Control Plant will also purchase a compact wheel loader. The Electric Division will purchase a new truck in 2008 and will continue to install underground wiring for various new developments. The Electric Plant will replace the four coal burners on the #5 boiler to meet the new EPA standards.

MANAGEMENT PRACTICES

Internal Control

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

***Letter of Transmittal
For the Year Ended December 31, 2007***

The Finance Department is committed to strengthening internal controls to assure the safeguarding of assets and to provide reasonable assurance that all financial transactions are properly recorded. A capital asset software system allows for detailed reporting and analysis. Individual departments performing an annual inventory and working with the Finance Department to assure accuracy and accountability as well as an independent appraisal done periodically to value and insure the existence of capital asset within the City.

Budgetary System

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and in the City Charter. With the assistance of the Finance Director, the City Manager may submit to Council, a temporary appropriation ordinance to control expenditures for passage on or about January 1 of each year for the period January 1 through March 31. By charter, the City Manager must submit an annual appropriation ordinance, for the period January 1 through December 31, to City Council by March 31 of each year. The appropriation ordinance establishes spending controls at the fund, program and object level. The legal level of control has been established by Council at the object level within each department in the general fund and at the object level for all other funds.

The City maintains budgetary control on a cash basis by department for personal services, materials and supplies, other services and charges, utilities, other operating charges, capital outlay, debt service, and other financing uses. Estimated expenditure amounts must be encumbered prior to release of purchase orders to vendors or finalization of other contracts. Encumbrances which would exceed the available appropriation level are identified on an ongoing basis and are not approved or recorded until City Council authorizes additional appropriations or transfers. Unencumbered appropriations lapse at the end of each calendar year. As an additional control over expenditures, the City's Purchasing Policy requires that all contracts in excess of \$25,000 (changed \$15,000 to \$25,000 beginning in October 2006) shall be authorized and directed by ordinance of City Council.

The City compiles its Annual Budget in document form. The budget presents anticipated revenues and expenditures by fund and department by category with additional supporting documentation that explains the budgetary process and individual departmental goals. The budget is submitted to the Government Finance Officers Association (GFOA) and has received the Distinguished Budget Presentation Award for 2003, 2004, 2005, 2006 and 2007.

Accounting System

The City uses automated governmental accounting software developed and licensed by Civica CMI, Inc. This software controls budgetary accounting, payroll, utility billing, and capital assets. In 2003 the Finance Department purchased a new mainframe computer and updated software on all modules by September 2004.

***Letter of Transmittal
For the Year Ended December 31, 2007***

The City's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Generally accepted accounting principles determine the type of funds used. Prudent financial administration determines the number of individual funds established.

The City maintains records on a budgetary basis for all fund types. After year end closing, adjusting entries are prepared for the various funds to convert the budgetary basis records to the modified accrual basis of accounting for all governmental fund types and to the accrual basis of accounting for the proprietary fund types. The fund statements are then converted to entity-wide financial statements, and classified as either governmental or business-type activities, using the accrual basis of accounting. Modified accrual basis accounting requires that revenues be recognized when both measurable and available. Expenditures are recorded as fund liabilities when incurred, except for interest on long-term debt which is recorded when due. The accrual basis of accounting recognizes revenues when earned and expenses when incurred. A more detailed explanation of the basis of accounting for the various funds is included in the Notes to the Basic Financial Statements, located in the Financial Section of this report.

Debt Capacity

The City is well within statutory limitations for both voted and unvoted debt. The computation of the legal debt margins at December 31, 2007 is included in the Statistical Section of this report, along with other related computations and ratios relevant to the City's note and bonded debt. The City currently has no general obligation bonded debt supported by property taxes.

Cash Management

The investment and deposit of City monies is governed by the provisions of the Charter and Codified Ordinances of the City. The appropriate sections of the City Code are reviewed annually for compliance and to assure the flexibility necessary to effectively manage the City's investment portfolio.

Effective cash management is recognized as essential to good fiscal managements and is a vital component in the City of Painesville's overall financial strategy. The City's investment portfolio is designed and managed in a manner responsive to the public trust and consistent with state and local statutes.

Investments are made on the basis of the following list of objectives, which are listed in the order of importance:

1. Security of City funds and investments.
2. Preservation of capital and protection of principal.
3. Maintenance of sufficient liquidity to meet operating needs.
4. Diversification of investments to avoid unreasonable or avoidable risks.
5. Maximization of return on the portfolio within the above constraints.

***Letter of Transmittal
For the Year Ended December 31, 2007***

The City is generally restricted (after quotations are obtained) to investing in certificates of deposit, savings accounts, money market accounts, the State Treasury Asset Reserve (STAR Ohio), obligations of the State of Ohio and obligations of the United States government or certain agencies thereof.

Risk Management

The City has taken a very proactive approach in addressing the daily operations of the municipality, which is reflected in its insurance protection package and the favorable loss experience. Deductible levels for the various policies have been selected so as not to expose the City to excessive “first dollar” loss in the case of a claim. In the property damage area, deductibles are maintained at \$5,000 per occurrence, \$1,000 for electronic data processing equipment and \$100,000 for electric plant equipment. In the professional liability areas, no deductible exceeds \$10,000. Public officials and law enforcement employees are covered under separate policies and have aggregate limits of \$5,000,000. A synopsis of insurance is presented in the Statistical Section of this report. In 1992, Painesville applied and was accepted into the States Workers’ Compensation Retrospective Rating Plan. Under the terms of the plan, the City will initially pay a minimum premium (a fraction of the premium it would pay as an experience-rated risk), while accepting responsibility for reimbursing workers’ compensation claims as they come due, up to an aggregate and specific stop/loss limit. The City expects to realize a reduction in workers’ compensation costs through this plan. In 1993, the City established a new internal service fund to account for workers’ compensation. The City continues to reenter the retrospective rating program rather than pay the standard worker’s compensation assessment which is calculated as a specified rate per \$100 of payroll. An analysis of the retrospective program versus the standard program yielded a greater benefit based on lower cost in the retrospective program. The City will continue to monitor the costs and benefits of both programs.

OTHER INFORMATION

Independent Audit

Under federal law, the City is required to have an audit performed every year. The accounting firm of Ciuni & Panichi, Inc. performed the 2007 audit. The independent auditors’ unqualified report has been included in this report. The Administration plans to continue this audit procedure as required by law as part of the preparation of its CAFR. The annual audit and management letter submitted by the independent public accounting firm provides information to the City to enable it to maintain and strengthen the City’s accounting and budgeting controls.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Painesville, Ohio for its Comprehensive Annual Financial Report for the year ended December 31, 2006. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement represents a significant accomplishment by a governmental unit.

***Letter of Transmittal
For the Year Ended December 31, 2007***

A Certificate of Achievement is valid for a period of one year. Painesville has received a Certificate of Achievement for the last twenty consecutive years, fiscal years ended 1987 – 2006. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting the report to the GFOA to determine its eligibility for another certificate.

Public Disclosure

The publication of this Comprehensive Annual Financial Report is indicative of the City's commitment to provide significantly enhanced financial information and accountability to its citizens. In addition to the citizens of Painesville, the recipients of this report include city, state and federal officials, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization requesting it. The extensive effort to prepare and distribute this report is indicative of the continued efforts of the City to improve its overall financial accounting, management and reporting capabilities.

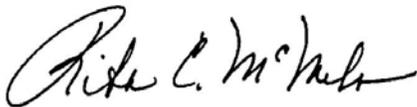
Acknowledgements

We would like to thank the staff and extend special recognition to all members of the Finance Department and related departments within the City who assisted with the preparation of the Comprehensive Annual Financial Report and annual independent audit.

Special thanks are also due to Donald J. Schonhardt, President, Donald J. Schonhardt & Associates, Inc., Columbus, Ohio, and the members of his staff for their efforts in converting the City's budgetary basis accounting records to the generally accepted accounting principles (GAAP) basis. In addition, we would like to express appreciation to the firm of Ciuni & Panichi, Inc. as auditors, for their assistance and review during this project.

In closing, without the leadership and support of the Painesville City Council, preparation of this report would not have been possible.

Sincerely,



Rita C. McMahon
City Manager



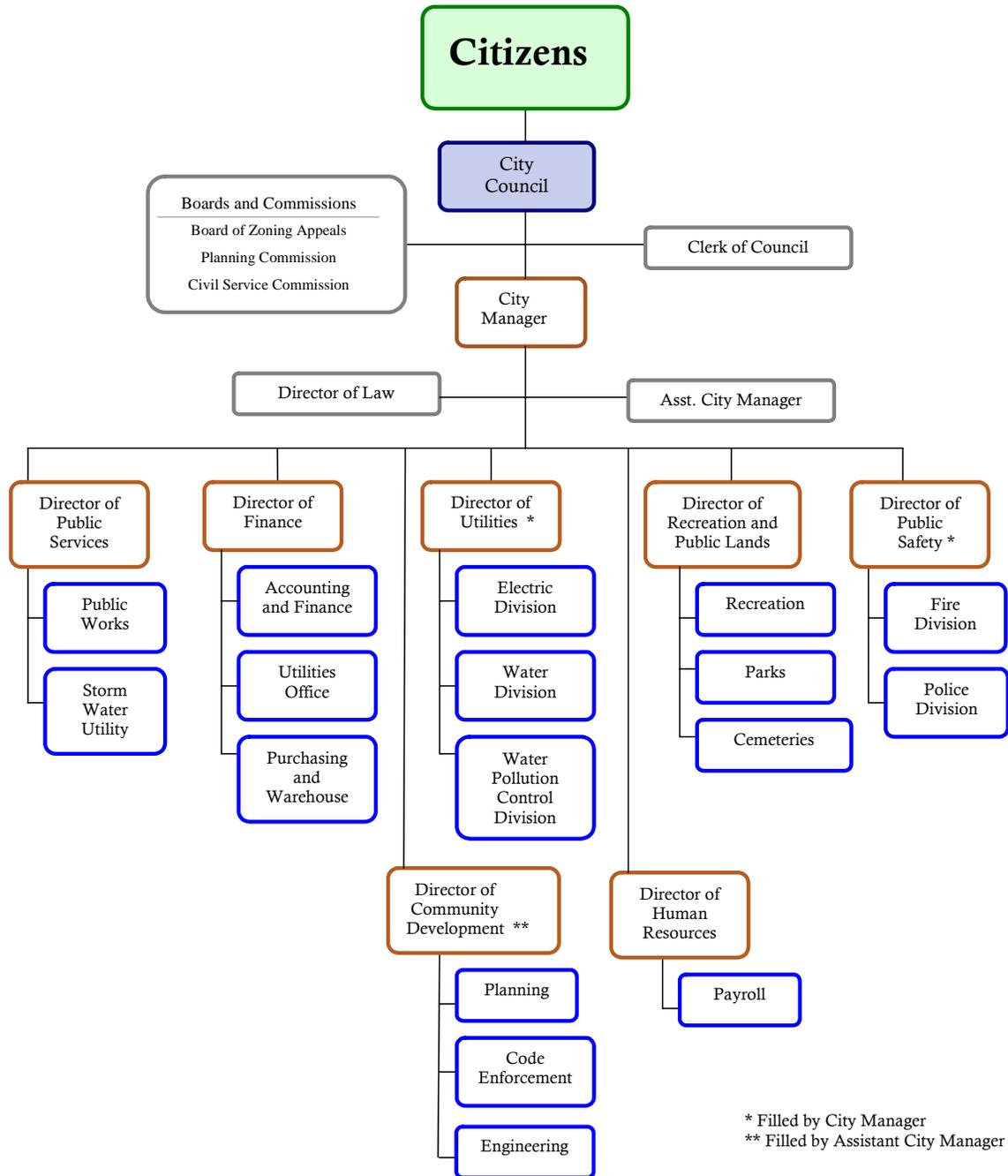
Andrew A. Unetic
Director of Finance

CITY OF PAINESVILLE, OHIO

**List of Principal Officials
For the Year Ended December 31, 2007**

Name	Title	Position	Years of Municipal/Governmental Service			
			City	Other Municipal/ Governmental Service	Total Public Service	
CITY COUNCIL						
William Horvath	President (Ward 2)	5.0	12.5	0.0	12.5	
Robert Fountain	Vice President (Ward 3)	5.0	12.0	0.0	12.0	
Abby DelaMotte	Council Member (at Large)	18.0	18.0	25.0	29.0	
Paul W. Hach II	Council Member (Ward 4)	4.0	4.0	0.0	4.0	
Andrew Flock	Council Member (Ward 1)	12.5	12.5	0.0	12.5	
Joseph Hada, Jr.	Council Member (at Large)	26.5	26.0	0.0	26.0	
Arlene L. Becks	Council Member (at Large)	6.0	6.0	0.0	6.0	
Jennifer Bell	Clerk of Council	6.2	6.2	4.2	10.4	
CITY ADMINISTRATION						
Rita C. McMahon	City Manager	10.5	15.5	9.5	25.0	
Doug Elliott	Assistant City Manager	1.3	1.3	22.0	23.3	
Timothy M. Petric	Director of Finance - resigned	1.6	1.6	4.0	5.6	
Andrew A. Unetic	Director of Finance	0.1	0.1	14.1	14.2	
Joseph M. Gurley	Director of Law	20.0	27.3	15.3	27.3	
DEPARTMENT/DIVISION HEADS						
Kevin Lynch	Service Director	3.2	3.2	20.1	23.3	
Richard Lesiecki	City Engineer	0.9	0.9	8.3	9.2	
Thomas A. Green, P.E.	Electric Power Superintendent	29.0	29.0	0.0	29.0	
Randy Bruback	Water Pollution Control Superintendent	5.8	5.8	16.0	21.8	
Mark Mlachak	Fire Chief	5.3	27.3	0.0	27.3	
Gary Smith	Chief of Police	1.8	23.0	0.0	23.0	
Daniel McGannon	Water Superintendent	1.5	1.5	27.0	28.5	
Robert C. Baetzel	Human Resources Director	9.5	9.5	0.0	9.5	
Lee Homyock	Director of Recreation and Public Lands	3.7	3.7	20.0	23.7	
Russ Schaedlich	City Planner	0.6	0.6	21.5	22.1	

**City Organizational Chart
For the Year Ended December 31, 2007**



* Filled by City Manager
** Filled by Assistant City Manager

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Painesville
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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



Charles S. Cox

President

Jeffrey R. Emery

Executive Director

FINANCIAL SECTION



Independent Auditors' Report

Members of the City Council
Painesville, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Ohio as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Painesville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Street Construction, Maintenance and Repair Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, during the year ended December 31, 2007, the City of Painesville, implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* and GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenue and Intra-Entity Transfers of Assets and Future Revenues*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008 on our consideration of the City of Painesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Painesville, Ohio

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

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

Cini & Paricki, Inc.

Cleveland, Ohio
June 27, 2008

The discussion and analysis of the City of Painesville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2007 are as follows:

- ❑ In total, net assets increased by \$5,878,841. Net assets of governmental activities increased by \$3,569,513, which represents a 10.7% increase from 2006. Net assets of business-type activities increased by \$2,309,328, or 3.7% from 2006.
- ❑ General revenues accounted for \$13,491,905 in revenue, or 26% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$38,494,759, or 74% of total revenues of \$51,986,664.
- ❑ The City had \$16,847,117 in expenses related to governmental activities; only \$6,250,112 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,423,513 were adequate to fully provide for these programs
- ❑ Among major funds, the general fund had \$15,271,838 in revenues, including other financing sources and \$13,695,346 in expenditures, including other financing uses. The general fund's fund balance increased \$1,565,405.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

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

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

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

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

- ***Governmental Activities*** – Most of the City's programs and services are reported here including general government, public safety, highways and streets, public health and welfare, culture and recreation, community environment, interest and fiscal charges, and other expenditures.
- ***Business-Type Activities*** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, electric, refuse, off-street parking, storm water and community program services are reported as business activities.

Fund Financial Statements

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

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

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following tables provide a comparison of the City's net assets at December 31, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	Restated				Restated	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$19,337,114	\$15,314,992	\$33,133,810	\$32,032,459	\$52,470,924	\$47,347,451
Capital assets, Net	29,673,424	28,669,529	49,640,489	44,810,677	79,313,913	73,480,206
Total assets	<u>49,010,538</u>	<u>43,984,521</u>	<u>82,774,299</u>	<u>76,843,136</u>	<u>131,784,837</u>	<u>120,827,657</u>
Long-term debt outstanding	7,375,879	5,132,427	13,804,599	10,424,292	21,180,478	15,556,719
Other liabilities	4,698,422	5,485,370	5,027,498	4,785,970	9,725,920	10,271,340
Total liabilities	<u>12,074,301</u>	<u>10,617,797</u>	<u>18,832,097</u>	<u>15,210,262</u>	<u>30,906,398</u>	<u>25,828,059</u>
Net assets						
Invested in capital assets, net of related debt	23,806,608	23,248,755	34,892,703	33,400,614	58,699,311	56,649,369
Restricted	6,813,043	2,756,163	0	792,875	6,813,043	3,549,038
Unrestricted	6,316,586	7,361,806	29,049,499	27,439,385	35,366,085	34,801,191
Total net assets	<u>\$36,936,237</u>	<u>\$33,366,724</u>	<u>\$63,942,202</u>	<u>\$61,632,874</u>	<u>\$100,878,439</u>	<u>\$94,999,598</u>

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CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for Services and Sales	\$2,517,650	\$2,249,653	\$31,136,298	\$29,494,344	\$33,653,948	\$31,743,997
Operating Grants and Contributions	876,146	831,378	110,973	0	987,119	831,378
Capital Grants and Contributions	2,856,316	735,382	997,376	410,942	3,853,692	1,146,324
General revenues:						
Property Taxes	896,215	801,010	0	0	896,215	801,010
Municipal Income Taxes	7,962,098	8,039,713	0	0	7,962,098	8,039,713
Other Local Taxes	8,056	31,692	0	0	8,056	31,692
Grants and Entitlements not Restricted to Specific Programs	1,802,287	2,007,863	0	0	1,802,287	2,007,863
Investment Earnings	1,870,044	1,189,061	68,392	407,410	1,938,436	1,596,471
Miscellaneous	884,813	111,205	0	0	884,813	111,205
Total revenues	<u>19,673,625</u>	<u>15,996,957</u>	<u>32,313,039</u>	<u>30,312,696</u>	<u>51,986,664</u>	<u>46,309,653</u>
Program Expenses						
General Government	3,453,915	2,825,835	0	0	3,453,915	2,825,835
Public Safety	7,511,624	7,585,876	0	0	7,511,624	7,585,876
Highways and Streets	3,540,017	2,870,730	0	0	3,540,017	2,870,730
Public Health and Welfare	613,032	531,090	0	0	613,032	531,090
Culture and Recreation	847,647	746,813	0	0	847,647	746,813
Community Environment	551,236	353,652	0	0	551,236	353,652
Interest and Fiscal Charges	329,646	230,802	0	0	329,646	230,802
Water	0	0	4,746,880	4,863,071	4,746,880	4,863,071
Sewer	0	0	3,183,132	3,340,241	3,183,132	3,340,241
Electric	0	0	20,600,631	19,568,938	20,600,631	19,568,938
Refuse	0	0	7,125	50,550	7,125	50,550
Off-Street Parking	0	0	162,707	172,401	162,707	172,401
Storm Water Utility	0	0	485,133	456,273	485,133	456,273
Community Programs	0	0	75,098	87,100	75,098	87,100
Total expenses	<u>16,847,117</u>	<u>15,144,798</u>	<u>29,260,706</u>	<u>28,538,574</u>	<u>46,107,823</u>	<u>43,683,372</u>
Excess (deficiency) before Transfers	2,826,508	852,159	3,052,333	1,774,122	5,878,841	2,626,281
Transfers	743,005	505,320	(743,005)	(505,320)	0	0
Total Change in Net Assets	<u>3,569,513</u>	<u>1,357,479</u>	<u>2,309,328</u>	<u>1,268,802</u>	<u>5,878,841</u>	<u>2,626,281</u>
Beginning Net Assets, Restated	<u>33,366,724</u>	<u>32,009,245</u>	<u>61,632,874</u>	<u>60,364,072</u>	<u>94,999,598</u>	<u>92,373,317</u>
Ending Net Assets	<u>\$36,936,237</u>	<u>\$33,366,724</u>	<u>\$63,942,202</u>	<u>\$61,632,874</u>	<u>\$100,878,439</u>	<u>\$94,999,598</u>

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

Governmental Activities

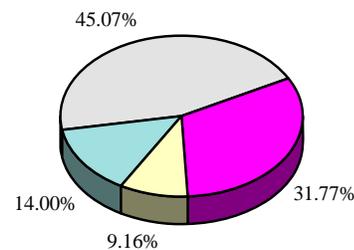
Net assets of the City's governmental activities increased by \$3,569,513. This was due to a combination of factors including an increase in investment earnings, capital contributions and grant monies.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

The City also receives an income tax, which is based on 2.0% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City and businesses operating in the City.

Taxes made up 45.07% of revenues for governmental activities for the City in fiscal year 2007. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2007	Percent of Total
Taxes	\$8,866,369	45.07%
Program Revenues	6,250,112	31.77%
Shared Revenues	1,802,287	9.16%
General Other	2,754,857	14.00%
Total Revenue	\$19,673,625	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$13,000,877, which is an increase from last year's balance of \$7,604,328. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2007 and 2006:

	Fund Balance December 31, 2007	Fund Balance December 31, 2006	Increase (Decrease)
General	\$6,725,041	\$5,159,636	\$1,565,405
Street Construction, Maintenance and Repair	1,301,145	65,862	1,235,283
Other Governmental	4,974,691	2,378,830	2,595,861
Total	\$13,000,877	\$7,604,328	\$5,396,549

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

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

	2007 Revenues	2006 Revenues	Increase (Decrease)
Property Taxes	\$569,493	\$508,752	\$60,741
Municipal Income Taxes	8,431,682	7,570,129	861,553
Other Local Taxes	8,056	31,692	(23,636)
Intergovernmental Revenues	1,746,340	1,909,742	(163,402)
Charges for Services	84,127	83,290	837
Licenses, Permits and Inspection Fees	396,526	354,314	42,212
Investment Earnings	1,852,131	1,017,726	834,405
Fines and Forfeitures	876,260	832,925	43,335
All Other Revenue	127,914	189,382	(61,468)
Total	<u>\$14,092,529</u>	<u>\$12,497,952</u>	<u>\$1,594,577</u>

General Fund revenues in 2007 increased by 12.8% when compared to 2006 revenues. Increased income tax collections and investment earnings accounted for most of the increase. Increases in charges for services, licenses and permits, and property taxes were offset by decreased intergovernmental revenues.

	2007 Expenditures	2006 Expenditures	Increase (Decrease)
General Government	\$2,847,120	\$2,579,763	\$267,357
Public Safety	6,601,514	6,439,333	162,181
Highways and Streets	1,000,448	991,194	9,254
Public Health and Welfare	131,498	140,790	(9,292)
Culture and Recreation	764,588	667,236	97,352
Community Environment	369,478	346,486	22,992
Debt Service:			
Interest and Fiscal Charges	<u>11,000</u>	<u>14,912</u>	<u>(3,912)</u>
Total	<u>\$11,725,646</u>	<u>\$11,179,714</u>	<u>\$545,932</u>

General Fund expenditures increased by \$545,932, or 4.9% from the prior year due to increases in salaries, pension plan payments and workers' compensation premiums.

Street Construction, Maintenance and Repair Fund – The fund balance increased due to the issuance of general obligation bonds.

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

During the course of fiscal year 2007 the City amended its General Fund budget several times, none significant.

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

For the General Fund, final budget basis revenue of \$12.5 million did not significantly change over the original budget estimates of \$12.5 million. Actual results varied significantly from the budget. Actual revenues exceeded final budgeted revenues by almost \$1 million. Increased wages in the City provided for higher income tax collections, and increased interest rates provided for a higher than expected investment earnings. The City also curtailed expenditures keeping costs about \$1.6 million below appropriations. The City controlled costs in all areas to achieve such a variance, the most notable savings came in salaries and benefits of City employees. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007 the City had \$79,313,913 net of accumulated depreciation invested in land, construction in progress, buildings and improvements, improvements other than buildings, machinery and equipment, and infrastructure. Of this total, \$29,673,424 was related to governmental activities and \$49,640,489 to the business-type activities. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$4,238,035	\$4,662,785	(\$424,750)
Construction in Progress	668,401	756,782	(88,381)
Buildings and Improvements	4,368,703	4,287,360	81,343
Improvements other than Buildings	3,996,404	2,265,603	1,730,801
Machinery and Equipment	5,510,987	5,513,885	(2,898)
Infrastructure	24,929,303	24,041,979	887,324
Less: Accumulated Depreciation	(14,038,409)	(12,860,861)	(1,177,548)
Totals	<u>\$29,673,424</u>	<u>\$28,667,533</u>	<u>\$1,005,891</u>

	Business-Type Activities		Increase (Decrease)
	2007	2006	
Land	\$1,397,784	\$1,397,784	\$0
Construction in Progress	9,243,111	4,087,516	5,155,595
Buildings and Improvements	28,666,664	27,368,807	1,297,857
Improvements other than Buildings	38,832,102	38,951,578	(119,476)
Machinery and Equipment	21,358,049	21,199,563	158,486
Less: Accumulated Depreciation	(49,857,221)	(48,194,571)	(1,662,650)
Totals	<u>\$49,640,489</u>	<u>\$44,810,677</u>	<u>\$4,829,812</u>

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

The primary increases in governmental activities' capital assets occurred in improvements other than buildings and construction in progress. The City is currently upgrading the heating and cooling systems in City Hall, and in the Water, Sewer, and Electric Plants. Additional information on the City's capital assets can be found in Note 10.

As of December 31, 2007, the City had contractual commitments of \$2,314,852 related to various projects throughout the City. Additional information on the City's construction commitments can be found in Note 16.

Debt

At December 31, 2007, the City had \$6,110,000 in general obligation bonds outstanding, \$590,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Governmental Activities:		
General Obligation Bonds	\$2,075,000	\$0
Construction Loan	539,365	587,645
Special Assessment Bonds	435,000	500,000
Ohio Public Works Commission Loan	25,000	35,000
Compensated Absences	1,591,538	1,451,170
Capital Leases	1,162,451	1,096,129
Workers' Compensation Liability	759,226	659,242
Police and Firemen's Accrued Pension	788,299	803,241
Total Governmental Activities	<u>7,375,879</u>	<u>5,132,427</u>
Business-Type Activities:		
General Obligation Bonds	\$4,035,000	\$4,520,000
Mortgage Revenue Bonds	2,096,194	2,225,244
Ohio Water Development Authority Loan	1,084,426	1,150,870
Ohio Public Works Commission Loan	630,760	732,117
Compensated Absences	1,465,819	1,456,330
Capital Leases	4,492,400	339,731
Total Business-Type Activities	<u>13,804,599</u>	<u>10,424,292</u>
Totals	<u>\$21,180,478</u>	<u>\$15,556,719</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2007, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

The City's original 2007 budget included conservative revenue estimates, which resulted in an 8.62% increase across all funds. The General Fund receipts were projected to increase by 5.04%. In addition intergovernmental revenue, the result of grants and transfers, and utility user fees were expected to increase. City Council continued a conservative spending pattern and requested a 6% decrease in expenditures. This resulted in leaving unfilled a number of vacant positions with particular emphasis on the General Fund. Total City wide expenditures were originally budgeted at a slight increase over the previous year, with increases anticipated for revenues across all funds. General Fund expenditures were estimated to be within estimated 2007 revenues. No additional personnel were added in the final approved budget. Department requests were reduced from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

City Council further identified the need to focus on only the critical and core programs that are required to provide the needed services to the community, focusing on safety forces. The result was only critical expenditures were authorized. The focus was to end the year within the revenue estimate for 2007 and hopefully increase the reserve fund. An aggressive economic development program was implemented to increase tax base to provide continual growth in the more traditional revenue sources for the General Fund operations. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-392-5796 or writing to City of Painesville Finance Department, 7 Richmond Street, Painesville, Ohio 44077.

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
December 31, 2007**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 6,951,039	\$ 7,239,821	\$ 14,190,860
Investments	4,626,641	19,035,510	23,662,151
Receivables:			
Taxes	2,403,300	0	2,403,300
Accounts	92,583	3,555,629	3,648,212
Intergovernmental	1,537,611	18,750	1,556,361
Interest	128,749	0	128,749
Special Assessments	438,696	0	438,696
Internal Balances	620,341	(620,341)	0
Inventory of Supplies at Cost	187,584	943,660	1,131,244
Land Held for Resale	785,000	0	785,000
Prepaid Items	96,625	231,427	328,052
Investment in Joint Venture	0	2,054,369	2,054,369
Deferred Charge	0	213,844	213,844
Restricted Assets:			
Cash and Cash Equivalents	1,468,945	461,141	1,930,086
Capital Assets:			
Capital Assets Not Being Depreciated	4,906,436	10,640,895	15,547,331
Capital Assets Being Depreciated, Net	24,766,988	38,999,594	63,766,582
Total Assets	49,010,538	82,774,299	131,784,837
Liabilities:			
Accounts Payable	719,203	1,266,809	1,986,012
Accrued Wages and Benefits	853,318	611,325	1,464,643
Intergovernmental Payable	6,767	16,622	23,389
Claims Payable	376,886	0	376,886
Refundable Deposits	0	426,964	426,964
Unearned Revenue	1,016,792	0	1,016,792
Accrued Interest Payable	95,456	101,678	197,134
General Obligation Notes Payable	1,630,000	2,604,100	4,234,100
Noncurrent liabilities:			
Due within one year	782,120	1,276,564	2,058,684
Due in more than one year	6,593,759	12,528,035	19,121,794
Total Liabilities	12,074,301	18,832,097	30,906,398

CITY OF PAINESVILLE, OHIO

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	23,806,608	34,892,703	58,699,311
Restricted For:			
Capital Projects	2,289,786	0	2,289,786
Debt Service	554,923	0	554,923
Cemetery Operations:			
Nonexpendable	984,940	0	984,940
Expendable	185,788	0	185,788
Public Safety	905,748	0	905,748
Highways and Streets	1,600,575	0	1,600,575
Other Purposes	291,283	0	291,283
Unrestricted	6,316,586	29,049,499	35,366,085
Total Net Assets	<u>\$ 36,936,237</u>	<u>\$ 63,942,202</u>	<u>\$ 100,878,439</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Activities
For the Year Ended December 31, 2007**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General Government	\$ 3,453,915	\$ 1,438,482	\$ 0	\$ 0
Public Safety	7,511,624	555,777	98,394	0
Highways and Streets	3,540,017	51,231	777,742	2,856,316
Public Health and Welfare	613,032	159,275	0	0
Culture and Recreation	847,647	7,917	10	0
Community Environment	551,236	304,968	0	0
Interest and Fiscal Charges	329,646	0	0	0
Total Governmental Activities	16,847,117	2,517,650	876,146	2,856,316
Business-Type Activities:				
Water	4,746,880	4,838,095	0	420,740
Sewer	3,183,132	3,237,420	110,973	30,905
Electric	20,600,631	22,505,860	0	545,731
Refuse	7,125	10,416	0	0
Off Street Parking	162,716	75,917	0	0
Storm Water Utility	485,124	412,550	0	0
Community Program Fund	75,098	56,040	0	0
Total Business-Type Activities	29,260,706	31,136,298	110,973	997,376
Totals	\$ 46,107,823	\$ 33,653,948	\$ 987,119	\$ 3,853,692

General Revenues

- Property Taxes
- Municipal Income Taxes
- Other Local Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Transfers
- Total General Revenues and Transfers

- Change in Net Assets

- Net Assets Beginning of Year, Restated

- Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,015,433)	\$ 0	\$ (2,015,433)
(6,857,453)	0	(6,857,453)
145,272	0	145,272
(453,757)	0	(453,757)
(839,720)	0	(839,720)
(246,268)	0	(246,268)
<u>(329,646)</u>	<u>0</u>	<u>(329,646)</u>
<u>(10,597,005)</u>	<u>0</u>	<u>(10,597,005)</u>
0	511,955	511,955
0	196,166	196,166
0	2,450,960	2,450,960
0	3,291	3,291
0	(86,799)	(86,799)
0	(72,574)	(72,574)
0	(19,058)	(19,058)
<u>0</u>	<u>2,983,941</u>	<u>2,983,941</u>
<u>(10,597,005)</u>	<u>2,983,941</u>	<u>(7,613,064)</u>
896,215	0	896,215
7,962,098	0	7,962,098
8,056	0	8,056
1,802,287	0	1,802,287
1,870,044	68,392	1,938,436
884,813	0	884,813
<u>743,005</u>	<u>(743,005)</u>	<u>0</u>
<u>14,166,518</u>	<u>(674,613)</u>	<u>13,491,905</u>
3,569,513	2,309,328	5,878,841
<u>33,366,724</u>	<u>61,632,874</u>	<u>94,999,598</u>
<u>\$ 36,936,237</u>	<u>\$ 63,942,202</u>	<u>\$ 100,878,439</u>

CITY OF PAINESVILLE, OHIO

**Balance Sheet
Governmental Funds
December 31, 2007**

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,402,273	\$ 539,456	\$ 4,780,030	\$ 6,721,759
Investments	3,389,233	1,237,408	0	4,626,641
Receivables:				
Taxes	2,010,642	0	392,658	2,403,300
Accounts	92,583	0	0	92,583
Intergovernmental	1,115,165	302,837	119,609	1,537,611
Interest	128,749	0	0	128,749
Special Assessments	0	0	438,696	438,696
Interfund Loans Receivables	300,000	0	0	300,000
Inventory of Supplies, at Cost	147,909	0	4,324	152,233
Land Held for Resale	785,000	0	0	785,000
Prepaid Items	84,757	0	11,868	96,625
Restricted Assets:				
Cash and Cash Equivalents	28,320	130,039	1,310,586	1,468,945
Total Assets	<u>\$ 9,484,631</u>	<u>\$ 2,209,740</u>	<u>\$ 7,057,771</u>	<u>\$ 18,752,142</u>
Liabilities:				
Accounts Payable	\$ 47,317	\$ 336,472	\$ 53,420	\$ 437,209
Accrued Wages and Benefits Payable	788,079	20,755	44,484	853,318
Intergovernmental Payable	5,818	0	949	6,767
Interfund Loans Payable	0	0	300,000	300,000
Deferred Revenue	1,368,160	210,379	898,918	2,477,457
Accrued Interest Payable	9,000	10,989	25,309	45,298
General Obligation Notes Payable	540,000	330,000	760,000	1,630,000
Compensated Absences Payable	1,216	0	0	1,216
Total Liabilities	<u>2,759,590</u>	<u>908,595</u>	<u>2,083,080</u>	<u>5,751,265</u>
Fund Balances:				
Reserved for Encumbrances	283,730	95,846	249,548	629,124
Reserved for Prepaid Items	84,757	0	11,868	96,625
Reserved for Supplies Inventory	147,909	0	4,324	152,233
Reserved for Debt Service	0	0	165,385	165,385
Reserved for Endowments	0	0	984,940	984,940
Reserved for Land Held for Resale	785,000	0	0	785,000
Undesignated/Unreserved in:				
General Fund	5,423,645	0	0	5,423,645
Special Revenue Funds	0	1,205,299	1,165,037	2,370,336
Capital Projects Funds	0	0	2,207,811	2,207,811
Permanent Funds	0	0	185,778	185,778
Total Fund Balances	<u>6,725,041</u>	<u>1,301,145</u>	<u>4,974,691</u>	<u>13,000,877</u>
Total Liabilities and Fund Balances	<u>\$ 9,484,631</u>	<u>\$ 2,209,740</u>	<u>\$ 7,057,771</u>	<u>\$ 18,752,142</u>

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2007***

Total Governmental Fund Balances	\$ 13,000,877
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	29,673,424
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,460,665
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(533,134)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,665,595)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 36,936,237</u></u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007**

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 569,493	\$ 0	\$ 314,500	\$ 883,993
Municipal Income Taxes	8,431,682	0	0	8,431,682
Other Local Taxes	8,056	0	0	8,056
Intergovernmental Revenues	1,746,340	826,685	355,605	2,928,630
Charges for Services	84,127	6,129	567,848	658,104
Licenses, Permits and Inspection Fees	396,526	0	224	396,750
Investment Earnings	1,852,131	9,380	60,662	1,922,173
Special Assessments	0	0	85,079	85,079
Fines and Forfeitures	876,260	0	406,931	1,283,191
All Other Revenues	127,914	10	598,033	725,957
Total Revenues	14,092,529	842,204	2,388,882	17,323,615
Expenditures:				
Current:				
General Government	2,847,120	0	394,141	3,241,261
Public Safety	6,601,514	0	563,000	7,164,514
Highways and Streets	1,000,448	1,219,346	200,749	2,420,543
Public Health and Welfare	131,498	0	432,080	563,578
Culture and Recreation	764,588	0	9,637	774,225
Community Environment	369,478	0	160,922	530,400
Capital Outlay	0	0	497,808	497,808
Debt Service:				
Principal Retirement	0	27,833	98,736	126,569
Interest & Fiscal Charges	11,000	54,023	238,332	303,355
Total Expenditures	11,725,646	1,301,202	2,595,405	15,622,253
Excess (Deficiency) of Revenues Over Expenditures	2,366,883	(458,998)	(206,523)	1,701,362
Other Financing Sources (Uses):				
Sale of Capital Assets	258,092	0	0	258,092
General Obligation Bonds Issued	0	1,062,000	1,013,000	2,075,000
Premiums on Debt Issuances	0	0	73,565	73,565
Transfers In	914,363	464,781	2,030,201	3,409,345
Transfers Out	(1,969,700)	0	(696,640)	(2,666,340)
Other Financing Sources - Capital Leases	6,854	167,500	379,484	553,838
Total Other Financing Sources (Uses)	(790,391)	1,694,281	2,799,610	3,703,500
Net Change in Fund Balances	1,576,492	1,235,283	2,593,087	5,404,862
Fund Balances at Beginning of Year	5,159,636	65,862	2,378,830	7,604,328
Increase (Decrease) in Inventory Reserve	(11,087)	0	2,774	(8,313)
Fund Balances End of Year	\$ 6,725,041	\$ 1,301,145	\$ 4,974,691	\$ 13,000,877

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, 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, 2007***

Net Change in Fund Balances - Total Governmental Funds \$ 5,404,862

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 1,553,381

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (549,486)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (314,405)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (2,003,100)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (26,291)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (147,465)

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (347,983)

Change in Net Assets of Governmental Activities \$ 3,569,513

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, 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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 559,716	\$ 559,716	\$ 570,358	\$ 10,642
Municipal Income Taxes	7,645,000	7,645,000	7,915,307	270,307
Other Local Taxes	10,000	10,000	8,056	(1,944)
Intergovernmental Revenue	1,756,461	1,756,461	1,745,604	(10,857)
Charges for Services	62,740	62,740	83,862	21,122
Licenses, Permits and Inspection Fees	289,365	289,365	394,674	105,309
Investment Earnings	1,245,500	1,245,500	1,778,863	533,363
Fines and Forfeitures	835,308	835,308	870,328	35,020
All Other Revenues	124,350	155,070	125,067	(30,003)
Total Revenues	<u>12,528,440</u>	<u>12,559,160</u>	<u>13,492,119</u>	<u>932,959</u>
Expenditures:				
Current:				
General Government	2,692,085	3,511,377	3,028,112	483,265
Public Safety	7,342,275	7,547,433	6,770,934	776,499
Highways and Streets	961,115	1,120,847	1,039,001	81,846
Public Health and Welfare	145,822	147,633	135,498	12,135
Culture and Recreation	811,939	898,981	795,063	103,918
Community Environment	502,414	507,987	376,518	131,469
Total Expenditures	<u>12,455,650</u>	<u>13,734,258</u>	<u>12,145,126</u>	<u>1,589,132</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,790	(1,175,098)	1,346,993	2,522,091
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	1,000	258,092	257,092
Sale of General Obligation Notes	540,000	540,000	540,000	0
Issuance of Capital Leases	0	0	320,788	320,788
Transfers In	820,821	848,228	914,363	66,135
Transfers Out	(677,000)	(2,076,700)	(1,969,700)	107,000
Advances Out	(612,000)	(612,000)	(612,000)	0
Total Other Financing Sources (Uses):	<u>72,821</u>	<u>(1,299,472)</u>	<u>(548,457)</u>	<u>751,015</u>
Net Changes in Fund Balance	145,611	(2,474,570)	798,536	3,273,106
Fund Balance at Beginning of Year	3,273,018	3,273,018	3,273,018	0
Prior Year Encumbrances	403,350	403,350	403,350	0
Fund Balance at End of Year	<u>\$ 3,821,979</u>	<u>\$ 1,201,798</u>	<u>\$ 4,474,904</u>	<u>\$ 3,273,106</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 755,552	\$ 755,552	\$ 822,619	\$ 67,067
Charges for Services	0	0	6,129	6,129
Investment Earnings	0	0	4,918	4,918
All Other Revenues	0	0	10	10
Total Revenues	<u>755,552</u>	<u>755,552</u>	<u>833,676</u>	<u>78,124</u>
Expenditures:				
Current:				
Highways and Streets	1,337,515	1,794,677	1,510,486	284,191
Debt Service:				
Principal Retirement	1,356,040	1,356,040	1,089,833	266,207
Interest and Fiscal Charges	64,819	64,819	42,315	22,504
Total Expenditures	<u>2,758,374</u>	<u>3,215,536</u>	<u>2,642,634</u>	<u>572,902</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,002,822)	(2,459,984)	(1,808,958)	651,026
Other Financing Sources (Uses):				
Sale of General Obligation Bonds	950,000	950,000	1,062,000	112,000
Sale of General Obligation Notes	330,000	330,000	330,000	0
Premiums on Debt Issuances	0	0	439	439
Issuance of Capital Leases	167,500	167,500	41,814	(125,686)
Transfers In	98,000	298,000	298,000	0
Total Other Financing Sources (Uses):	<u>1,545,500</u>	<u>1,745,500</u>	<u>1,732,253</u>	<u>(13,247)</u>
Net Changes in Fund Balance	(457,322)	(714,484)	(76,705)	637,779
Fund Balance at Beginning of Year	1,021,979	1,021,979	1,021,979	0
Prior Year Encumbrances	396,327	396,327	396,327	0
Fund Balance at End of Year	<u>\$ 960,984</u>	<u>\$ 703,822</u>	<u>\$ 1,341,601</u>	<u>\$ 637,779</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,209,142	\$ 927,893	\$ 4,740,323
Investments	3,100,078	2,139,895	13,358,502
Accounts Receivable (net of allowance for uncollectibles)	516,406	430,199	2,553,718
Intergovernmental Receivable	0	18,750	0
Inventory of Supplies at Cost	175,970	57,911	709,779
Prepaid Items	79,797	53,871	93,975
Total Current Assets	<u>5,081,393</u>	<u>3,628,519</u>	<u>21,456,297</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	142,357	5,008	307,986
Total Restricted Assets	<u>142,357</u>	<u>5,008</u>	<u>307,986</u>
Investment in Joint Venture	0	0	2,054,369
Deferred Charges	31,779	0	182,065
Capital Assets:			
Capital Assets Not Being Depreciated	3,192,563	525,636	6,544,624
Capital Assets Being Depreciated, Net	<u>18,549,147</u>	<u>7,915,125</u>	<u>11,466,720</u>
Total Noncurrent Assets	<u>21,915,846</u>	<u>8,445,769</u>	<u>20,555,764</u>
Total Assets	<u>26,997,239</u>	<u>12,074,288</u>	<u>42,012,061</u>

CITY OF PAINESVILLE, OHIO

		Governmental Activities
Other Enterprise Funds	Total	Internal Service Funds
\$ 362,463	\$ 7,239,821	\$ 229,280
437,035	19,035,510	0
55,306	3,555,629	0
0	18,750	0
0	943,660	35,351
3,784	231,427	0
<u>858,588</u>	<u>31,024,797</u>	<u>264,631</u>
5,790	461,141	0
<u>5,790</u>	<u>461,141</u>	<u>0</u>
0	2,054,369	0
0	213,844	0
378,072	10,640,895	0
<u>1,068,602</u>	<u>38,999,594</u>	<u>0</u>
<u>1,452,464</u>	<u>52,369,843</u>	<u>0</u>
<u>2,311,052</u>	<u>83,394,640</u>	<u>264,631</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
LIABILITIES			
Current Liabilities:			
Accounts Payable	85,901	161,804	944,723
Accrued Wages and Benefits	127,995	106,874	366,177
Intergovernmental Payable	3,786	9,215	3,621
Claims Payable	0	0	0
Refundable Deposits	115,688	0	307,986
Accrued Interest Payable	79,295	5,970	1,353
General Obligation Notes Payable	1,342,100	810,000	0
Capital Leases Payable - Current	156,484	34,775	33,473
General Obligation Bonds Payable - Current	490,000	0	0
Revenue Bond Payable - Current	0	0	141,218
OWDA Loans Payable - Current	69,505	0	0
OPWC Loans Payable - Current	101,357	0	0
Compensated Absences Payable - Current	84,755	0	164,004
Total Current Liabilities	<u>2,656,866</u>	<u>1,128,638</u>	<u>1,962,555</u>
Noncurrent Liabilities:			
Capital Leases Payable	3,728,700	309,088	227,166
General Obligation Bonds Payable	3,545,000	0	0
Revenue Bonds Payable	0	0	1,954,976
OWDA Loans Payable	1,014,921	0	0
OPWC Loans Payable	529,403	0	0
Compensated Absences Payable	299,197	276,490	623,220
Total Noncurrent Liabilities	<u>9,117,221</u>	<u>585,578</u>	<u>2,805,362</u>
Total Liabilities	<u>11,774,087</u>	<u>1,714,216</u>	<u>4,767,917</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,764,240	7,286,898	15,654,511
Unrestricted	4,458,912	3,073,174	21,589,633
Total Net Assets	<u>\$ 15,223,152</u>	<u>\$ 10,360,072</u>	<u>\$ 37,244,144</u>

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.
Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

		Governmental Activities
Other Enterprise Funds	Total	Internal Service Funds
74,381	1,266,809	281,994
10,279	611,325	0
0	16,622	0
0	0	1,136,112
3,290	426,964	0
15,060	101,678	0
452,000	2,604,100	0
993	225,725	0
0	490,000	0
0	141,218	0
0	69,505	0
0	101,357	0
0	248,759	0
<u>556,003</u>	<u>6,304,062</u>	<u>1,418,106</u>
1,722	4,266,676	0
0	3,545,000	0
0	1,954,976	0
0	1,014,921	0
0	529,403	0
<u>18,152</u>	<u>1,217,059</u>	<u>0</u>
<u>19,874</u>	<u>12,528,035</u>	<u>0</u>
<u>575,877</u>	<u>18,832,097</u>	<u>1,418,106</u>
1,187,054	34,892,703	0
<u>548,121</u>	<u>29,669,840</u>	<u>(1,153,475)</u>
<u>\$ 1,735,175</u>	<u>64,562,543</u>	<u>\$ (1,153,475)</u>
	<u>(620,341)</u>	
	<u>\$ 63,942,202</u>	

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
Operating Revenues:			
Charges for Services	\$ 4,410,265	\$ 3,214,253	\$ 22,298,208
Other Charges for Services	198,265	36,740	95,329
Other Operating Revenues	218,323	48,250	70,772
Total Operating Revenues	4,826,853	3,299,243	22,464,309
Operating Expenses:			
Personal Services	2,047,366	1,711,575	5,549,272
Contractual Services	620,482	467,050	3,038,197
Materials and Supplies	379,791	248,002	6,491,906
Utilities	387,852	252,611	4,227,583
Depreciation	903,109	440,462	743,299
Total Operating Expenses	4,338,600	3,119,700	20,050,257
Operating Income (Loss)	488,253	179,543	2,414,052
Non-Operating Revenue (Expenses):			
Interest Income	57,476	3,572	6,893
Interest and Fiscal Charges	(384,538)	(45,380)	(17,627)
Gain (Loss) on Disposal of Assets	2,267	(63,544)	(57,794)
Loss on Investment in Joint Venture	0	0	(132,896)
Intergovernmental Grants	0	110,973	0
Other Nonoperating Revenue	8,975	1,721	99,345
Other Nonoperating Expense	(23,742)	(18,052)	0
Total Non-Operating Revenues (Expenses)	(339,562)	(10,710)	(102,079)
Income (Loss) Before Transfers and Contributions	148,691	168,833	2,311,973
Transfers and Contributions:			
Transfers In	500,000	507,231	5,000,000
Transfers Out	(509,000)	(496,000)	(5,839,236)
Capital Contributions	420,740	30,905	545,731
Total Transfers and Contributions	411,740	42,136	(293,505)
Change in Net Assets	560,431	210,969	2,018,468
Net Assets Beginning of Year	14,662,721	10,149,103	35,225,676
Net Assets End of Year	\$ 15,223,152	\$ 10,360,072	\$ 37,244,144

Change in Net Assets - Total Enterprise Funds

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

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

		Governmental Activities	
Other Enterprise Funds	Total	Internal Service Funds	
\$ 546,090	\$ 30,468,816	\$ 2,638,071	
2,642	332,976	0	
5,689	343,034	0	
<u>554,421</u>	<u>31,144,826</u>	<u>2,638,071</u>	
185,604	9,493,817	2,540,174	
436,292	4,562,021	509,692	
30,712	7,150,411	336,039	
26,520	4,894,566	0	
34,274	2,121,144	0	
<u>713,402</u>	<u>28,221,959</u>	<u>3,385,905</u>	
(158,981)	2,922,867	(747,834)	
451	68,392	0	
(16,661)	(464,206)	0	
0	(119,071)	0	
0	(132,896)	0	
0	110,973	0	
502	110,543	0	
0	(41,794)	0	
<u>(15,708)</u>	<u>(468,059)</u>	<u>0</u>	
(174,689)	2,454,808	(747,834)	
94,000	6,101,231	0	
0	(6,844,236)	0	
0	997,376	0	
<u>94,000</u>	<u>254,371</u>	<u>0</u>	
(80,689)	2,709,179	(747,834)	
1,815,864	61,853,364	(405,641)	
<u>\$ 1,735,175</u>	<u>\$ 64,562,543</u>	<u>\$ (1,153,475)</u>	
	2,709,179		
	(399,851)		
	<u>\$ 2,309,328</u>		

CITY OF PAINESVILLE, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$4,778,946	\$3,256,175	\$22,488,072
Cash Receipts from Interfund Services Provided	0	0	0
Cash Payments for Goods and Services	(1,475,135)	(1,024,304)	(13,791,031)
Cash Payments to Employees	(2,030,427)	(1,758,469)	(5,581,033)
Cash Payments for Employee Medical Claims	0	0	0
Net Cash Provided (Used) by Operating Activities	1,273,384	473,402	3,116,008
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	0	110,973	0
Transfers In from Other Funds	500,000	507,231	5,000,000
Transfers Out to Other Funds	(509,000)	(496,000)	(6,379,236)
Advances In from Other Funds	0	0	612,000
Net Cash Provided (Used) by Noncapital Financing Activities	(9,000)	122,204	(767,236)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds of General Obligation Notes	1,342,100	810,000	0
Premiums on Debt Issuances	1,864	814	0
Principal Paid on General Obligation Notes	(1,347,100)	(1,095,000)	0
Proceeds from Sales of Capital Assets	11,667	158	45,729
Acquisition and Construction of Assets	(2,467,724)	(437,937)	(2,769,127)
Issuance of Capital Leases	3,879,693	263,113	170,409
Principal Paid on Capital Leases	(87,696)	(35,460)	(38,569)
Principal Paid on Revenue Bonds	0	0	0
Principal Paid on General Obligation Bonds	(485,000)	0	0
Principal Paid on Ohio Public Works Commission Loans	(101,357)	0	0
Principal Paid on Ohio Water Development Authority Loans	(66,445)	0	0
Interest Paid on All Debt	(382,064)	(46,053)	(3,979)
Net Cash Provided (Used) for Capital and Related Financing Activities	297,938	(540,365)	(2,595,537)
<u>Cash Flows from Investing Activities:</u>			
Receipts of Principal and Interest on Investments	53,763	3,698	2,350
Sale of Investments	0	0	1,066,454
Purchase of Investments	(1,199,870)	(69,040)	0
Net Cash Provided (Used) for Investing Activities	(1,146,107)	(65,342)	1,068,804
Net Increase (Decrease) in Cash and Cash Equivalents	416,215	(10,101)	822,039
Cash and Cash Equivalents at Beginning of Year	935,284	943,002	4,226,270
Cash and Cash Equivalents at End of Year	\$1,351,499	\$932,901	\$5,048,309
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$1,209,142	\$927,893	\$4,740,323
Restricted Cash and Cash Equivalents	142,357	5,008	307,986
Cash and Cash Equivalents at End of Year	\$1,351,499	\$932,901	\$5,048,309

CITY OF PAINESVILLE, OHIO

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities
		Internal Service Funds
\$555,896	\$31,079,089	\$0
0	0	2,638,071
(485,137)	(16,775,607)	(745,951)
(184,635)	(9,554,564)	(178,182)
0	0	(1,811,763)
<u>(113,876)</u>	<u>4,748,918</u>	<u>(97,825)</u>
0	110,973	0
94,000	6,101,231	0
0	(7,384,236)	0
0	612,000	0
<u>94,000</u>	<u>(560,032)</u>	<u>0</u>
452,000	2,604,100	0
602	3,280	0
(187,000)	(2,629,100)	0
0	57,554	0
(234,251)	(5,909,039)	0
2,500	4,315,715	0
(1,320)	(163,045)	0
0	0	0
0	(485,000)	0
0	(101,357)	0
0	(66,445)	0
(8,392)	(440,488)	0
<u>24,139</u>	<u>(2,813,825)</u>	<u>0</u>
87	59,898	0
1,554	1,068,008	0
0	(1,268,910)	0
<u>1,641</u>	<u>(141,004)</u>	<u>0</u>
5,904	1,234,057	(97,825)
<u>362,349</u>	<u>6,466,905</u>	<u>327,105</u>
<u>\$368,253</u>	<u>\$7,700,962</u>	<u>\$229,280</u>
\$362,463	\$7,239,821	\$229,280
5,790	461,141	0
<u>\$368,253</u>	<u>\$7,700,962</u>	<u>\$229,280</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Electric
<u>Reconciliation of Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$488,253	\$179,543	\$2,414,052
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	903,109	440,462	743,299
Miscellaneous Nonoperating Revenues	11,887	1,721	45,446
Miscellaneous Nonoperating Expenses	(23,742)	(18,052)	0
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(59,794)	(26,039)	(21,683)
Increase in Intergovernmental Receivable	0	(18,750)	0
(Increase) Decrease in Inventory	(48,296)	(8,270)	99,005
Increase in Prepaid Items	(42,220)	(32,055)	(66,784)
Increase in Accounts Payable	(26,757)	(43,607)	(87,501)
Increase in Accrued Wages and Benefits	39,665	26,822	117,127
Increase in Intergovernmental Payable	3,786	(3,951)	(3,621)
Increase in Compensated Absences Payable	27,493	(24,422)	5,718
Decrease in Payable to Joint Venture	0	0	(129,050)
Decrease in Claims Liability	0	0	0
Total Adjustments	785,131	293,859	701,956
Net Cash Provided (Used) by Operating Activities	<u>\$1,273,384</u>	<u>\$473,402</u>	<u>\$3,116,008</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2007 the Water, Sewer, Electric and Storm Water Funds had outstanding liabilities of \$21,890, \$128,772, \$63,492 and \$24,849 respectively for the purchase of certain capital assets. During 2007 the fair value of investments increased by \$7,375, \$5,091, \$30,498, and \$1,039 in the Water, Sewer, Electric, and Storm Water Utility Funds, respectively. The Water, Sewer, and Electric Funds received capital contributions in the respective amounts of \$420,740, \$30,905, and \$545,731.

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
(\$158,981)	\$2,922,867	(\$747,834)
34,274	2,121,144	0
754	59,808	0
0	(41,794)	0
721	(106,795)	0
0	(18,750)	0
0	42,439	(814)
(2,121)	(143,180)	0
6,425	(151,440)	281,994
4,352	187,966	0
0	(3,786)	0
700	9,489	0
0	(129,050)	0
0	0	368,829
45,105	1,826,051	650,009
(\$113,876)	\$4,748,918	(\$97,825)

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
Fiduciary Funds
December 31, 2007**

	Private Purpose Trust	
	Deposit Trust	Agency
Assets:		
Cash and Cash Equivalents	\$ 442,381	\$ 81,548
Receivables:		
Intergovernmental	13,340	0
Total Assets	<u>455,721</u>	<u>81,548</u>
Liabilities:		
Accounts Payable	3,440	0
Due to Others	0	81,548
Total Liabilities	<u>3,440</u>	<u>81,548</u>
Net Assets:		
Unrestricted	452,281	0
Total Net Assets	<u>\$ 452,281</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2007**

	Private Purpose Trust
	<u>Deposit Trust</u>
Additions:	
Contributions:	
Private Donations	\$ 94,557
Total Contributions	<u>94,557</u>
Investment Earnings:	
Total Investment Earnings	<u>0</u>
Total Additions	<u>94,557</u>
Deductions:	
Administrative Expenses	<u>3,440</u>
Total Deductions	<u>3,440</u>
Change in Net Assets	91,117
Net Assets at Beginning of Year	<u>361,164</u>
Net Assets End of Year	<u>\$ 452,281</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Painesville, Ohio (the City), is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted on November 6, 1962 and has been amended four times (1963, 1973, 1983 and 1989).

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

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: public safety (police and fire), health (health department), culture and recreation (parks and recreation), community environment (planning, zoning and community development), basic utility (water, electric, sanitation, public parking and wastewater pollution control), highways and streets (street and highway maintenance), and general government (administrative services including the municipal court).

Joint Venture with Equity Interest – The City is a participant with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2). The Omega JV-2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economics of the participants' respective municipal electric utility systems. The Omega JV-2 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 17, "Joint Venture."

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses).

The various funds are grouped into generic fund types and three broad fund categories for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service, and capital projects funds. Proprietary funds include enterprise and internal service funds. Fiduciary funds include trust and agency funds. The following fund types are used by the City:

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

Street Construction, Maintenance, and Repair Fund - This fund is used to account for 7.5% of the state gasoline tax and motor vehicle registration fees designated for maintenance of state highways within the City as required by the Ohio Revised Code.

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

Proprietary Funds - All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are presented as assets and liabilities of the funds to which they relate. Proprietary fund type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City maintains separate enterprise funds for its water, sewer, electricity, refuse, off-street parking, storm water utility services and community programs. The following are the City's major enterprise funds:

Water Fund - This fund is used to account for the operation of the City's water treatment and distribution systems.

Sewer Fund - This fund is used to account for the operation of the City's sewage treatment and collection systems.

Electric Fund - This fund is used to account for the operation of the City's electric generation and distribution systems.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City uses internal service funds to account for costs associated with fuel, supplies, employee health insurance, and worker's compensation.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's fiduciary funds are private-purpose trust funds and agency funds. The City's private-purpose trust fund accounts for various deposits held by the City. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency funds account for monies that flow through the Municipal Court, monies from electric license fees, and monies from the sale of property under the Land Bank Program.

C. Basis of Presentation - Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. These balances appear as internal balances on the statement of net assets.

Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column. Interfund services provided and used are not eliminated in the process of consolidation.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

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

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

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

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

D. Basis of Accounting

The basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

Special assessment installments, including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2007, but which are not intended to finance 2007 operations or are not expected to be received within sixty (60) days after year end, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by all government wide statements, proprietary and fiduciary (including agency funds) funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in the proprietary funds.

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

E. Budgetary Process

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the program level (general government, public safety, highways and streets, public health and welfare, culture and recreation and community environment) and within each program at the level of personal services, certain other expenditures, capital outlay and transfers as required by Ohio law. The City Manager is authorized to transfer appropriations between objects of expenditure budgeted within the same program, so long as total appropriations for each program do not exceed the amount approved by Council. Budgetary modifications, other than those noted previously, may only be made by ordinance of the City Council.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The estimated revenue amounts reported on the accompanying budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued for 2007.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. By Charter, the City Manager must submit an annual appropriation ordinance (for the period January 1 through December 31) to City Council by March 31 of each year. The appropriation ordinance establishes spending controls at the fund, program (General Government, Public Safety, Highways and Streets, Public Health and Welfare, Culture and Recreation and Community Environment) and object level (personal services, all other expenditures, capital outlay, and transfers). The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. During the year, several supplemental appropriations were necessary. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund, and major special revenue funds (Street Construction, Maintenance and Repair Fund) are presented on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying combined balance sheet.

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on the budgetary basis as opposed to reservation of fund balance on the GAAP basis. On the budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balance	
	General Fund	Street Construction, Maintenance and Repair Fund
GAAP Basis (as reported)	\$1,576,492	\$1,235,283
Increase (Decrease):		
Accrued Revenues at December 31, 2007 received during 2008	(2,278,979)	(222,936)
Accrued Revenues at December 31, 2006 received during 2007	1,993,901	88,392
Accrued Expenditures at December 31, 2007 paid during 2008	1,391,430	698,216
Accrued Expenditures at December 31, 2006 paid during 2007	(1,509,579)	(1,444,110)
2006 Prepays for 2007	48,284	0
2007 Prepays for 2008	(84,757)	0
2007 Adjustment to Fair Value	(8,064)	(2,944)
2006 Adjustment to Fair Value	6,666	3,274
Outstanding Encumbrances	(336,858)	(432,319)
Budget Basis	<u>\$798,536</u>	<u>(\$77,144)</u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), and short-term certificates of deposit with original maturities of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents (Continued)

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash, including the investment instrument described above, represents the balance on hand as if each fund maintained its own cash and investments account. For purposes of the statement of cash flows, the share of equity in the pooled cash and investments of the proprietary funds is considered to be a cash equivalent. See Note 4 "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code, and the City Charter. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The City has invested funds in the STAR Ohio during 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006. See Note 4, "Cash, Cash Equivalents and Investments."

H. Accounts Receivable

Receivables consist primarily of taxes in the governmental funds and accounts (billings for user charged services, including unbilled amounts) in the proprietary funds.

I. Inventory

Inventories are stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. The reservations for inventory in the balance sheet of the governmental fund types indicate that a portion of the fund balance is not available for future expenditures.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold of three or more years.

1. Property, Plant and Equipment - Governmental Activities

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

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (Years)
Buildings and Improvements	40 - 60
Utility Plant in Service	20 - 60
Improvements other than Buildings	20
Infrastructure	25 - 50
Machinery, Equipment, Furniture, Fixtures and Vehicles	5 - 15

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds have not been paid or received as of year end, interfund receivables or payables have been recorded.

L. Compensated Absences

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” The City only reports a “Compensated Absence Payable” in governmental funds if the liability has matured. In the government wide statement of net assets, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

Employees of the City earn vacation leave at various rates within limits specified under collective bargaining agreements or under statute. At termination or retirement, employees are paid at their full rate for 100% of their unused vacation leave.

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

M. Long-Term Debt

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits are reported in the government wide statement of net assets as a liability to the extent that they will not be paid with current expendable available financial resources. Such liabilities are reported in the government wide statement of net assets in the “Due within one year” account and the “Due in more than one year” account. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources. Bonds are recognized as a liability in the government wide statement of net assets. Long-term debt and other obligations to be paid from proprietary funds are reported in those funds.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Debt (Continued)

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Water Fund, Electric Fund, General Bond Retirement Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Ohio Public Works Commission Loans	Street Construction, Maintenance and Repair Fund Water Fund
Ohio Water Development Authority (OWDA) Loans	Water Fund Sewer Fund
Mortgage Revenue Bonds	Electric Fund
Police and Fire Pension Accrued Liability	General Fund
Workers' Compensation Liability	Workers' Compensation Retrospective Fund
Capital Leases	General Fund Street Construction, Maintenance and Repair Fund Cemeteries Fund Capital Equipment Reserve Fund Capital Improvement Fund Water Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Cemeteries Fund Water Fund Sewer Fund Electric Fund Off-Street Parking Fund
Long-Term Notes Payable	General Fund

N. Issuance Costs

In governmental fund types, issuance costs are recognized in the current period. Issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Reservations of Fund Balances

Fund balances are reserved for inventories of supplies, prepaid items, endowments, and encumbered amounts that have not been accrued at year end. The fund balances in the debt service funds are reserved for the retirement of debt principal and interest.

P. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Q. Restricted Assets

Certain cash and cash equivalents are classified as restricted on the balance sheet because these funds are being held by a trustee, an agent or by the City for specified purposes.

R. Intergovernmental Revenues

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

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

S. Pensions

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

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 borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Estimates

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

V. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems, electric distribution, off-street parking and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

W. 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 Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

NOTE 2 – RESTATEMENT OF NET ASSETS

Prior Period Adjustments - During the year ended December 31, 2007, the City restated the net assets of the Governmental Activities to include retroactive infrastructure amounts in accordance with GASB Statement 34. The restatement had the following effects on the Governmental net assets:

	<u>Governmental Activities</u>
Net Assets	
at December 31, 2006 as reported	\$17,708,696
Restate Capital Assets	<u>15,658,028</u>
Net Assets	
at December 31, 2006 as restated	<u><u>\$33,366,724</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Tax Revenues	\$46,673
Shared Revenues	967,567
Interest Revenues	7,729
Special Assessment Revenue	438,696
	<hr/>
	\$1,460,665

Long-Term liabilities not reported in the funds:

General Obligation Bonds	(\$2,075,000)
Special Assessment Bonds Payable	(435,000)
OPWC Loans Payable	(25,000)
Construction Loan Payable	(539,365)
Accrued Interest on Long-Term Debt	(50,158)
Capital Leases Payable	(1,162,451)
Police/Firemen's Pension Accrued Liability	(788,299)
Compensated Absences Payable	(1,590,322)
	<hr/>
	(\$6,665,595)

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

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

Amount by which capital outlay exceeded depreciation in the current period:

Capital Outlay	\$3,018,214
Depreciation Expense	<u>(1,464,833)</u>
	\$1,553,381

Governmental revenues not reported in the funds:

Increase in Tax Revenue	(\$457,362)
Increase in Intergovernmental Revenue	6,956
Decrease in Interest Revenue	(52,129)
Increase in Special Assessment Revenue	<u>188,130</u>
	(\$314,405)

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	(\$139,152)
Increase in supplies inventory	<u>(8,313)</u>
	(\$147,465)

NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 4- CASH AND CASH EQUIVALENTS (Continued)

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

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

A. Deposits

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 4- CASH AND CASH EQUIVALENTS (Continued)

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$30,987,617 and the bank balance was \$30,502,884. Federal depository insurance covered \$600,000 of the bank balance and \$29,902,884 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	\$29,902,884
Total Balance	<u><u>\$29,902,884</u></u>

B. Investments

The City's investments at December 31, 2007 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
STAR Ohio	\$935,233	AAAm ¹	\$935,233	\$0
City's Debt	540,000	N/A	540,000	0
FHLB	1,489,026	AAA ¹ /Aaa ²	1,489,026	0
FHLMC	3,854,576	AAA ¹ /Aaa ²	2,853,416	1,001,160
FNMA	2,500,574	AAA ¹ /Aaa ²	500,176	2,000,398
Total Investments	<u><u>\$9,319,409</u></u>		<u><u>\$6,317,851</u></u>	<u><u>\$3,001,558</u></u>

¹ Standard & Poor's

² Moody's Investor Service

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 26.8% are FNMA, 16.0% are FHLB, and 41.4% are FHLMC.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 4- CASH AND CASH EQUIVALENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$16,644,875	\$23,662,151
Certificates of Deposit		
(with maturities of more than 3 months)	15,277,975	(15,277,975)
STAR Ohio	<u>(935,233)</u>	<u>935,233</u>
Per GASB Statement No. 3	<u><u>\$30,987,617</u></u>	<u><u>\$9,319,409</u></u>

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2000 and the equalization adjustment was made in 2003. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder is payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is currently assessed at 100% of its true value and real property is assessed at 35% of its true (market) value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 5 - PROPERTY TAX (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Painesville. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2007 was \$3.70 per \$1,000 of assessed value. The assessed value upon which the 2007 collection was based was \$281,300,753. This amount constitutes \$253,888,500 in real property assessed value, \$4,078,920 in public utility assessed value and \$23,333,333 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Property taxes recorded as revenue in 2007 were based on a tax rate equal to .370% (3.70 mills) of assessed value.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2007 consisted of taxes, interest, accounts receivable, special assessments, loans and intergovernmental receivables arising from shared revenues.

NOTE 7 - LAND HELD FOR RESALE

In December 1999, the City purchased 43.1 acres of land with the intent of resale as part of the City's economic development strategy. Additional land was purchased during 2001 for the same purpose. This land is instrumental in the development of commercial or industrial facilities to create and preserve jobs. At December 31, 2007 the City's Land Held for Resale balance was \$785,000.

NOTE 8- INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2007 consist of the following individual fund receivables and payables:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$300,000	\$0
Nonmajor Governmental Fund:		
Fire Levy Fund	0	300,000
Totals	\$300,000	\$300,000

The interfund loan balances result from the General Fund's advance of monies to the Fire Levy Fund to assist the fund's cashflow. The advance is scheduled to be repaid during the 2008 fiscal year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2007:

Fund	Transfers In	Transfers Out
Major Governmental Fund:		
General Fund	\$914,363	\$1,969,700
Street Construction, Maintenance and Repair Fund	464,781	0
Total Major Governmental Funds	1,379,144	1,969,700
Major Enterprise Funds:		
Water Fund	500,000	509,000
Sewer Fund	507,231	496,000
Electric Fund	5,000,000	5,839,236
Total Major Enterprise Funds	6,007,231	6,844,236
Nonmajor Governmental Funds:		
Cemeteries Fund	350,000	0
Municipal Motor Vehicle License Tax Fund	0	33,000
City Motor Vehicle License Tax Fund	0	65,000
Skate Facility Fund	35,700	0
Federal Emergency Management Fund	0	77,358
General Bond Retirement Fund	15,000	78,501
Special Assessment Bond Retirement Fund	0	276,000
Capital Equipment Reserve Fund	575,000	0
Capital Improvement Fund	654,501	0
Industrial Park Project Fund	0	166,781
Millstone Acquisition Fund	250,000	0
Gristmill FMA Acquisition Fund	100,000	0
Gristmill HMPG Acquisition Fund	50,000	0
Total Nonmajor Governmental Funds	2,030,201	696,640
Nonmajor Enterprise Fund:		
Off-Street Parking Fund	80,000	0
Community Programs Fund	14,000	0
Total Nonmajor Enterprise Funds	94,000	0
Total All Funds	\$9,510,576	\$9,510,576

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. The City's transfers out were made in accordance to City ordinances as required by Ohio Revised Code.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2007:

<i>Historical Cost:</i>	Restated December 31, 2006	Additions	Deletions	December 31, 2007
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$4,662,785	\$65,000	(\$489,750)	\$4,238,035
Construction in Progress	756,782	595,599	(683,980)	668,401
Subtotal	<u>5,419,567</u>	<u>660,599</u>	<u>(1,173,730)</u>	<u>4,906,436</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	4,287,360	81,343	0	4,368,703
Improvements other than Buildings	2,265,603	1,750,801	(20,000)	3,996,404
Machinery and Equipment	5,513,885	322,127	(325,025)	5,510,987
Infrastructure	24,041,979	887,324	0	24,929,303
Subtotal	<u>36,108,827</u>	<u>3,041,595</u>	<u>(345,025)</u>	<u>38,805,397</u>
Total Cost	<u>\$41,528,394</u>	<u>\$3,702,194</u>	<u>(\$1,518,755)</u>	<u>\$43,711,833</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings and Improvements	(\$1,981,435)	(\$64,208)	\$0	(\$2,045,643)
Improvements other than Buildings	(551,153)	(80,626)	0	(631,779)
Machinery and Equipment	(3,056,846)	(489,022)	287,285	(3,258,583)
Infrastructure	(7,271,427)	(830,977)	0	(8,102,404)
Total Depreciation	<u>(\$12,860,861)</u>	<u>(\$1,464,833) *</u>	<u>\$287,285</u>	<u>(\$14,038,409)</u>
<i>Net Value:</i>	<u>\$28,667,533</u>			<u>\$29,673,424</u>

* Depreciation expenses were charged to governmental functions as follows:

General Government	\$134,083
Public Safety	192,700
Highways and Streets	1,048,157
Public Health and Welfare	19,023
Culture and Recreation	63,325
Community Environment	7,545
Total Depreciation Expense	<u>\$1,464,833</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 10 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2007:

Historical Cost:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$1,397,784	\$0	\$0	\$1,397,784
Construction In Progress	4,087,516	6,036,358	(880,763)	9,243,111
Subtotal	5,485,300	6,036,358	(880,763)	10,640,895
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	27,368,807	1,449,929	(152,072)	28,666,664
Infrastructure	38,951,578	5,501	(124,977)	38,832,102
Machinery and Equipment	21,199,563	641,532	(483,046)	21,358,049
Subtotal	87,519,948	2,096,962	(760,095)	88,856,815
Total Cost	<u>\$93,005,248</u>	<u>\$8,133,320</u>	<u>(\$1,640,858)</u>	<u>\$99,497,710</u>

Accumulated Depreciation:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings and Improvements	(\$15,815,350)	(\$613,027)	\$88,270	(\$16,340,107)
Infrastructure	(15,632,505)	(896,115)	0	(16,528,620)
Machinery and Equipment	(16,746,716)	(612,001)	370,223	(16,988,494)
Total Depreciation	<u>(\$48,194,571)</u>	<u>(\$2,121,143)</u>	<u>\$458,493</u>	<u>(\$49,857,221)</u>
<i>Net Value:</i>	<u>\$44,810,677</u>			<u>\$49,640,489</u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 11 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate for local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007 through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2007, 2006, and 2005 were \$1,331,863, \$1,380,027 and \$1,327,183, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007, of covered payroll which amounted to \$528,899.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2007, 2006, and 2005 were \$486,681, \$452,000 and \$460,196 for police and \$447,036, \$413,267 and \$411,690 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2007 covered payroll that was used to fund postemployment health care benefits was \$168,467 representing 6.75% of covered payroll for police and \$125,729 representing 6.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 12 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2007 was as follows:

		Balance December 31, 2006	Issued	(Retired)	Balance December 31, 2007	Amount Due Within One Year
Business-Type Activities:						
Amp-Ohio Joint Venture Agreement:						
4.600 - 4.750% Joint Venture Agreement		\$2,651,829	\$0	(\$134,556)	\$2,517,273	\$141,218
Joint Venture Reserve Amount		(426,585)	0	5,506	(421,079)	0
Net Joint Venture Agreement		<u>2,225,244</u>	<u>0</u>	<u>(129,050)</u>	<u>2,096,194</u>	<u>141,218</u>
General Obligation Bonds:						
1.500 - 3.600% Waterworks	2003	1,520,000	0	(235,000)	1,285,000	240,000
3.250 - 4.600% Waterworks	1998	3,000,000	0	(250,000)	2,750,000	250,000
Total General Obligation Bonds		<u>4,520,000</u>	<u>0</u>	<u>(485,000)</u>	<u>4,035,000</u>	<u>490,000</u>
Ohio Water Development Authority Loans (OWDA):						
4.618% Safe Drinking Water	1998	1,150,870	0	(66,444)	1,084,426	69,503
Total OWDA Loans		<u>1,150,870</u>	<u>0</u>	<u>(66,444)</u>	<u>1,084,426</u>	<u>69,503</u>
Ohio Public Works Commission Loan (OPWC):						
0.000% Raw Water Pump Station Replacement	2002	360,000	0	(60,000)	300,000	60,000
0.000% Pump Station	2005	372,117	0	(41,357)	330,760	41,357
Total OPWC Loans		<u>732,117</u>	<u>0</u>	<u>(101,357)</u>	<u>630,760</u>	<u>101,357</u>
Capital Leases Payable		339,731	4,315,715	(163,046)	4,492,400	225,724
Compensated Absences		1,456,330	1,465,819	(1,456,330)	1,465,819	248,762
Total Business-Type Activities		<u>\$10,424,292</u>	<u>\$5,781,534</u>	<u>(\$2,401,227)</u>	<u>\$13,804,599</u>	<u>\$1,276,564</u>
Governmental Activities:						
General Obligation Bonds:						
4.250 - 5.000% Waterworks	2007	\$0	\$2,075,000	\$0	\$2,075,000	\$100,000
Special Assessment Debt (with governmental commitment)						
8.000 - 8.125% Chicago/Forest/Roosevelt Street Improvements	1988	100,000	0	(50,000)	50,000	50,000
4.75% Renaissance Parkway	2005	400,000	0	(15,000)	385,000	15,000
Total Special Assessment Debt (with governmental commitment)		<u>500,000</u>	<u>0</u>	<u>(65,000)</u>	<u>435,000</u>	<u>65,000</u>
Ohio Public Works Commission Loans (OPWC):						
0.000% East Walnut Avenue Improvements Loan	2000	35,000	0	(10,000)	25,000	10,000
Total OPWC Loans		<u>35,000</u>	<u>0</u>	<u>(10,000)</u>	<u>25,000</u>	<u>10,000</u>
4.25% Construction Loan Payable		587,645	0	(48,280)	539,365	50,353
Compensated Absences		1,451,170	1,591,538	(1,451,170)	1,591,538	197,703
Workers' Compensation Liability		659,242	99,984	0	759,226	0
Capital Lease Payable		1,096,129	553,838	(487,516)	1,162,451	343,480
Police/Firemen's Pension Accrued Liability		803,241	0	(14,942)	788,299	15,584
Total Governmental Activities		<u>\$5,132,427</u>	<u>\$4,320,360</u>	<u>(\$2,076,908)</u>	<u>\$7,375,879</u>	<u>\$782,120</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 12 - LONG-TERM DEBT (Continued)

A. Defeased Debt

In December 1985, the City defeased \$4,540,000 of Electric Plant First Mortgage Revenue Bonds dated July 1, 1972 and August 1, 1974 and \$3,400,000 of Special Obligation Electric System Refunding Bonds dated December 1, 1985 through the issuance of Electric System Mortgage Revenue Bonds (the "1985 Bonds"). In December 1992, the City defeased \$5,090,000 of the 1985 Bonds through the issuance of \$6,000,000 of Electric System Mortgage Revenue Refunding Bonds (the "1992 Bonds"). In February of 2003, the City defeased \$2,205,000 of Waterworks General Revenue Bonds dated December 1, 1992 (the "1992 Waterworks Bonds") through the issuance of \$2,380,000 of Waterworks General Obligation Refunding Bonds (the "2003 Waterworks Bonds"). The net proceeds of both the 1985 and 1992 Bonds have been invested in U.S. Treasury 1992 obligations and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,275,000 at December 31, 2007, are not included in the City's outstanding debt since the City has satisfied its obligations through the advanced refunding.

B. Compensated Absences

City management staff and employees in each bargaining unit earn sick leave credit. Employees with at least 10 years of service are paid for one-third of their accumulated sick leave credit upon termination of employment, which may not exceed 120 days. This obligation amounted to \$1,818,334 for the City as of December 31, 2007, \$1,216 of which is reported as a liability of the General Fund.

In addition, management staff and personnel in each bargaining unit earn vacation at different rates based upon length of service. Vacation carried forward to the current year may not exceed one year's leave balance. In case of death, termination or retirement, an employee (or his estate) is paid for unused vacation up to a maximum of one year credit and two week accrual. The total obligation for accrued vacation for the City as a whole at December 31, 2007 amounted to \$1,239,023.

C. Police and Firemen's Pension Accrued Liability

The City's liability for past service costs related to the Police and Fire Pension Fund at December 31, 2007 was \$1,343,162 in principal and scheduled interest payments through the year 2035. Only the principal portion of the payments due are included in the in the government-wide statement of net assets.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 12 - LONG-TERM DEBT (Continued)

D. Capital Leases

The City has entered into agreements to lease equipment. The original cost of the equipment was \$7,207,448. Such agreements are, in substance, lease purchases (capital leases) and are classified as long-term obligations in the financial statements. The costs of these assets are included in the capital asset balances of the Governmental Activities and Water, Sewer, Electric Funds (major enterprise fund) and the Off Street Parking Fund (nonmajor enterprise fund). The capital leases payable are recorded in Governmental Activities and the Business-Type Activities in the amount of \$1,162,451, and \$4,492,400, respectively.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2007:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2008	\$383,519	\$416,506
2009	346,753	401,902
2010	256,625	394,655
2011	196,195	373,678
2012	69,385	342,178
2013-2017		1,605,545
2018-2022		1,605,545
2023-2027		1,444,991
Minimum Lease Payments	1,252,477	6,585,000
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(90,026)</u>	<u>(2,092,600)</u>
Present value of minimum lease payments	<u>\$1,162,451</u>	<u>\$4,492,400</u>

E. Special Assessments with Governmental Commitment

The principal amount of the City's special assessment debt outstanding at December 31, 2007, \$435,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$154,676 in the Special Assessment Bond Retirement Fund at December 31, 2007 is reserved for the retirement of outstanding special assessment bonds.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 12 - LONG-TERM DEBT (Continued)

F. Ohio Water Development Authority Loan

In 1998, the City entered into an agreement with the Ohio Water Development Authority to receive loans from the Water Supply Revolving Loan Account and the Freshwater Loan Agreement in the amounts of \$1,644,613. The interest rate on the loan is 4.618% per annum. This loan is payable from water service charges. The loan can only be received by the City in increments as the project is completed. As of December 31, 2007 the City had received \$1,524,401. The City began repaying the loan in semiannual payments in 1999 based on a loan amount of \$1,664,613 to be paid through 2019. As of December 31, 2007, the loan had an outstanding balance of \$1,084,426.

G. Principal and Interest Requirements

The principal and interest requirements to retire long-term debt and Police and Fire Pension Liability obligations at December 31, 2007, are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		Joint Venture Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$590,000	\$285,790	\$65,000	\$23,062	\$141,218	\$125,514
2009	635,000	239,415	15,000	18,350	148,212	118,453
2010	645,000	215,802	15,000	17,638	155,539	111,042
2011	650,000	190,442	15,000	16,925	163,866	102,877
2012	615,000	164,313	15,000	16,212	172,525	94,274
2013-2017	1,755,000	539,838	100,000	56,000	1,006,177	326,875
2018-2022	890,000	193,313	120,000	46,750	729,736	70,385
2023-2027	330,000	49,000	90,000	14,750	0	0
Totals	\$6,110,000	\$1,877,913	\$435,000	\$209,687	\$2,517,273	\$949,420

Years	OWDA Loans		OPWC Loans		Police/Firemen's Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$69,503	\$49,402	\$111,357	\$0	\$15,584	\$33,339
2009	72,710	46,195	111,357	0	16,253	32,670
2010	76,073	42,832	106,357	0	16,950	31,972
2011	79,601	39,304	101,357	0	17,679	31,244
2012	83,302	35,604	101,357	0	18,438	30,484
2013-2017	478,715	115,812	123,975	0	104,773	139,838
2018-2022	224,522	13,290	0	0	129,292	115,320
2023-2027	0	0	0	0	159,549	85,064
2028-2032	0	0	0	0	196,887	47,727
2033-2035	0	0	0	0	112,894	7,205
Totals	\$1,084,426	\$342,439	\$655,760	\$0	\$788,299	\$554,863

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 12 - LONG-TERM DEBT (Continued)

G. Principal and Interest Requirements (Continued)

Years	Construction Loan	
	Principal	Interest
2008	\$50,353	\$22,394
2009	52,516	20,231
2010	54,772	17,976
2011	57,124	15,623
2012	59,578	13,169
2013-2017	265,022	25,964
2018-2022	0	0
2023-2027	0	0
2028-2032	0	0
2033-2035	0	0
Totals	<u>\$539,365</u>	<u>\$115,357</u>

The repayment of the mortgage revenue bonds is secured by the revenues and a first mortgage on the property of the related utility operation. All other bonds, notes and the police and fire pension accrued liability are backed by the full faith and credit of the City. The Ohio Water Development Authority construction loans are secured by the revenues of the City's wastewater treatment operations. The loans require, among other things, that the City charge sufficient rates and fees for wastewater treatment services to enable the revenues to service the loan principal and provide resources for the payment of the necessary operating and maintenance expenses of the facility. The City was not required to pledge the general resources or general credit of the City to secure the repayment of the loans.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 13 - NOTES PAYABLE

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than the principal maturities required if the bonds had been issued at the expiration of the initial five year period. Below is a summary of notes payable activity during 2007:

	Balance January 1, 2007	Issued	(Retired)	Balance December 31, 2007
General Fund				
5.00% Land Purchase Agreement	\$600,000	\$0	(\$600,000)	\$0
5.00% Land Purchase Agreement	0	540,000	0	540,000
Special Revenue Funds:				
Street Construction, Maintenance and Repair Fund:				
4.25% Street Construction and Resurfacing	160,000	0	(160,000)	0
3.70% Street Construction and Resurfacing	1,062,000	0	(1,062,000)	0
4.25% Street Construction and Resurfacing	0	330,000	0	330,000
Fire Levy Fund:				
2.00% Motorized Equipment Acquisition	100,000	0	(100,000)	0
4.25% Motorized Equipment Acquisition	0	90,000	0	90,000
Probation Services Fund:				
4.50% Municipal Court/Safety Center Renovation	0	0	0	0
Total Special Revenue	<u>1,322,000</u>	<u>420,000</u>	<u>(1,322,000)</u>	<u>420,000</u>

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 13 - NOTES PAYABLE (Continued)

	Balance January 1, 2007	Issued	(Retired)	Balance December 31, 2007
Capital Projects Funds:				
Municipal Court Improvement Fund:				
1.60% Municipal Court/Safety Center Renovation	200,000	0	(200,000)	0
Capital Improvement Fund:				
3.25% City Office Building Improvements	180,000	0	(180,000)	0
3.25% City Office Building Improvements	10,000	0	(10,000)	0
4.50% City Office Building Improvements	550,000	0	(550,000)	0
4.25% City Office Building Improvements	0	670,000	0	670,000
Industrial Park Project Fund:				
4.25% Renaissance Parkway Improvements	340,000	0	(340,000)	0
Total Capital Projects	<u>1,280,000</u>	<u>670,000</u>	<u>(1,280,000)</u>	<u>670,000</u>
Enterprise Funds:				
Water Fund:				
3.25% Water Treatment Plant Improvements	1,137,100	0	(1,137,100)	0
4.50% Water Treatment Plant Improvements	210,000	0	(210,000)	0
4.25% Water Treatment Plant Improvements	0	1,152,100	0	1,152,100
4.00% Water Treatment Plant Improvements	0	190,000	0	190,000
Sewer Fund:				
3.70% Wastewater Treatment Plant Improvements	1,095,000	0	(1,095,000)	0
4.00% Wastewater Treatment Plant Improvements	0	810,000	0	810,000
Storm Water Fund:				
4.50% Wastewater Treatment Plant Improvements	187,000	0	(187,000)	0
4.25% Wastewater Treatment Plant Improvements	0	452,000	0	452,000
Total Enterprise	<u>2,629,100</u>	<u>2,604,100</u>	<u>(2,629,100)</u>	<u>2,604,100</u>
Total Notes Payable	<u>\$5,831,100</u>	<u>\$4,234,100</u>	<u>(\$5,831,100)</u>	<u>\$4,234,100</u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 14 - CONDUIT DEBT OBLIGATIONS

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

During 2007, one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$780,000, was paid in full.

NOTE 15 - RISK MANAGEMENT

The City purchases insurance policies in varying amounts providing coverage for general liability, vehicle liability, property damage, employee and public officials liability, professional liability and errors and omissions liability. The City also pays unemployment claims to the State of Ohio as incurred.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2007 the City contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Cincinnati Insurance Company	Public Employee Dishonesty/ Forgery	\$0
Cincinnati Insurance Company	Law Enforcement Professional Liability	5,000
Cincinnati Insurance Company	Public Officials Liability	5,000 / 15,000
Cincinnati Insurance Company	Comprehensive General Liability	Varies
Cincinnati Insurance Company	Ohio Employers Intentional Tort Liability	0
Cincinnati Insurance Company	Commercial Umbrella Liability	0
Cincinnati Insurance Company	Boiler and Machinery	5,000 / 50,000
Cincinnati Insurance Company	Automobile	250
AAIC	Commercial General Liability (Fire)	0
AAIC	Commercial Umbrella	0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 15 - RISK MANAGEMENT (Continued)

In 1993, the Workers' Compensation Retrospective Rating Fund was established to account for the funding of the City's workers' compensation plan. Under the plan, the City is charged by the State of Ohio for administrative fees, claims paid and premiums for individual and aggregate claim limits. All City funds are charged a premium per employee covered by the Workers' Compensation Retrospective Rating Fund based on claims experience. The City has a claims limit of \$250,000 per individual and a maximum yearly amount for all claims which varies each policy year. The claims liability of \$759,226 reported in the fund at December 31, 2007 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2006	\$771,469	\$130,361	(\$242,588)	\$659,242
2007	659,242	555,417	(455,433)	759,226

In 2000, the Employee Health Insurance Fund was created to account for the City's self-funded employee health insurance. Under this program, the City operates with a third party administrator and under stop-loss thresholds. The actual claims are passed through the City for payment. There is protection as to the amount of claims that can be passed through to the City—both specific and aggregate stop-loss protection. Under specific stop-loss, the City pays 100% for any one individual generating claims up to the specific level of \$40,000. Any dollar amount over this specific level is paid by the re-insurance carrier. The aggregate stop-loss protects the City from having a large number of claims exceeding the expected claims level by more than 20% or 25%. Any claims over the specific level do not count toward the aggregate level. Only claims less than the specific level are applied toward the aggregate level. The claims liability of \$376,886 reported in the fund at December 31, 2007 is based on the requirements of GASB Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2006	\$267,058	\$1,382,861	(\$1,541,878)	\$108,041
2007	108,041	2,863,288	(2,594,443)	376,886

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 16 – CONTRACTUAL COMMITMENTS

As of December 31, 2007, the City had the following contracts with respect to capital improvements:

Project	Remaining Construction Commitment	Expected Date of Completion
SR44 W Jackson ST Interchange	\$1,159,086	12/31/09
2007 Paving Project	262,400	03/31/08
South St. Clair Street Resurfacing	138,267	03/31/08
Shamrock Boulevard Bridge	6,976	12/31/09
Municipal Court Entrance	84,373	01/31/08
Resurfacing WPCP Drive and Parking Lot	122,000	01/31/08
WPCP Capital Improvements WRRSP	150,000	12/31/09
Tiber Creek Storm Drainage	33,782	12/31/08
Steel Ave & Grand River Avenue	185,796	12/31/08
Electric Substation Upgrade	18,560	12/31/09
Boiler Mact. Compliancance - Electric	121,809	12/31/07
Heisley Park	5,103	12/31/08
Feeder Extension-Renaissance Park	26,700	12/31/08
Total	\$2,314,852	

NOTE 17 - JOINT VENTURE

The City of Painesville is a Financing Participant and a Purchaser Participant with percentages of liability and ownership of 6.66% and 5.22% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 17 - JOINT VENTURE (Continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007 the City of Painesville has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net obligation for these bonds at December 31, 2007 was \$2,096,195 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$2,054,369 at December 31, 2007. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2007, the City implemented GASB Statements No. 43, "*Financial Reporting for Postemployment Benefits Plans other than Pension Plans*" and No. 48 "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*". GASB Statement No. 43 applies for other postemployment benefit (OPEB) trust funds included in the financial reports of plan sponsors or employers and provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or a collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged and sold.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 19 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2007 of \$631,887 in the Employee Health Insurance Fund, and \$605,449 in the Workers' Compensation Retrospective Fund (internal service funds) arise from the recognition of expenditures/expenses on the modified accrual/accrual basis that are greater than expenditures/expenses recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

NOTE 20 - CONTINGENCIES

A. Environmental Matters

The City owns land and operates a wastewater pollution control facility on a portion of an area which has been declared by the United States Environmental Protection Agency (USEPA) as a "Superfund Site" under the Comprehensive Environmental Response, Compensation and Liabilities Act. Under this Act, the City could be held liable for a portion of the cost of the clean-up of the site. A liability has not been recorded in the accompanying combined financial statements for this matter because the extent and cost of the possible required corrective action as well as the City's share is unknown at this time.

B. Litigation

There are several lawsuits pending in which the City is involved. The City's management believes that the ultimate outcome of these matters will not significantly impact the City's financial position or operations.

NOTE 21 – SUBSEQUENT EVENTS

On February 19, 2008, the City issued and sold a Land Acquisition note in the principal amount of \$253,000 to pay costs of acquiring certain real property. The notes mature on February 18, 2009. The City also issued \$2,335,600 in various purpose notes in anticipation of the issuance of bonds. The notes mature on February 18, 2009.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, NONMAJOR ENTERPRISE FUNDS, NONMAJOR INTERNAL SERVICE FUNDS, AND FIDUCIARY FUNDS.

Nonmajor Governmental Funds

Special Revenue Funds

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

State Highway Improvement Fund

Required by the Ohio Revised Code to account for 7.5% of the state gasoline tax and motor vehicle registration fees designated for maintenance of state highways within the City.

Cemeteries Fund

To account for revenue received from the operation of the City's two municipal cemeteries.

Police Pension Transfer Fund

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

Fire Pension Transfer Fund

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

Law Enforcement Fund

To account for the proceeds from the confiscation of contraband.

Municipal Motor Vehicle License Tax Fund

To account for County-levied motor vehicle registration fees designated for street construction, maintenance and repair.

Indigent Drivers Alcohol Treatment Fund

To account for funds received pursuant to Ohio Revised Code Section 4511.191 (M) to be used for the incarceration and/or treatment of alcohol abuse by individuals that are determined by the courts to be indigent.

Enforcement and Education Fund

To account for funds received pursuant to Ohio Revised Code Section 4511.99 (A) to be used by the Painesville Police to pay the costs of educating the public about laws governing operation of a motor vehicle while under the influence of alcohol.

City Motor Vehicle License Tax Fund

To account for City-levied motor vehicle registration fees designated for street construction, maintenance and repair.

(Continued)

Special Revenue Funds

Fire Levy Fund

To account for property tax revenues derived from a voted tax levy for the purchase of fire fighting apparatus.

Underground Storage Tank Fund

To account for monies to pay for the deductible amount of costs of third party damages and corrective actions necessary to clean up a petroleum release from an underground storage tank.

Probation Services Fund

To account for monies received pursuant to Ohio Revised Code Section 2951.021 to be used for operating expenses of the Probation Department.

Community Oriented Policing Services (COPS) Fast Grant Fund

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

Skate Facility Fund

To account for monies designated for the costs to construct and maintain a skate facility.

Fire Fund

To account for grants and donated monies received for funding the operations of the Fire Division.

Federal Emergency Management Act (FEMA) Fund

To account for grant revenues received from FEMA to aid in the clean up of the flooding. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Emergency Medical Services (EMS) Fund

To account for revenue received from the operation of the City's Emergency Medical Services.

Municipal Court Computerization Fund

To account for monies from fines to be used to place an updated computer system in the Municipal Court.

Plan Review Fund

To account for monies received and held by the City for various deposits for review of construction plans.

Zoning Application Fund

To account for monies received and held by the City for zoning application requests.

(Continued)

Special Revenue Funds

Columbarium Trust Fund

To account for monies received and held by the City for charges related to columbarium burial site.

Law Enforcement Trust Fund

To account for monies received by the police division from the sale of drug related contraband.

Debt Service Funds

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

General Bond Retirement Fund

To account for the accumulation of resources for the payments of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

Special Assessment Bond Retirement Fund

To accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of assessment bonds.

Land Acquisition Note Retirement Fund

To account for the accumulation of resources for the payments of land acquisition notes of the City. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because there are no assets or liabilities and there was no activity on a GAAP basis during the year.)

Capital Projects Funds

The Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than that financed by proprietary funds and trust funds.

Municipal Court Improvement Fund

To account for the expansion to a second municipal courtroom, including remodeling and furnishing of the existing facilities financed by unvoted general obligation bond anticipation notes.

Capital Equipment Reserve Fund

To account for the costs associated with the purchase and maintenance of capital equipment.

Capital Improvement Fund

To account for the accumulation of funds for the acquisition of capital assets and/or the construction of major capital facilities.

Shamrock Boulevard Road Project Fund

To account for the costs associated with the construction of Shamrock Boulevard Road.

Jackson Street Interchange Project Fund

To account for the costs associated with the construction of an interchange off of State Route 44 and Jackson Street.

Industrial Park Project Fund

To account for the costs associated with the construction of the Renaissance Industrial Park located on Newell Street.

Municipal Court Special Projects Fund

To account for the accumulation of funds for the general use of the Municipal Court.

Millstone Acquisition Fund

To account for costs associated with the acquisition and demolition of Millstone Condominiums.

Gristmill Flood Mitigation Assistance (FMA) Acquisition Fund

To account for cost associated with the acquisition and demolition of 24 Gristmill Condominiums.

Gristmill Hazard Mitigation Grant Program (HMGP) Acquisition Fund

To account for cost associated with the acquisition and demolition of 18 Gristmill Condominiums.

Permanent Funds

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

Cemetery Trust Fund

To account for interest income earned from the investment of cemetery trust principal. The interest portion of the trust can be used to maintain the City's two cemeteries.

Special Endowment Fund

To account for interest income earned from the investment of special endowment (non-resident) principal. The interest portion of the trust can be used to maintain the City's two cemeteries.

Evergreen Cemetery Trust Fund

To account for the principal, acquired from contributions and endowments, for the City's Evergreen Cemetery.

Riverside Cemetery Trust Fund

To account for the principal, acquired from contributions and endowments, for the City's Riverside Cemetery.

Special Endowment Trust Fund

To account for the principal, acquired from contributions and endowments, from non-residents, for the City's two cemeteries.

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,578,919	\$ 164,928	\$ 2,909,112	\$ 127,071	\$ 4,780,030
Receivables (net of allowance for doubtful accounts):					
Taxes	317,341	75,317	0	0	392,658
Intergovernmental	105,489	3,412	10,708	0	119,609
Special Assessments	0	438,696	0	0	438,696
Inventory of Supplies, at Cost	4,324	0	0	0	4,324
Prepaid Items	11,868	0	0	0	11,868
Restricted Assets:					
Cash and Cash Equivalents	186,235	0	80,704	1,043,647	1,310,586
Total Assets	\$ 2,204,176	\$ 682,353	\$ 3,000,524	\$ 1,170,718	\$ 7,057,771
Liabilities:					
Accounts Payable	\$ 35,292	\$ 0	\$ 18,128	\$ 0	\$ 53,420
Accrued Wages and Benefits Payable	44,186	0	298	0	44,484
Intergovernmental Payable	949	0	0	0	949
Interfund Loans Payable	300,000	0	0	0	300,000
Deferred Revenue	381,950	516,968	0	0	898,918
Accrued Interest Payable	2,997	0	22,312	0	25,309
General Obligation Notes Payable	90,000	0	670,000	0	760,000
Total Liabilities	855,374	516,968	710,738	0	2,083,080
Fund Balances:					
Reserved for Encumbrances	167,573	0	81,975	0	249,548
Reserved for Prepaid Items	11,868	0	0	0	11,868
Reserved for Supplies Inventory	4,324	0	0	0	4,324
Reserved for Debt Service	0	165,385	0	0	165,385
Reserved for Endowments	0	0	0	984,940	984,940
Undesignated/Unreserved	1,165,037	0	2,207,811	185,778	3,558,626
Total Fund Balances	1,348,802	165,385	2,289,786	1,170,718	4,974,691
Total Liabilities and Fund Balances	\$ 2,204,176	\$ 682,353	\$ 3,000,524	\$ 1,170,718	\$ 7,057,771

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2007***

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
Revenues:					
Property Taxes	\$ 255,058	\$ 59,442	\$ 0	\$ 0	\$ 314,500
Intergovernmental Revenues	247,377	10,780	97,448	0	355,605
Charges for Services	567,848	0	0	0	567,848
Licenses, Permits and Inspection Fees	224	0	0	0	224
Investment Earnings	6,354	0	7,343	46,965	60,662
Special Assessments	0	85,079	0	0	85,079
Fines and Forfeitures	250,250	0	156,681	0	406,931
All Other Revenues	291,151	269,630	25,000	12,252	598,033
Total Revenues	1,618,262	424,931	286,472	59,217	2,388,882
Expenditures:					
Current:					
General Government	321,074	25,424	47,643	0	394,141
Public Safety	563,000	0	0	0	563,000
Highways and Streets	16,588	0	184,161	0	200,749
Public Health and Welfare	428,928	0	0	3,152	432,080
Culture and Recreation	9,637	0	0	0	9,637
Community Environment	160,922	0	0	0	160,922
Capital Outlay	0	0	497,808	0	497,808
Debt Service:					
Principal Retirement	6,406	65,000	27,330	0	98,736
Interest & Fiscal Charges	5,108	126,173	107,051	0	238,332
Total Expenditures	1,511,663	216,597	863,993	3,152	2,595,405
Excess (Deficiency) of Revenues Over Expenditures	106,599	208,334	(577,521)	56,065	(206,523)
Other Financing Sources (Uses):					
Sale of Bonds	0	0	1,013,000	0	1,013,000
Premiums on Debt Issuances	0	73,565	0	0	73,565
Transfers In	385,700	15,000	1,629,501	0	2,030,201
Transfers Out	(175,358)	(354,501)	(166,781)	0	(696,640)
Other Financing Sources - Capital Leases	180,000	0	199,484	0	379,484
Total Other Financing Sources (Uses)	390,342	(265,936)	2,675,204	0	2,799,610
Net Change in Fund Balances	496,941	(57,602)	2,097,683	56,065	2,593,087
Fund Balances at Beginning of Year	849,087	222,987	192,103	1,114,653	2,378,830
Increase (Decrease) in Inventory Reserve	2,774	0	0	0	2,774
Fund Balances End of Year	\$ 1,348,802	\$ 165,385	\$ 2,289,786	\$ 1,170,718	\$ 4,974,691

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007**

	State Highway Improvement Fund	Cemeteries Fund	Police Pension Transfer Fund	Fire Pension Transfer Fund	Law Enforcement Fund
Assets:					
Cash and Cash Equivalents	\$ 55,649	\$ 191,091	\$ 10,400	\$ 10,400	\$ 17,135
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	94,063	94,063	0
Intergovernmental	22,490	0	4,265	4,265	7,388
Inventory of Supplies, at Cost	0	4,324	0	0	0
Prepaid Items	0	10,952	0	0	0
Restricted Assets:					
Cash and Cash Equivalents	0	0	0	0	0
Total Assets	\$ 78,139	\$ 206,367	\$ 108,728	\$ 108,728	\$ 24,523
Liabilities:					
Accounts Payable	\$ 0	\$ 1,585	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	21,191	0	0	0
Intergovernmental Payable	0	0	0	0	0
Interfund Loans Payable	0	0	0	0	0
Deferred Revenue	14,993	0	97,757	97,757	7,388
Accrued Interest Payable	0	0	0	0	0
General Obligation Notes Payable	0	0	0	0	0
Total Liabilities	14,993	22,776	97,757	97,757	7,388
Fund Balances:					
Reserved for Encumbrances	5,158	3,458	0	0	3,515
Reserved for Prepaid Items	0	10,952	0	0	0
Reserved for Supplies Inventory	0	4,324	0	0	0
Undesignated/Unreserved	57,988	164,857	10,971	10,971	13,620
Total Fund Balances	63,146	183,591	10,971	10,971	17,135
Total Liabilities and Fund Balances	\$ 78,139	\$ 206,367	\$ 108,728	\$ 108,728	\$ 24,523

CITY OF PAINESVILLE, OHIO

<u>Municipal Motor Vehicle License Tax Fund</u>	<u>Indigent Drivers Alcohol Treatment Fund</u>	<u>Enforcement and Education Fund</u>	<u>City Motor Vehicle License Tax Fund</u>	<u>Fire Levy Fund</u>	<u>Underground Storage Tank Fund</u>	<u>Probation Services Fund</u>
\$ 6,010	\$ 120,578	\$ 42,872	\$ 11,791	\$ 377,103	\$ 5,423	\$ 86,843
0	0	0	0	129,215	0	0
15,679	727	224	31,358	4,156	0	8,034
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	186,235	0	0
<u>\$ 21,689</u>	<u>\$ 121,305</u>	<u>\$ 43,096</u>	<u>\$ 43,149</u>	<u>\$ 696,709</u>	<u>\$ 5,423</u>	<u>\$ 94,877</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,549	\$ 0	\$ 1,108
0	0	0	0	0	0	5,225
0	949	0	0	0	0	0
0	0	0	0	300,000	0	0
10,453	0	0	20,905	132,697	0	0
0	0	0	0	2,997	0	0
0	0	0	0	90,000	0	0
<u>10,453</u>	<u>949</u>	<u>0</u>	<u>20,905</u>	<u>528,243</u>	<u>0</u>	<u>6,333</u>
0	28,278	0	0	1,553	0	516
0	0	0	0	0	0	0
0	0	0	0	0	0	0
11,236	92,078	43,096	22,244	166,913	5,423	88,028
<u>11,236</u>	<u>120,356</u>	<u>43,096</u>	<u>22,244</u>	<u>168,466</u>	<u>5,423</u>	<u>88,544</u>
<u>\$ 21,689</u>	<u>\$ 121,305</u>	<u>\$ 43,096</u>	<u>\$ 43,149</u>	<u>\$ 696,709</u>	<u>\$ 5,423</u>	<u>\$ 94,877</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007**

	COPS Fast Grant Fund	Skate Facility Fund	Fire Fund	Emergency Medical Services Fund
Assets:				
Cash and Cash Equivalents	\$ 1,750	\$ 35,999	\$ 29,823	\$ 292,838
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Intergovernmental	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	916
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Total Assets	<u>\$ 1,750</u>	<u>\$ 35,999</u>	<u>\$ 29,823</u>	<u>\$ 293,754</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 11,757
Accrued Wages and Benefits Payable	0	0	0	13,245
Intergovernmental Payable	0	0	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	0	0	0	0
Accrued Interest Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,002</u>
Fund Balances:				
Reserved for Encumbrances	0	35,930	0	11,358
Reserved for Prepaid Items	0	0	0	916
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	1,750	69	29,823	256,478
Total Fund Balances	<u>1,750</u>	<u>35,999</u>	<u>29,823</u>	<u>268,752</u>
Total Liabilities and Fund Balances	<u>\$ 1,750</u>	<u>\$ 35,999</u>	<u>\$ 29,823</u>	<u>\$ 293,754</u>

CITY OF PAINESVILLE, OHIO

Municipal Court Computerization Fund	Plan Review Fund	Zoning Application Fund	Columbarium Trust Fund	Law Enforcement Trust Fund	Total Nonmajor Special Revenue Funds
\$ 154,863	\$ 110,137	\$ 8,804	\$ 89	\$ 9,321	\$ 1,578,919
0	0	0	0	0	317,341
6,903	0	0	0	0	105,489
0	0	0	0	0	4,324
0	0	0	0	0	11,868
0	0	0	0	0	186,235
<u>\$ 161,766</u>	<u>\$ 110,137</u>	<u>\$ 8,804</u>	<u>\$ 89</u>	<u>\$ 9,321</u>	<u>\$ 2,204,176</u>
\$ 3,492	\$ 14,801	\$ 0	\$ 0	\$ 0	\$ 35,292
4,525	0	0	0	0	44,186
0	0	0	0	0	949
0	0	0	0	0	300,000
0	0	0	0	0	381,950
0	0	0	0	0	2,997
0	0	0	0	0	90,000
<u>8,017</u>	<u>14,801</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>855,374</u>
8,342	69,465	0	0	0	167,573
0	0	0	0	0	11,868
0	0	0	0	0	4,324
<u>145,407</u>	<u>25,871</u>	<u>8,804</u>	<u>89</u>	<u>9,321</u>	<u>1,165,037</u>
<u>153,749</u>	<u>95,336</u>	<u>8,804</u>	<u>89</u>	<u>9,321</u>	<u>1,348,802</u>
<u>\$ 161,766</u>	<u>\$ 110,137</u>	<u>\$ 8,804</u>	<u>\$ 89</u>	<u>\$ 9,321</u>	<u>\$ 2,204,176</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	State Highway Improvement Fund	Cemeteries Fund	Police Pension Transfer Fund	Fire Pension Transfer Fund	Law Enforcement Fund
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 74,209	\$ 74,209	\$ 0
Intergovernmental Revenues	54,080	0	13,475	13,475	0
Charges for Services	0	159,051	0	0	0
Licenses, Permits and Inspection Fees	0	224	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenues	0	0	0	0	5,597
Total Revenues	54,080	159,275	87,684	87,684	5,597
Expenditures:					
Current:					
General Government	0	0	0	0	0
Public Safety	0	0	78,292	78,292	12,030
Highways and Streets	15,086	0	0	0	0
Public Health and Welfare	0	428,928	0	0	0
Culture and Recreation	0	0	0	0	0
Community Environment	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0
Total Expenditures	15,086	428,928	78,292	78,292	12,030
Excess (Deficiency) of Revenues Over Expenditures	38,994	(269,653)	9,392	9,392	(6,433)
Other Financing Sources (Uses):					
Transfers In	0	350,000	0	0	0
Transfers Out	0	0	0	0	0
Other Financing Sources - Capital Leases	0	0	0	0	0
Total Other Financing Sources (Uses)	0	350,000	0	0	0
Net Change in Fund Balances	38,994	80,347	9,392	9,392	(6,433)
Fund Balances at Beginning of Year	24,152	100,470	1,579	1,579	23,568
Increase (Decrease) in Inventory Reserve	0	2,774	0	0	0
Fund Balances End of Year	\$ 63,146	\$ 183,591	\$ 10,971	\$ 10,971	\$ 17,135

CITY OF PAINESVILLE, OHIO

<u>Municipal Motor Vehicle License Tax Fund</u>	<u>Indigent Drivers Alcohol Treatment Fund</u>	<u>Enforcement and Education Fund</u>	<u>City Motor Vehicle License Tax Fund</u>	<u>Fire Levy Fund</u>	<u>Underground Storage Tank Fund</u>	<u>Probation Services Fund</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 106,640	\$ 0	\$ 0
34,097	0	0	68,194	14,105	0	0
0	0	0	0	32,123	0	0
0	0	0	0	0	0	0
0	0	0	0	6,354	0	0
0	24,065	1,568	0	0	0	125,978
0	0	0	0	7,450	0	0
<u>34,097</u>	<u>24,065</u>	<u>1,568</u>	<u>68,194</u>	<u>166,672</u>	<u>0</u>	<u>125,978</u>
0	29,828	0	0	0	0	108,761
0	0	0	0	104,577	0	0
0	0	0	0	0	1,502	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	3,463	0	0
0	0	0	0	4,592	0	0
<u>0</u>	<u>29,828</u>	<u>0</u>	<u>0</u>	<u>112,632</u>	<u>1,502</u>	<u>108,761</u>
34,097	(5,763)	1,568	68,194	54,040	(1,502)	17,217
0	0	0	0	0	0	0
(33,000)	0	0	(65,000)	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>180,000</u>	<u>0</u>	<u>0</u>
<u>(33,000)</u>	<u>0</u>	<u>0</u>	<u>(65,000)</u>	<u>180,000</u>	<u>0</u>	<u>0</u>
1,097	(5,763)	1,568	3,194	234,040	(1,502)	17,217
10,139	126,119	41,528	19,050	(65,574)	6,925	71,327
0	0	0	0	0	0	0
<u>\$ 11,236</u>	<u>\$ 120,356</u>	<u>\$ 43,096</u>	<u>\$ 22,244</u>	<u>\$ 168,466</u>	<u>\$ 5,423</u>	<u>\$ 88,544</u>

(Continued)

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	COPS Fast Grant Fund	Skate Facility Fund	Fire Fund	Federal Emergency Management Fund	Emergency Medical Services Fund
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	49,951	0
Charges for Services	0	0	0	0	376,674
Licenses, Permits and Inspection Fees	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenues	0	1,500	15,427	0	0
Total Revenues	0	1,500	15,427	49,951	376,674
Expenditures:					
Current:					
General Government	0	0	0	0	0
Public Safety	3,003	0	8,415	0	278,391
Highways and Streets	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0
Culture and Recreation	0	9,637	0	0	0
Community Environment	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0
Total Expenditures	3,003	9,637	8,415	0	278,391
Excess (Deficiency) of Revenues					
Over Expenditures	(3,003)	(8,137)	7,012	49,951	98,283
Other Financing Sources (Uses):					
Transfers In	0	35,700	0	0	0
Transfers Out	0	0	0	(77,358)	0
Other Financing Sources - Capital Leases	0	0	0	0	0
Total Other Financing Sources (Uses)	0	35,700	0	(77,358)	0
Net Change in Fund Balances	(3,003)	27,563	7,012	(27,407)	98,283
Fund Balances at Beginning of Year	4,753	8,436	22,811	27,407	170,469
Increase (Decrease) in Inventory Reserve	0	0	0	0	0
Fund Balances End of Year	\$ 1,750	\$ 35,999	\$ 29,823	\$ 0	\$ 268,752

CITY OF PAINESVILLE, OHIO

Municipal Court Computerization Fund	Plan Review Fund	Zoning Application Fund	Columbarium Trust Fund	Law Enforcement Trust Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 255,058
0	0	0	0	0	247,377
0	0	0	0	0	567,848
0	0	0	0	0	224
0	0	0	0	0	6,354
98,639	0	0	0	0	250,250
18,394	238,461	600	0	3,722	291,151
<u>117,033</u>	<u>238,461</u>	<u>600</u>	<u>0</u>	<u>3,722</u>	<u>1,618,262</u>
182,485	0	0	0	0	321,074
0	0	0	0	0	563,000
0	0	0	0	0	16,588
0	0	0	0	0	428,928
0	0	0	0	0	9,637
0	160,851	71	0	0	160,922
2,943	0	0	0	0	6,406
516	0	0	0	0	5,108
<u>185,944</u>	<u>160,851</u>	<u>71</u>	<u>0</u>	<u>0</u>	<u>1,511,663</u>
(68,911)	77,610	529	0	3,722	106,599
0	0	0	0	0	385,700
0	0	0	0	0	(175,358)
0	0	0	0	0	180,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>390,342</u>
(68,911)	77,610	529	0	3,722	496,941
222,660	17,726	8,275	89	5,599	849,087
0	0	0	0	0	2,774
<u>\$ 153,749</u>	<u>\$ 95,336</u>	<u>\$ 8,804</u>	<u>\$ 89</u>	<u>\$ 9,321</u>	<u>\$ 1,348,802</u>

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2007**

	General Bond Retirement Fund	Special Assessment Bond Retirement Fund	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 10,252	\$ 154,676	\$ 164,928
Receivables (net of allowance for doubtful accounts):			
Taxes	75,317	0	75,317
Intergovernmental	3,412	0	3,412
Special Assessments	0	438,696	438,696
Total Assets	<u>\$ 88,981</u>	<u>\$ 593,372</u>	<u>\$ 682,353</u>
Liabilities:			
Deferred Revenue	\$ 78,272	\$ 438,696	\$ 516,968
Total Liabilities	<u>78,272</u>	<u>438,696</u>	<u>516,968</u>
Fund Balances:			
Reserved for Debt Service	10,709	154,676	165,385
Total Fund Balances	<u>10,709</u>	<u>154,676</u>	<u>165,385</u>
Total Liabilities and Fund Balances	<u>\$ 88,981</u>	<u>\$ 593,372</u>	<u>\$ 682,353</u>

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2007***

	General Bond Retirement Fund	Special Assessment Bond Retirement Fund	Total Nonmajor Debt Service Funds
Revenues:			
Property Taxes	\$ 59,442	\$ 0	\$ 59,442
Intergovernmental Revenues	10,780	0	10,780
Special Assessments	0	85,079	85,079
All Other Revenues	0	269,630	269,630
Total Revenues	70,222	354,709	424,931
Expenditures:			
General Government	0	25,424	25,424
Debt Service:			
Principal Retirement	0	65,000	65,000
Interest & Fiscal Charges	73,398	52,775	126,173
Total Expenditures	73,398	143,199	216,597
Excess (Deficiency) of Revenues Over Expenditures	(3,176)	211,510	208,334
Other Financing Sources (Uses):			
Premiums on Debt Issuances	73,565	0	73,565
Transfers In	15,000	0	15,000
Transfers Out	(78,501)	(276,000)	(354,501)
Total Other Financing Sources (Uses)	10,064	(276,000)	(265,936)
Net Change in Fund Balances	6,888	(64,490)	(57,602)
Fund Balances at Beginning of Year	3,821	219,166	222,987
Fund Balances End of Year	\$ 10,709	\$ 154,676	\$ 165,385

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2007**

	Municipal Court Improvement Fund	Capital Equipment Reserve Fund	Capital Improvement Fund	Shamrock Boulevard Road Project Fund
Assets:				
Cash and Cash Equivalents	\$ 48,918	\$ 650,855	\$ 1,167,054	\$ 165,300
Receivables (net of allowance for doubtful accounts):				
Intergovernmental	2,887	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	80,704	0	0
Total Assets	<u>\$ 51,805</u>	<u>\$ 731,559</u>	<u>\$ 1,167,054</u>	<u>\$ 165,300</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 11,152	\$ 976
Accrued Wages and Benefits Payable	0	0	0	0
Accrued Interest Payable	0	0	22,312	0
General Obligation Notes Payable	0	0	670,000	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>703,464</u>	<u>976</u>
Fund Balances:				
Reserved for Encumbrances	0	21,552	18,680	0
Undesignated/Unreserved	51,805	710,007	444,910	164,324
Total Fund Balances	<u>51,805</u>	<u>731,559</u>	<u>463,590</u>	<u>164,324</u>
Total Liabilities and Fund Balances	<u>\$ 51,805</u>	<u>\$ 731,559</u>	<u>\$ 1,167,054</u>	<u>\$ 165,300</u>

CITY OF PAINESVILLE, OHIO

Jackson Street Interchange Project Fund	Industrial Park Project Fund	Municipal Court Special Projects Fund	Millstone Acquisition Fund	Gristmill FMA Acquisition Fund	Gristmill HMGP Acquisition Fund	Total Nonmajor Capital Projects Funds
\$ 140,910	\$ 65,952	\$ 270,123	\$ 250,000	\$ 100,000	\$ 50,000	\$ 2,909,112
0	0	7,821	0	0	0	10,708
0	0	0	0	0	0	80,704
<u>\$ 140,910</u>	<u>\$ 65,952</u>	<u>\$ 277,944</u>	<u>\$ 250,000</u>	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 3,000,524</u>
\$ 6,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,128
0	0	298	0	0	0	298
0	0	0	0	0	0	22,312
0	0	0	0	0	0	670,000
<u>6,000</u>	<u>0</u>	<u>298</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>710,738</u>
0	0	41,743	0	0	0	81,975
134,910	65,952	235,903	250,000	100,000	50,000	2,207,811
134,910	65,952	277,646	250,000	100,000	50,000	2,289,786
<u>\$ 140,910</u>	<u>\$ 65,952</u>	<u>\$ 277,944</u>	<u>\$ 250,000</u>	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 3,000,524</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	Municipal Court Improvement Fund	Capital Equipment Reserve Fund	Capital Improvement Fund	Shamrock Boulevard Road Project Fund
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 48,960	\$ 0
Investment Earnings	926	2,702	1,400	0
Fines and Forfeitures	43,344	0	0	0
All Other Revenues	0	0	25,000	0
Total Revenues	44,270	2,702	75,360	0
Expenditures:				
Current:				
General Government	0	0	0	0
Highways and Streets	0	122,598	61,563	0
Capital Outlay	0	174,351	172,639	34,999
Debt Service:				
Principal Retirement	0	27,330	0	0
Interest & Fiscal Charges	7,381	4,917	82,204	0
Total Expenditures	7,381	329,196	316,406	34,999
Excess (Deficiency) of Revenues				
Over Expenditures	36,889	(326,494)	(241,046)	(34,999)
Other Financing Sources (Uses):				
Sale of Bonds	200,000	0	313,000	0
Issuance of Capital Leases	0	199,484	0	0
Transfers In	0	575,000	654,501	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	200,000	774,484	967,501	0
Net Change in Fund Balances	236,889	447,990	726,455	(34,999)
Fund Balances (Deficits) at Beginning of Year	(185,084)	283,569	(262,865)	199,323
Increase (Decrease) in Inventory Reserve	0	0	0	0
Fund Balances (Deficits) End of Year	\$ 51,805	\$ 731,559	\$ 463,590	\$ 164,324

CITY OF PAINESVILLE, OHIO

Jackson Street Interchange Project Fund	Industrial Park Project Fund	Municipal Court Special Projects Fund	Millstone Acquisition Fund	Gristmill FMA Acquisition Fund	Gristmill HMGP Acquisition Fund	Total Nonmajor Capital Project Funds
\$ 48,488	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 97,448
0	2,315	0	0	0	0	7,343
0	0	113,337	0	0	0	156,681
0	0	0	0	0	0	25,000
<u>48,488</u>	<u>2,315</u>	<u>113,337</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>286,472</u>
0	0	47,643	0	0	0	47,643
0	0	0	0	0	0	184,161
27,924	0	87,895	0	0	0	497,808
0	0	0	0	0	0	27,330
0	12,549	0	0	0	0	107,051
<u>27,924</u>	<u>12,549</u>	<u>135,538</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>863,993</u>
20,564	(10,234)	(22,201)	0	0	0	(577,521)
0	500,000	0	0	0	0	1,013,000
0	0	0	0	0	0	199,484
0	0	0	250,000	100,000	50,000	1,629,501
0	(166,781)	0	0	0	0	(166,781)
<u>0</u>	<u>333,219</u>	<u>0</u>	<u>250,000</u>	<u>100,000</u>	<u>50,000</u>	<u>2,675,204</u>
20,564	322,985	(22,201)	250,000	100,000	50,000	2,097,683
114,346	(257,033)	299,847	0	0	0	192,103
0	0	0	0	0	0	0
<u>\$ 134,910</u>	<u>\$ 65,952</u>	<u>\$ 277,646</u>	<u>\$ 250,000</u>	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 2,289,786</u>

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Permanent Funds
December 31, 2007**

	Cemetery Trust Fund	Special Endowment Fund	Evergreen Cemetery Trust Fund	Riverside Cemetery Trust Fund
Assets:				
Cash and Cash Equivalents	\$ 74,516	\$ 52,555	\$ 0	\$ 0
Restricted Assets:				
Cash and Cash Equivalents	0	0	399,047	337,984
Total Assets	<u>\$ 74,516</u>	<u>\$ 52,555</u>	<u>\$ 399,047</u>	<u>\$ 337,984</u>
Liabilities:				
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:				
Reserved for Endowments	0	0	377,852	314,312
Undesignated/Unreserved	74,516	52,555	21,195	23,672
Total Fund Balances	<u>74,516</u>	<u>52,555</u>	<u>399,047</u>	<u>337,984</u>
Total Liabilities and Fund Balances	<u>\$ 74,516</u>	<u>\$ 52,555</u>	<u>\$ 399,047</u>	<u>\$ 337,984</u>

CITY OF PAINESVILLE, OHIO

<u>Special Endowment Trust Fund</u>	<u>Total Nonmajor Permanent Funds</u>
\$ 0	\$ 127,071
<u>306,616</u>	<u>1,043,647</u>
<u>\$ 306,616</u>	<u>\$ 1,170,718</u>
<u>\$ 0</u>	<u>\$ 0</u>
292,776	984,940
<u>13,840</u>	<u>185,778</u>
<u>306,616</u>	<u>1,170,718</u>
<u>\$ 306,616</u>	<u>\$ 1,170,718</u>

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Permanent Funds
For the Year Ended December 31, 2007***

	Cemetery Trust Fund	Special Endowment Fund	Evergreen Cemetery Trust Fund	Riverside Cemetery Trust Fund
Revenues:				
Investment Earnings	\$ 33,345	\$ 13,620	\$ 0	\$ 0
All Other Revenues	0	0	0	8,672
Total Revenues	<u>33,345</u>	<u>13,620</u>	<u>0</u>	<u>8,672</u>
Expenditures:				
Current:				
Public Health and Welfare	2,772	0	20	360
Total Expenditures	<u>2,772</u>	<u>0</u>	<u>20</u>	<u>360</u>
Net Change in Fund Balances	30,573	13,620	(20)	8,312
Fund Balances at Beginning of Year	<u>43,943</u>	<u>38,935</u>	<u>399,067</u>	<u>329,672</u>
Fund Balances End of Year	<u>\$ 74,516</u>	<u>\$ 52,555</u>	<u>\$ 399,047</u>	<u>\$ 337,984</u>

CITY OF PAINESVILLE, OHIO

<u>Special Endowment Trust Fund</u>	<u>Total Nonmajor Permanent Funds</u>
\$ 0	\$ 46,965
<u>3,580</u>	<u>12,252</u>
<u>3,580</u>	<u>59,217</u>
<u>0</u>	<u>3,152</u>
<u>0</u>	<u>3,152</u>
3,580	56,065
<u>303,036</u>	<u>1,114,653</u>
<u>\$ 306,616</u>	<u>\$ 1,170,718</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property Taxes:				
Real Estate and Public Utility	\$ 459,716	\$ 459,716	\$ 478,347	\$ 18,631
Tangible Personal	100,000	100,000	92,011	(7,989)
Total Property Taxes	<u>559,716</u>	<u>559,716</u>	<u>570,358</u>	<u>10,642</u>
Municipal Income Tax	7,645,000	7,645,000	7,915,307	270,307
Other Local Taxes	10,000	10,000	8,056	(1,944)
Total Taxes	<u>8,214,716</u>	<u>8,214,716</u>	<u>8,493,721</u>	<u>279,005</u>
Intergovernmental Revenues:				
Local	0	0	10	10
Local Government Fund - County	1,286,764	1,286,764	1,258,826	(27,938)
Local Government Fund - State	121,445	121,445	121,445	0
Inheritance Tax	100,000	100,000	115,574	15,574
Property Tax Allocation	96,109	96,109	96,184	75
Miscellaneous Tax	152,143	152,143	153,565	1,422
Total Intergovernmental Revenues	<u>1,756,461</u>	<u>1,756,461</u>	<u>1,745,604</u>	<u>(10,857)</u>
Charges for Services:				
General Government	400	400	2,218	1,818
Public Safety	9,300	9,300	26,912	17,612
Highways and Streets	38,340	38,340	40,250	1,910
Culture and Recreation	14,200	14,200	13,376	(824)
Community Environment	500	500	1,106	606
Total Charges for Services	<u>62,740</u>	<u>62,740</u>	<u>83,862</u>	<u>21,122</u>
Licenses, Permits and Inspection Fees:				
License Fees	25,065	25,065	36,960	11,895
Permit Fees	163,300	163,300	234,958	71,658
Inspection Fees	2,500	2,500	12,880	10,380
Zoning Appeal Fees	15,500	15,500	18,549	3,049
Other Fees	83,000	83,000	91,327	8,327
Total License, Permit and Inspection Fees	<u>289,365</u>	<u>289,365</u>	<u>394,674</u>	<u>105,309</u>
Investment Earnings	1,245,500	1,245,500	1,778,863	533,363
Fines and Forfeitures	835,308	835,308	870,328	35,020
All Other Revenues	<u>124,350</u>	<u>155,070</u>	<u>125,067</u>	<u>(30,003)</u>
Total Revenues	<u>12,528,440</u>	<u>12,559,160</u>	<u>13,492,119</u>	<u>932,959</u>

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
Legislative:				
Council:				
Personal Services	10,136	10,136	10,014	122
All Other Expenditures	1,595	1,679	1,064	615
Clerk of Council:				
Personal Services	8,570	8,570	7,375	1,195
All Other Expenditures	2,643	3,371	3,027	344
Capital Outlay	140	140	136	4
Judicial - Municipal Court:				
Judicial Activities:				
Personal Services	208,945	218,035	214,265	3,770
All Other Expenditures	4,335	7,529	6,932	597
Clerk of Court:				
Personal Services	718,532	696,147	664,507	31,640
All Other Expenditures	79,212	98,536	90,044	8,492
Probation:				
Personal Services	151,964	159,136	156,801	2,335
All Other Expenditures	2,000	2,000	997	1,003
Executive:				
City Manager:				
Personal Services	49,657	49,657	48,237	1,420
All Other Expenditures	24,270	26,447	22,427	4,020
Capital Outlay	590	590	515	75
Comm., Promotions and Public Relations Activities:				
All Other Expenditures	12,605	12,685	9,511	3,174
Capital Outlay	140	140	136	4
Information Technology:				
Personal Services	0	30	0	30
All Other Expenditures	24,175	25,290	23,081	2,209
Capital Outlay	2,500	2,500	1,191	1,309
Human Resources:				
Personal Services	46,253	46,253	42,080	4,173
All Other Expenditures	11,350	13,384	12,682	702

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2007***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Economic Development:				
Personal Services	17,601	18,522	17,930	592
All Other Expenditures	11,285	28,135	26,947	1,188
Finance:				
Administration:				
Personal Services	44,844	45,204	44,205	999
All Other Expenditures	15,304	15,570	14,384	1,186
Capital Outlay	480	700	388	312
Accounting:				
Personal Services	33,062	33,062	30,940	2,122
All Other Expenditures	23,005	28,032	24,907	3,125
Purchasing/Warehousing:				
Personal Services	23,062	24,233	23,657	576
All Other Expenditures	2,827	2,984	1,996	988
Capital Outlay	240	500	294	206
Income Tax Collection:				
All Other Expenditures	152,200	152,200	144,613	7,587
Law:				
Administration:				
Personal Services	29,577	29,577	28,735	842
All Other Expenditures	30,235	34,235	18,408	15,827
Engineering:				
Administration:				
Personal Services	82,422	123,855	121,901	1,954
All Other Expenditures	10,700	54,947	44,237	10,710
Capital Outlay	675	675	0	675
Public Lands and Buildings:				
Building Operations Maintenance and Repair:				
Personal Services	64,286	70,588	68,113	2,475
All Other Expenditures	216,150	231,013	218,651	12,362
Capital Outlay	114,384	674,248	413,711	260,537
Boards and Commissions:				
Civil Service Commission:				
All Other Expenditures	0	30	0	30

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Insurance:				
All Other Expenditures	90,275	109,736	109,736	0
Tax Settlement Deductions:				
All Other Expenditures	19,600	19,600	13,874	5,726
Other Miscellaneous:				
Personal Services	10,000	10,000	0	10,000
All Other Expenditures	193,000	206,556	130,543	76,013
Capital Outlay	147,259	214,920	214,920	0
Total General Government	<u>2,692,085</u>	<u>3,511,377</u>	<u>3,028,112</u>	<u>483,265</u>
Public Safety:				
Police:				
Law Enforcement - Sworn Officers:				
Personal Services	3,478,313	3,509,693	3,069,727	439,966
Law Enforcement - Other:				
Personal Services	446,728	446,878	390,636	56,242
All Other Expenditures	266,654	302,997	269,114	33,883
Fire:				
Fire Fighting, Prevention and Inspection:				
Personal Services	2,373,761	2,497,124	2,331,164	165,960
All Other Expenditures	146,961	160,883	141,627	19,256
Fire Service - Other:				
Personal Services	163,725	163,725	113,297	50,428
All Other Expenditures	35,250	35,250	26,580	8,670
Police and Fire Communications:				
Control Center:				
All Other Expenditures	430,883	430,883	428,789	2,094
Total Public Safety	<u>7,342,275</u>	<u>7,547,433</u>	<u>6,770,934</u>	<u>776,499</u>
Highways and Streets:				
Public Works:				
Administration:				
Personal Services	155,123	161,562	157,013	4,549
All Other Expenditures	33,422	38,294	35,806	2,488

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Street Maintenance and Repair:				
All Other Expenditures	3,500	24,672	19,021	5,651
Sidewalks:				
All Other Expenditures	7,070	7,235	7,234	1
Building Maintenance:				
All Other Expenditures	57,155	63,147	52,756	10,391
Capital Outlay	3,637	33,419	19,559	13,860
Equipment Maintenance:				
Personal Services	120,990	124,393	122,561	1,832
All Other Expenditures	41,600	113,474	110,807	2,667
Employee Benefits:				
Personal Services	349,838	356,191	343,373	12,818
Sidewalks - Snow Removal:				
All Other Expenditures	2,350	4,896	4,882	14
Leaf/Yard Waste Removal:				
All Other Expenditures	2,670	3,005	1,134	1,871
Parking:				
Parking Meters:				
Personal Services	53,506	53,506	47,637	5,869
Other Expenditures	3,451	4,067	2,677	1,390
Parking Lots:				
All Other Expenditures	12,625	14,061	9,394	4,667
Traffic Signs, Markings:				
Traffic Signs, Markings, Signals:				
Personal Services	72,358	72,358	62,628	9,730
All Other Expenditures	41,820	46,567	42,519	4,048
Total Highways and Streets	<u>961,115</u>	<u>1,120,847</u>	<u>1,039,001</u>	<u>81,846</u>
Public Health and Welfare:				
Support of Prisoners:				
Prisoner Expense:				
All Other Expenditures	10,074	11,885	4,000	7,885

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Payments to County Health Board:				
County Health District Assessments:				
All Other Expenditures	133,248	133,248	130,372	2,876
Assistance to Needy/Aged:				
Poor Relief:				
All Other Expenditures	2,500	2,500	1,126	1,374
Total Public Health and Welfare	<u>145,822</u>	<u>147,633</u>	<u>135,498</u>	<u>12,135</u>
Culture and Recreation:				
Parks:				
Administration:				
Personal Services	132,090	132,090	121,992	10,098
All Other Expenditures	2,175	2,213	1,948	265
Parks Systems:				
Personal Services	350,345	344,399	274,417	69,982
All Other Expenditures	67,290	127,261	124,159	3,102
Capital Outlay	727	6,685	3,912	2,773
Building Maintenance:				
All Other Expenditures	16,000	23,963	22,353	1,610
Morse Avenue Community Center:				
All Other Expenditures	12,450	15,728	14,744	984
Recreation Activities:				
Personal Services	162,747	173,510	168,937	4,573
All Other Expenditures	49,615	54,632	44,101	10,531
Other Leisure Time Activities:				
Senior Citizens Center:				
All Other Expenditures	18,500	18,500	18,500	0
Total Culture and Recreation	<u>811,939</u>	<u>898,981</u>	<u>795,063</u>	<u>103,918</u>
Community Environment:				
Community Planning and Zoning:				
Planning Commission:				
Personal Services	2,922	2,922	1,448	1,474
All Other Expenditures	2,775	3,128	1,959	1,169
Demolition:				
All Other Expenditures	11,750	300	0	300

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Planning and Development:				
Personal Services	26,536	27,753	17,067	10,686
All Other Expenditures	8,099	15,696	8,958	6,738
Capital Outlay	3,000	7,600	2,492	5,108
Housing and Building Code Enforcement:				
Code Enforcement:				
Personal Services	355,742	355,842	306,263	49,579
All Other Expenditures	81,390	84,066	27,933	56,133
Tree Care and Weed Control:				
Tree Care:				
All Other Expenditures	3,000	3,385	3,385	0
Weed Control:				
All Other Expenditures	7,200	7,295	7,013	282
Total Community Environment	<u>502,414</u>	<u>507,987</u>	<u>376,518</u>	<u>131,469</u>
Total Expenditures	<u>12,455,650</u>	<u>13,734,258</u>	<u>12,145,126</u>	<u>1,589,132</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,790	(1,175,098)	1,346,993	2,522,091
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	1,000	258,092	257,092
Sale of General Obligation Notes	540,000	540,000	540,000	0
Issuance of Capital Leases	0	0	320,788	320,788
Transfers In	820,821	848,228	914,363	66,135
Transfers Out	(677,000)	(2,076,700)	(1,969,700)	107,000
Advances Out	(612,000)	(612,000)	(612,000)	0
Total Other Financing Sources (Uses)	<u>72,821</u>	<u>(1,299,472)</u>	<u>(548,457)</u>	<u>751,015</u>
Net Change in Fund Balance	145,611	(2,474,570)	798,536	3,273,106
Fund Balance at Beginning of Year	3,273,018	3,273,018	3,273,018	0
Prior Year Encumbrances	403,350	403,350	403,350	0
Fund Balance at End of Year	<u>\$ 3,821,979</u>	<u>\$ 1,201,798</u>	<u>\$ 4,474,904</u>	<u>\$ 3,273,106</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 755,552	\$ 755,552	\$ 822,619	\$ 67,067
Charges for Services	0	0	6,129	6,129
Investment Earnings	0	0	4,918	4,918
All Other Revenues	0	0	10	10
Total Revenues	<u>755,552</u>	<u>755,552</u>	<u>833,676</u>	<u>78,124</u>
Expenditures:				
Highways and Streets:				
Public Works:				
Administration:				
Personal Services	30,278	32,254	29,689	2,565
Capital Outlay	7,500	7,500	0	7,500
Street Construction and Reconstruction:				
Personal Service	310,967	308,992	300,153	8,839
All Other Expenditures	0	4,480	0	4,480
Capital Outlay	755,953	1,083,966	827,026	256,940
Street Maintenance and Repair:				
All Other Expenditures	38,475	58,203	56,918	1,285
Capital Outlay	7,792	13,022	12,991	31
Snow and Ice Removal:				
All Other Expenditures	186,550	286,260	283,709	2,551
Debt Service:				
Principal Retirement	1,356,040	1,356,040	1,089,833	266,207
Interest Charges	64,819	64,819	42,315	22,504
Total Expenditures	<u>2,758,374</u>	<u>3,215,536</u>	<u>2,642,634</u>	<u>572,902</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,002,822)	(2,459,984)	(1,808,958)	651,026
Other Financing Sources (Uses):				
General Obligation Bonds Issued	950,000	950,000	1,062,000	112,000
General Obligation Notes Issued	330,000	330,000	330,000	0
Premiums on Debt Issuances	0	0	439	439
Issuance of Capital Leases	167,500	167,500	41,814	(125,686)
Transfers In	98,000	298,000	298,000	0
Total Other Financing Sources (Uses)	<u>1,545,500</u>	<u>1,745,500</u>	<u>1,732,253</u>	<u>(13,247)</u>
Net Changes in Fund Balance	(457,322)	(714,484)	(76,705)	637,779
Fund Balance at Beginning of Year	1,021,979	1,021,979	1,021,979	0
Prior Year Encumbrances	396,327	396,327	396,327	0
Fund Balance at End of Year	<u>\$ 960,984</u>	<u>\$ 703,822</u>	<u>\$ 1,341,601</u>	<u>\$ 637,779</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

STATE HIGHWAY IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 49,000	\$ 49,000	\$ 53,750	\$ 4,750
Total Revenues	<u>49,000</u>	<u>49,000</u>	<u>53,750</u>	<u>4,750</u>
Expenditures:				
Highways and Streets:				
Public Works:				
State Highway Maintenance:				
All Other Expenditures	40,000	43,245	20,244	23,001
Total Expenditures	<u>40,000</u>	<u>43,245</u>	<u>20,244</u>	<u>23,001</u>
Net Change in Fund Balance	9,000	5,755	33,506	27,751
Fund Balance at Beginning of Year	13,740	13,740	13,740	0
Prior Year Encumbrances	3,245	3,245	3,245	0
Fund Balance at End of Year	<u>\$ 25,985</u>	<u>\$ 22,740</u>	<u>\$ 50,491</u>	<u>\$ 27,751</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	CEMETERIES FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 148,950	\$ 148,950	\$ 159,051	\$ 10,101
Licenses, Permits and Inspection Fees	0	0	224	224
Total Revenues	<u>148,950</u>	<u>148,950</u>	<u>159,275</u>	<u>10,325</u>
Expenditures:				
Public Health and Welfare:				
Cemeteries:				
Administration:				
Personal Services	182,949	190,198	186,617	3,581
All Other Expenditures	16,293	25,941	25,298	643
Evergreen/Riverside Cemeteries:				
Personal Services	253,837	235,930	187,996	47,934
All Other Expenditures	32,750	33,980	30,943	3,037
Building Maintenance:				
All Other Expenditures	13,110	16,599	15,346	1,253
Total Expenditures	<u>498,939</u>	<u>502,648</u>	<u>446,200</u>	<u>56,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(349,989)	(353,698)	(286,925)	66,773
Other Financing Sources (Uses):				
Transfers In	350,000	350,000	350,000	0
Total Other Financing Sources (Uses)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>0</u>
Net Change in Fund Balance	11	(3,698)	63,075	66,773
Fund Balance at Beginning of Year	120,994	120,994	120,994	0
Prior Year Encumbrances	1,980	1,980	1,980	0
Fund Balance at End of Year	<u>\$ 122,985</u>	<u>\$ 119,276</u>	<u>\$ 186,049</u>	<u>\$ 66,773</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

POLICE PENSION TRANSFER FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 78,292	\$ 78,292	\$ 74,329	\$ (3,963)
Intergovernmental Revenues	5,015	5,015	13,475	8,460
Total Revenues	<u>83,307</u>	<u>83,307</u>	<u>87,804</u>	<u>4,497</u>
Expenditures:				
Public Safety:				
Police:				
Law-Enforcement-Sworn Officer:				
Personal Services	78,292	78,292	78,292	0
Total Expenditures	<u>78,292</u>	<u>78,292</u>	<u>78,292</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,015	5,015	9,512	4,497
Other Financing Sources (Uses):				
Sale of General Obligation Bonds	5,015	5,015	0	(5,015)
Total Other Financing Sources (Uses)	<u>5,015</u>	<u>5,015</u>	<u>0</u>	<u>(5,015)</u>
Net Changes in Fund Balance	10,030	10,030	9,512	(518)
Fund Balance at Beginning of Year	888	888	888	0
Fund Balance at End of Year	<u>\$ 10,918</u>	<u>\$ 10,918</u>	<u>\$ 10,400</u>	<u>\$ (518)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	FIRE PENSION TRANSFER FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 83,307	\$ 83,307	\$ 74,329	\$ (8,978)
Intergovernmental Revenues	0	0	13,475	13,475
Total Revenues	<u>83,307</u>	<u>83,307</u>	<u>87,804</u>	<u>4,497</u>
Expenditures:				
Public Safety:				
Fire:				
Fire Fighting, Prevention, Inspection:				
Personal Services	78,292	78,292	78,292	0
Total Expenditures	<u>78,292</u>	<u>78,292</u>	<u>78,292</u>	<u>0</u>
Net Change in Fund Balance	5,015	5,015	9,512	4,497
Fund Balance at Beginning of Year	888	888	888	0
Fund Balance at End of Year	<u>\$ 5,903</u>	<u>\$ 5,903</u>	<u>\$ 10,400</u>	<u>\$ 4,497</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 14,500	\$ 14,500	\$ 5,597	\$ (8,903)
Total Revenues	<u>14,500</u>	<u>14,500</u>	<u>5,597</u>	<u>(8,903)</u>
Expenditures:				
Public Safety:				
Police:				
Law-Enforcement-Other:				
All Other Expenditures	20,000	26,801	15,637	11,164
Total Expenditures	<u>20,000</u>	<u>26,801</u>	<u>15,637</u>	<u>11,164</u>
Net Change in Fund Balance	(5,500)	(12,301)	(10,040)	2,261
Fund Balance at Beginning of Year	16,859	16,859	16,859	0
Prior Year Encumbrances	6,801	6,801	6,801	0
Fund Balance at End of Year	<u>\$ 18,160</u>	<u>\$ 11,359</u>	<u>\$ 13,620</u>	<u>\$ 2,261</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUNICIPAL MOTOR VEHICLE LICENSE TAX FUND				
Revenues:				
Intergovernmental Revenues	\$ 33,500	\$ 33,500	\$ 34,141	\$ 641
Total Revenues	<u>33,500</u>	<u>33,500</u>	<u>34,141</u>	<u>641</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,500	33,500	34,141	641
Other Financing Sources (Uses):				
Transfers Out	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>0</u>
Net Change in Fund Balance	500	500	1,141	641
Fund Balance at Beginning of Year	4,869	4,869	4,869	0
Fund Balance at End of Year	<u>\$ 5,369</u>	<u>\$ 5,369</u>	<u>\$ 6,010</u>	<u>\$ 641</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 23,000	\$ 23,000	\$ 23,818	\$ 818
Total Revenues	<u>23,000</u>	<u>23,000</u>	<u>23,818</u>	<u>818</u>
Expenditures:				
General Government:				
All Other Expenditures	<u>30,000</u>	<u>59,328</u>	<u>58,106</u>	<u>1,222</u>
Total Expenditures	<u>30,000</u>	<u>59,328</u>	<u>58,106</u>	<u>1,222</u>
Net Change in Fund Balance	(7,000)	(36,328)	(34,288)	2,040
Fund Balance at Beginning of Year	96,311	96,311	96,311	0
Prior Year Encumbrances	<u>29,328</u>	<u>29,328</u>	<u>29,328</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 118,639</u>	<u>\$ 89,311</u>	<u>\$ 91,351</u>	<u>\$ 2,040</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 1,500	\$ 1,500	\$ 1,369	\$ (131)
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>1,369</u>	<u>(131)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	1,500	1,500	1,369	(131)
Fund Balance at Beginning of Year	<u>41,503</u>	<u>41,503</u>	<u>41,503</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 43,003</u>	<u>\$ 43,003</u>	<u>\$ 42,872</u>	<u>\$ (131)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 67,000	\$ 67,000	\$ 68,282	\$ 1,282
Total Revenues	<u>67,000</u>	<u>67,000</u>	<u>68,282</u>	<u>1,282</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,000	67,000	68,282	1,282
Other Financing Sources (Uses):				
Transfers Out	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>0</u>
Net Change in Fund Balance	2,000	2,000	3,282	1,282
Fund Balance at Beginning of Year	<u>8,509</u>	<u>8,509</u>	<u>8,509</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 10,509</u>	<u>\$ 10,509</u>	<u>\$ 11,791</u>	<u>\$ 1,282</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	FIRE LEVY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 117,388	\$ 117,388	\$ 107,000	\$ (10,388)
Intergovernmental Revenues	5,816	5,816	14,105	8,289
Charges for Services	0	0	32,123	32,123
All Other Revenues	0	0	7,450	7,450
Total Revenues	<u>123,204</u>	<u>123,204</u>	<u>160,678</u>	<u>37,474</u>
Expenditures:				
Public Safety:				
Fire Fighting, Prevention, Inspection:				
Capital Outlay	101,081	121,723	77,425	44,298
Fire Service - Other:				
All Other Expenditures	28,000	28,000	22,028	5,972
Capital Outlay	189,000	197,229	14,905	182,324
Debt Service:				
Principal Retirement	22,986	122,986	103,463	19,523
Interest and Fiscal Charges	3,426	7,914	5,096	2,818
Total Expenditures	<u>344,493</u>	<u>477,852</u>	<u>222,917</u>	<u>254,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(221,289)	(354,648)	(62,239)	292,409
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	0	90,000	90,000
Issuance of Capital Leases	180,000	180,000	0	(180,000)
Total Other Financing Sources (Uses)	<u>180,000</u>	<u>180,000</u>	<u>90,000</u>	<u>(90,000)</u>
Net Changes in Fund Balance	(41,289)	(174,648)	27,761	202,409
Fund Balance at Beginning of Year	336,893	336,893	336,893	0
Prior Year Encumbrances	8,229	8,229	8,229	0
Fund Balance at End of Year	<u>\$ 303,833</u>	<u>\$ 170,474</u>	<u>\$ 372,883</u>	<u>\$ 202,409</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Highways and Streets:				
All Other Expenditures	2,500	2,750	1,502	1,248
Total Expenditures	2,500	2,750	1,502	1,248
Net Change in Fund Balance	(2,500)	(2,750)	(1,502)	1,248
Fund Balance at Beginning of Year	6,925	6,925	6,925	0
Fund Balance at End of Year	\$ 4,425	\$ 4,175	\$ 5,423	\$ 1,248

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

PROBATION SERVICES FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 133,562	\$ 133,562	\$ 127,096	\$ (6,466)
Total Revenues	<u>133,562</u>	<u>133,562</u>	<u>127,096</u>	<u>(6,466)</u>
Expenditures:				
Probation:				
Personal Services	80,470	80,470	79,510	960
All Other Expenditures	25,150	34,029	31,505	2,524
Debt Service:				
Principal Retirement	40,000	40,000	0	40,000
Interest and Fiscal Charges	1,800	1,800	0	1,800
Total Expenditures	<u>147,420</u>	<u>156,299</u>	<u>111,015</u>	<u>45,284</u>
Net Change in Fund Balance	(13,858)	(22,737)	16,081	38,818
Fund Balance at Beginning of Year	67,509	67,509	67,509	0
Prior Year Encumbrances	1,629	1,629	1,629	0
Fund Balance at End of Year	<u>\$ 55,280</u>	<u>\$ 46,401</u>	<u>\$ 85,219</u>	<u>\$ 38,818</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

COPS FAST GRANT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Public Safety:				
Law Enforcement-Sworn Officers:				
Personal Services	0	4,753	3,003	1,750
Total Expenditures	0	4,753	3,003	1,750
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(4,753)	(3,003)	1,750
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances	4,753	4,753	4,753	0
Fund Balance at End of Year	<u>\$ 4,753</u>	<u>\$ 0</u>	<u>\$ 1,750</u>	<u>\$ 1,750</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

SKATE FACILITY FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 5,000	\$ 5,000	\$ 1,500	\$ (3,500)
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>1,500</u>	<u>(3,500)</u>
Expenditures:				
Culture and Recreation:				
All Other Expenditures	10,000	48,960	45,567	3,393
Total Expenditures	<u>10,000</u>	<u>48,960</u>	<u>45,567</u>	<u>3,393</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(43,960)	(44,067)	(107)
Other Financing Sources (Uses):				
Transfers In	0	35,700	35,700	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>35,700</u>	<u>35,700</u>	<u>0</u>
Net Change in Fund Balance	(5,000)	(8,260)	(8,367)	(107)
Fund Balance at Beginning of Year	8,436	8,436	8,436	0
Fund Balance at End of Year	<u>\$ 3,436</u>	<u>\$ 176</u>	<u>\$ 69</u>	<u>\$ (107)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	FIRE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 2,500	\$ 2,500	\$ 15,427	\$ 12,927
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>15,427</u>	<u>12,927</u>
Expenditures:				
Public Safety:				
All Other Expenditures	<u>8,500</u>	<u>11,900</u>	<u>8,415</u>	<u>3,485</u>
Total Expenditures	<u>8,500</u>	<u>11,900</u>	<u>8,415</u>	<u>3,485</u>
Net Change in Fund Balance	(6,000)	(9,400)	7,012	16,412
Fund Balance at Beginning of Year	20,411	20,411	20,411	0
Prior Year Encumbrances	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 16,811</u>	<u>\$ 13,411</u>	<u>\$ 29,823</u>	<u>\$ 16,412</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 77,358	\$ 77,358
Total Revenues	<u>0</u>	<u>0</u>	<u>77,358</u>	<u>77,358</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	77,358	77,358
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(77,358)</u>	<u>(77,358)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(77,358)</u>	<u>(77,358)</u>	<u>0</u>
Net Change in Fund Balance	0	(77,358)	0	77,358
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ (77,358)</u>	<u>\$ 0</u>	<u>\$ 77,358</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 320,000	\$ 320,000	\$ 376,674	\$ 56,674
Total Revenues	<u>320,000</u>	<u>320,000</u>	<u>376,674</u>	<u>56,674</u>
Expenditures:				
Public Safety:				
Personal Services	279,992	298,092	245,836	52,256
All Other Expenditures	55,317	66,914	49,442	17,472
Capital Outlay	<u>4,527</u>	<u>4,527</u>	<u>1,952</u>	<u>2,575</u>
Total Expenditures	<u>339,836</u>	<u>369,533</u>	<u>297,230</u>	<u>72,303</u>
Net Change in Fund Balance	(19,836)	(49,533)	79,444	128,977
Fund Balance at Beginning of Year	166,652	166,652	166,652	0
Prior Year Encumbrances	<u>23,627</u>	<u>23,627</u>	<u>23,627</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 170,443</u>	<u>\$ 140,746</u>	<u>\$ 269,723</u>	<u>\$ 128,977</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

MUNICIPAL COURT COMPUTERIZATION FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 95,000	\$ 95,000	\$ 98,037	\$ 3,037
All Other Revenues	0	0	18,394	18,394
Total Revenues	<u>95,000</u>	<u>95,000</u>	<u>116,431</u>	<u>21,431</u>
Expenditures:				
General Government:				
Personal Services	73,819	73,819	71,179	2,640
All Other Expenditures	33,715	41,127	35,573	5,554
Capital Outlay	<u>121,628</u>	<u>151,797</u>	<u>97,946</u>	<u>53,851</u>
Debt Service				
Principal Retirement	3,218	3,218	2,943	275
Interest and Fiscal Charges	<u>563</u>	<u>563</u>	<u>516</u>	<u>47</u>
Total Expenditures	<u>232,943</u>	<u>270,524</u>	<u>208,157</u>	<u>62,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,943)	(175,524)	(91,726)	83,798
Fund Balance at Beginning of Year	201,818	201,818	201,818	0
Prior Year Encumbrances	<u>32,937</u>	<u>32,937</u>	<u>32,937</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 96,812</u>	<u>\$ 59,231</u>	<u>\$ 143,029</u>	<u>\$ 83,798</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	PLAN REVIEW FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 400	\$ 298,400	\$ 238,461	\$ (59,939)
Total Revenues	<u>400</u>	<u>298,400</u>	<u>238,461</u>	<u>(59,939)</u>
Expenditures:				
Public Safety:				
All Other Expenditures	1,400	299,400	230,316	69,084
Total Expenditures	<u>1,400</u>	<u>299,400</u>	<u>230,316</u>	<u>69,084</u>
Net Change in Fund Balance	(1,000)	(1,000)	8,145	9,145
Fund Balance at Beginning of Year	17,726	17,726	17,726	0
Fund Balance at End of Year	<u>\$ 16,726</u>	<u>\$ 16,726</u>	<u>\$ 25,871</u>	<u>\$ 9,145</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 450	\$ 450	\$ 600	\$ 150
Total Revenues	<u>450</u>	<u>450</u>	<u>600</u>	<u>150</u>
Expenditures:				
Public Safety:				
All Other Expenditures	<u>300</u>	<u>467</u>	<u>71</u>	<u>396</u>
Total Expenditures	<u>300</u>	<u>467</u>	<u>71</u>	<u>396</u>
Net Change in Fund Balance	150	(17)	529	546
Fund Balance at Beginning of Year	<u>8,275</u>	<u>8,275</u>	<u>8,275</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,425</u>	<u>\$ 8,258</u>	<u>\$ 8,804</u>	<u>\$ 546</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Public Safety:				
All Other Expenditures	10	10	0	10
Total Expenditures	10	10	0	10
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10)	(10)	0	10
Fund Balance at Beginning of Year	89	89	89	0
Fund Balance at End of Year	\$ 79	\$ 79	\$ 89	\$ 10

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 420	\$ 420	\$ 3,722	\$ 3,302
Total Revenues	<u>420</u>	<u>420</u>	<u>3,722</u>	<u>3,302</u>
Expenditures:				
Public Safety:				
All Other Expenditures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Net Change in Fund Balance	(1,580)	(1,580)	3,722	5,302
Fund Balance at Beginning of Year	<u>5,599</u>	<u>5,599</u>	<u>5,599</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,019</u>	<u>\$ 4,019</u>	<u>\$ 9,321</u>	<u>\$ 5,302</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2007***

	GENERAL BOND RETIREMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 62,711	\$ 62,711	\$ 59,538	\$ (3,173)
Intergovernmental Revenues	4,012	4,012	10,780	6,768
Total Revenues	<u>66,723</u>	<u>66,723</u>	<u>70,318</u>	<u>3,595</u>
Expenditures:				
Debt Service Function:				
Debt Service:				
Principal Retirement	190,000	190,000	190,000	0
Interest and Fiscal Charges	9,450	9,450	8,501	949
Total Expenditures	<u>199,450</u>	<u>199,450</u>	<u>198,501</u>	<u>949</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,727)	(132,727)	(128,183)	4,544
Other Financing Sources (Uses):				
General Obligation Notes Issued	120,000	120,000	120,000	0
Premiums on Debt Issuance	0	0	167	167
Transfers In	15,000	15,000	15,000	0
Total Other Financing Sources (Uses)	<u>135,000</u>	<u>135,000</u>	<u>135,167</u>	<u>167</u>
Net Change in Fund Balance	2,273	2,273	6,984	4,711
Fund Balance at Beginning of Year	<u>3,268</u>	<u>3,268</u>	<u>3,268</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,541</u>	<u>\$ 5,541</u>	<u>\$ 10,252</u>	<u>\$ 4,711</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2007**

SPECIAL ASSESSMENT BOND RETIREMENT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 103,529	\$ 103,529	\$ 85,079	\$ (18,450)
All Other Revenues	0	269,630	269,630	0
Total Revenues	<u>103,529</u>	<u>373,159</u>	<u>354,709</u>	<u>(18,450)</u>
Expenditures:				
General Government				
All Other Expenditures	0	25,425	25,424	1
Debt Service Function:				
Debt Service - Unvoted:				
Debt Service:				
Principal Retirement	65,000	341,000	341,000	0
Interest and Fiscal Charges	<u>27,775</u>	<u>52,776</u>	<u>52,775</u>	<u>1</u>
Total Expenditures	<u>92,775</u>	<u>419,201</u>	<u>419,199</u>	<u>2</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,754	(46,042)	(64,490)	(18,448)
Fund Balance at Beginning of Year	<u>219,166</u>	<u>219,166</u>	<u>219,166</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 229,920</u></u>	<u><u>\$ 173,124</u></u>	<u><u>\$ 154,676</u></u>	<u><u>\$ (18,448)</u></u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses):				
Advances In	612,000	612,000	612,000	0
Advances Out	(612,000)	(612,000)	(612,000)	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUNICIPAL COURT IMPROVEMENT FUND				
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 926	\$ 926
Fines and Forfeitures	33,000	33,000	42,902	9,902
Total Revenues	33,000	33,000	43,828	10,828
Expenditures:				
General Government:				
Clerk of Court:				
All Other Expenditures	0	1,312	0	1,312
Debt Service:				
Principal Retirement	200,000	200,000	200,000	0
Interest and Fiscal Charges	9,000	9,000	8,476	524
Total Expenditures	209,000	210,312	208,476	1,836
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,000)	(177,312)	(164,648)	12,664
Other Financing Sources (Uses):				
Sale of General Obligation Bonds	170,000	170,000	200,000	30,000
Premiums on Issuance of Debt	0	0	132	132
Total Other Financing Sources (Uses)	170,000	170,000	200,132	30,132
Net Change in Fund Balance	(6,000)	(7,312)	35,484	42,796
Fund Balance at Beginning of Year	12,122	12,122	12,122	0
Prior Year Encumbrances	1,312	1,312	1,312	0
Fund Balance at End of Year	\$ 7,434	\$ 6,122	\$ 48,918	\$ 42,796

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	CAPITAL EQUIPMENT RESERVE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
General Government:				
Other Miscellaneous:				
Capital Outlay	71,639	112,281	104,907	7,374
Total General Government	71,639	112,281	104,907	7,374
Highways and Streets:				
Street Construction and Reconstruction:				
Capital Outlay	136,338	165,827	140,908	24,919
Total Highways and Streets	136,338	165,827	140,908	24,919
Culture and Recreation:				
Recreation Activities:				
Capital Outlay	0	73,000	72,686	314
Total Culture and Recreation	0	73,000	72,686	314
Debt Service:				
Principal Retirement	51,690	51,690	27,330	24,360
Interest and Fiscal Charges	8,206	8,206	4,917	3,289
Total Expenditures	267,873	411,004	350,748	60,256
Excess (Deficiency) of Revenues Over (Under) Expenditures	(267,873)	(411,004)	(350,748)	60,256
Other Financing Sources (Uses):				
Issuance of Capital Leases	136,338	136,338	121,482	(14,856)
Transfers In	75,000	575,000	575,000	0
Total Other Financing Sources (Uses)	211,338	711,338	696,482	(14,856)
Net Change in Fund Balance	(56,535)	300,334	345,734	45,400
Fund Balance at Beginning of Year	283,569	283,569	283,569	0
Fund Balance at End of Year	\$ 227,034	\$ 583,903	\$ 629,303	\$ 45,400

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007***

CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 48,960	\$ 48,960
Investment Earnings	0	0	668	668
Total Revenues	<u>0</u>	<u>0</u>	<u>49,628</u>	<u>49,628</u>
Expenditures:				
General Government:				
Public Lands and Buildings:				
Building Operations Maintenance and Repair:				
Capital Outlay	38,000	49,652	4,867	44,785
Total General Government	<u>38,000</u>	<u>49,652</u>	<u>4,867</u>	<u>44,785</u>
Public Safety - Fire:				
Fire Fighting, Prevention and Inspection:				
Capital Outlay	0	50,000	48,342	1,658
Total Public Safety	<u>0</u>	<u>50,000</u>	<u>48,342</u>	<u>1,658</u>
Highways and Streets - Public Works:				
Street Construction and Reconstruction:				
Capital Outlay	0	70,821	64,724	6,097
Total Highways and Streets	<u>0</u>	<u>70,821</u>	<u>64,724</u>	<u>6,097</u>
Culture and Recreation - Recreation Activities::				
Capital Outlay	94,999	151,359	70,000	81,359
Total Culture and Recreation	<u>94,999</u>	<u>151,359</u>	<u>70,000</u>	<u>81,359</u>
Community Environment:				
Planning and Development:				
Capital Outlay	0	65,000	64,950	50
Total Community Environment	<u>0</u>	<u>65,000</u>	<u>64,950</u>	<u>50</u>
Debt Service				
Principal Retirement	550,000	550,000	550,000	0
Interest and Fiscal Charges	17,875	54,682	24,681	30,001
Total Expenditures	<u>700,874</u>	<u>991,514</u>	<u>827,564</u>	<u>163,950</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(700,874)	(991,514)	(777,936)	213,578
Other Financing Sources (Uses):				
Sale of General Obligation Notes	550,000	550,000	1,110,775	560,775
Premiums on Debt Issuance	0	0	732	732
Issuance of Capital Leases	70,000	70,000	0	(70,000)
Transfers In	0	250,000	300,000	50,000
Total Other Financing Sources (Uses)	<u>620,000</u>	<u>870,000</u>	<u>1,411,507</u>	<u>541,507</u>
Net Change in Fund Balance	(80,874)	(121,514)	633,571	755,085
Fund Balance at Beginning of Year	387,853	387,853	387,853	0
Prior Year Encumbrances	115,797	115,797	115,797	0
Fund Balance at End of Year	<u>\$ 422,776</u>	<u>\$ 382,136</u>	<u>\$ 1,137,221</u>	<u>\$ 755,085</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

SHAMROCK BOULEVARD ROAD PROJECT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Highways and Streets:				
Miscellaneous:				
Capital Outlay	1,725,000	1,735,000	34,999	1,700,001
Total Expenditures	1,725,000	1,735,000	34,999	1,700,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,725,000)	(1,735,000)	(34,999)	1,700,001
Other Financing Sources (Uses):				
General Obligation Notes Issued	1,700,000	1,700,000	0	(1,700,000)
Total Other Financing Sources (Uses)	1,700,000	1,700,000	0	(1,700,000)
Net Change in Fund Balance	(25,000)	(35,000)	(34,999)	1
Fund Balance at Beginning of Year	199,323	199,323	199,323	0
Fund Balance at End of Year	\$ 174,323	\$ 164,323	\$ 164,324	\$ 1

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

JACKSON STREET INTERCHANGE PROJECT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 330,000	\$ 330,000	\$ 48,488	\$ (281,512)
Total Revenues	<u>330,000</u>	<u>330,000</u>	<u>48,488</u>	<u>(281,512)</u>
Expenditures:				
Highways and Streets:				
Miscellaneous:				
Capital Outlay	330,000	342,037	27,924	314,113
Total Expenditures	<u>330,000</u>	<u>342,037</u>	<u>27,924</u>	<u>314,113</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(12,037)	20,564	32,601
Fund Balance at Beginning of Year	102,309	102,309	102,309	0
Prior Year Encumbrances	12,037	12,037	12,037	0
Fund Balance at End of Year	<u>\$ 114,346</u>	<u>\$ 102,309</u>	<u>\$ 134,910</u>	<u>\$ 32,601</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	INDUSTRIAL PARK PROJECT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 2,315	\$ 2,315
Total Revenues	<u>0</u>	<u>0</u>	<u>2,315</u>	<u>2,315</u>
Expenditures:				
Debt Service:				
Principal Retirement	500,000	500,000	500,000	0
Interest and Fiscal Charges	<u>22,500</u>	<u>22,500</u>	<u>21,191</u>	<u>1,309</u>
Total Expenditures	<u>522,500</u>	<u>522,500</u>	<u>521,191</u>	<u>1,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(522,500)	(522,500)	(518,876)	3,624
Other Financing Sources (Uses):				
General Obligation Bonds Issued	460,000	460,000	500,000	40,000
Premiums on Debt Issuance	<u>0</u>	<u>0</u>	<u>331</u>	<u>331</u>
Total Other Financing Sources (Uses)	<u>460,000</u>	<u>460,000</u>	<u>500,331</u>	<u>40,331</u>
Net Change in Fund Balance	(62,500)	(62,500)	(18,545)	43,955
Fund Balance at Beginning of Year	<u>84,497</u>	<u>84,497</u>	<u>84,497</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 21,997</u>	<u>\$ 21,997</u>	<u>\$ 65,952</u>	<u>\$ 43,955</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

MUNICIPAL COURT SPECIAL PROJECTS FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 107,500	\$ 107,500	\$ 112,706	\$ 5,206
Total Revenues	<u>107,500</u>	<u>107,500</u>	<u>112,706</u>	<u>5,206</u>
Expenditures:				
General Government:				
Judicial - Municipal Court:				
Judicial Activities:				
Personal Services	27,129	20,541	10,991	9,550
All Other Expenditures	6,000	45,833	45,769	64
Capital Outlay	60,000	126,455	126,455	0
Clerk of Court:				
All Other Expenditures	0	3,700	499	3,201
Probation:				
All Other Expenditures	2,000	2,000	940	1,060
Total General Government	<u>95,129</u>	<u>198,529</u>	<u>184,654</u>	<u>13,875</u>
Total Expenditures	<u>95,129</u>	<u>198,529</u>	<u>184,654</u>	<u>13,875</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,371	(91,029)	(71,948)	19,081
Fund Balance at Beginning of Year	264,028	264,028	264,028	0
Prior Year Encumbrances	36,300	36,300	36,300	0
Fund Balance at End of Year	<u>\$ 312,699</u>	<u>\$ 209,299</u>	<u>\$ 228,380</u>	<u>\$ 19,081</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses):				
Transfers In	0	250,000	250,000	0
Total Other Financing Sources (Uses)	0	250,000	250,000	0
Net Change in Fund Balance	0	250,000	250,000	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 250,000	\$ 250,000	\$ 0

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses):				
Transfers In	0	100,000	100,000	0
Total Other Financing Sources (Uses)	0	100,000	100,000	0
Net Change in Fund Balance	0	100,000	100,000	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 100,000	\$ 100,000	\$ 0

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses):				
Transfers In	0	50,000	50,000	0
Total Other Financing Sources (Uses)	0	50,000	50,000	0
Net Change in Fund Balance	0	50,000	50,000	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 50,000	\$ 50,000	\$ 0

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 2,000	\$ 2,000	\$ 33,345	\$ 31,345
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>33,345</u>	<u>31,345</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	<u>3,000</u>	<u>4,500</u>	<u>2,772</u>	<u>1,728</u>
Total Expenditures	<u>3,000</u>	<u>4,500</u>	<u>2,772</u>	<u>1,728</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000)	(2,500)	30,573	33,073
Fund Balance at Beginning of Year	<u>43,943</u>	<u>43,943</u>	<u>43,943</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 42,943</u>	<u>\$ 41,443</u>	<u>\$ 74,516</u>	<u>\$ 33,073</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 13,620	\$ 13,620
Total Revenues	<u>0</u>	<u>0</u>	<u>13,620</u>	<u>13,620</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	13,620	13,620
Fund Balance at Beginning of Year	<u>38,935</u>	<u>38,935</u>	<u>38,935</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 38,935</u>	<u>\$ 38,935</u>	<u>\$ 52,555</u>	<u>\$ 13,620</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2007**

EVERGREEN CEMETERY TRUST FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
All Other Revenues	\$ 2,300	\$ 2,300	\$ 0	\$ (2,300)
Total Revenues	<u>2,300</u>	<u>2,300</u>	<u>0</u>	<u>(2,300)</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	1,000	1,000	20	980
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>20</u>	<u>980</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,300	1,300	(20)	(1,320)
Fund Balance at Beginning of Year	399,067	399,067	399,067	0
Fund Balance at End of Year	<u>\$ 400,367</u>	<u>\$ 400,367</u>	<u>\$ 399,047</u>	<u>\$ (1,320)</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2007***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 6,500	\$ 6,500	\$ 8,672	\$ 2,172
Total Revenues	<u>6,500</u>	<u>6,500</u>	<u>8,672</u>	<u>2,172</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	<u>1,000</u>	<u>1,000</u>	<u>360</u>	<u>640</u>
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>360</u>	<u>640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,500	5,500	8,312	2,812
Fund Balance at Beginning of Year	<u>329,672</u>	<u>329,672</u>	<u>329,672</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 335,172</u>	<u>\$ 335,172</u>	<u>\$ 337,984</u>	<u>\$ 2,812</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 1,200	\$ 1,200	\$ 3,580	\$ 2,380
Total Revenues	<u>1,200</u>	<u>1,200</u>	<u>3,580</u>	<u>2,380</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	<u>25</u>	<u>25</u>	<u>0</u>	<u>25</u>
Total Expenditures	<u>25</u>	<u>25</u>	<u>0</u>	<u>25</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,175	1,175	3,580	2,405
Fund Balance at Beginning of Year	<u>303,036</u>	<u>303,036</u>	<u>303,036</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 304,211</u>	<u>\$ 304,211</u>	<u>\$ 306,616</u>	<u>\$ 2,405</u>

Nonmajor Enterprise Funds

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, whereby the intent of City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or when City Council has decided that periodic determination of net income is appropriate for accountability purposes.

Refuse Fund

To account for the operation of the City's solid waste collection systems.

Off Street Parking Fund

To account for the operation of the City's off-street parking garage

Storm Water Utility Fund

To account for the operation of the City's storm water utility system.

Community Program Fund

To account for operation of several user fee recreational programs of the City's.

CITY OF PAINESVILLE, OHIO

**Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2007**

	Refuse	Off Street Parking	Storm Water Utility	Community Programs	Total Nonmajor Enterprise Funds
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 16,684	\$ 148,464	\$ 188,028	\$ 9,287	\$ 362,463
Investments	0	0	437,035	0	437,035
Accounts Receivable (net of allowance for uncollectibles)	0	0	55,306	0	55,306
Prepaid Items	0	3,784	0	0	3,784
Total Current Assets	<u>16,684</u>	<u>152,248</u>	<u>680,369</u>	<u>9,287</u>	<u>858,588</u>
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	0	3,290	2,500	0	5,790
Total restricted assets	<u>0</u>	<u>3,290</u>	<u>2,500</u>	<u>0</u>	<u>5,790</u>
Capital Assets:					
Capital Assets Not Being Depreciated	0	118,972	259,100	0	378,072
Capital Assets Being Depreciated, Net	0	1,068,602	0	0	1,068,602
Total Noncurrent Assets	<u>0</u>	<u>1,190,864</u>	<u>261,600</u>	<u>0</u>	<u>1,452,464</u>
Total Assets	<u>16,684</u>	<u>1,343,112</u>	<u>941,969</u>	<u>9,287</u>	<u>2,311,052</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	6,325	4,575	63,446	35	74,381
Accrued Wages and Benefits	0	3,189	5,437	1,653	10,279
Refundable Deposits	0	3,290	0	0	3,290
Accrued Interest Payable	0	4	15,056	0	15,060
General Obligation Notes Payable	0	0	452,000	0	452,000
Capital Leases Payable - Current	0	520	473	0	993
Total Current Liabilities	<u>6,325</u>	<u>11,578</u>	<u>536,412</u>	<u>1,688</u>	<u>556,003</u>
Noncurrent Liabilities:					
Capital Leases Payable	0	0	1,722	0	1,722
Compensated Absences Payable	0	4,356	13,796	0	18,152
Total Noncurrent Liabilities	<u>0</u>	<u>4,356</u>	<u>15,518</u>	<u>0</u>	<u>19,874</u>
Total Liabilities	<u>6,325</u>	<u>15,934</u>	<u>551,930</u>	<u>1,688</u>	<u>575,877</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	0	1,187,054	0	0	1,187,054
Unrestricted	10,359	140,124	390,039	7,599	548,121
Total Net Assets	<u>\$ 10,359</u>	<u>\$ 1,327,178</u>	<u>\$ 390,039</u>	<u>\$ 7,599</u>	<u>\$ 1,735,175</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2007**

	Refuse	Off Street Parking	Storm Water Utility	Community Programs	Total Nonmajor Enterprise Funds
Operating Revenues:					
Charges for Services	\$ 8,557	\$ 75,917	\$ 409,406	\$ 52,210	\$ 546,090
Other Charges for Services	0	0	2,642	0	2,642
Other Operating Revenues	1,859	0	0	3,830	5,689
Total Operating Revenues	10,416	75,917	412,048	56,040	554,421
Operating Expenses:					
Personal Services	0	60,988	86,403	38,213	185,604
Contractual Services	7,125	34,663	365,917	28,587	436,292
Materials and Supplies	0	6,271	16,143	8,298	30,712
Utilities	0	26,520	0	0	26,520
Depreciation	0	34,274	0	0	34,274
Total Operating Expenses	7,125	162,716	468,463	75,098	713,402
Operating Income (Loss)	3,291	(86,799)	(56,415)	(19,058)	(158,981)
Non-Operating Revenue (Expenses):					
Interest Income	0	9	442	0	451
Interest and Fiscal Charges	0	0	(16,661)	0	(16,661)
Other Nonoperating Revenue	0	0	502	0	502
Total Non-Operating Revenues (Expenses)	0	9	(15,717)	0	(15,708)
Income (Loss) Before Transfers	3,291	(86,790)	(72,132)	(19,058)	(174,689)
Transfers:					
Transfers-In	0	80,000	0	14,000	94,000
Total Transfers	0	80,000	0	14,000	94,000
Change in Net Assets	3,291	(6,790)	(72,132)	(5,058)	(80,689)
Net Assets Beginning of Year	7,068	1,333,968	462,171	12,657	1,815,864
Net Assets End of Year	\$ 10,359	\$ 1,327,178	\$ 390,039	\$ 7,599	\$ 1,735,175

CITY OF PAINESVILLE, OHIO

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2007**

	Refuse	Off-Street Parking	Storm Water Utility	Community Program	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:					
Cash Received from Customers	\$10,416	\$76,169	\$413,271	\$56,040	\$555,896
Cash Payments for Goods and Services	(800)	(65,405)	(381,422)	(37,510)	(485,137)
Cash Payments to Employees	0	(62,783)	(85,292)	(36,560)	(184,635)
Net Cash Provided (Used) by Operating Activities	9,616	(52,019)	(53,443)	(18,030)	(113,876)
Cash Flows from Noncapital Financing Activities:					
Transfers In from Other Funds	0	80,000	0	14,000	94,000
Net Cash Provided for Noncapital Financing Activities	0	80,000	0	14,000	94,000
Cash Flows from Capital and Related Financing Activities:					
Proceeds from General Obligation Notes	0	0	452,000	0	452,000
Principal Paid on General Obligation Notes	0	0	(187,000)	0	(187,000)
Premium on Debt Issuances	0	0	602	0	602
Issuance of Capital Leases	0	0	2,500	0	2,500
Acquisition and Construction of Assets	0	0	(234,251)	0	(234,251)
Principal Paid on Capital Leases	0	(1,015)	(305)	0	(1,320)
Interest Paid on All Debt	0	0	(8,392)	0	(8,392)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(1,015)	25,154	0	24,139
Cash Flows from Investing Activities:					
Receipts of Principal and Interest on Investments	0	0	87	0	87
Sale of Investments	0	0	1,554	0	1,554
Net Cash Provided by Investing Activities	0	0	1,641	0	1,641
Net Increase (Decrease) in Cash and Cash Equivalents	9,616	26,966	(26,648)	(4,030)	5,904
Cash and Cash Equivalents at Beginning of Year	7,068	124,788	217,176	13,317	362,349
Cash and Cash Equivalents at End of Year	\$16,684	\$151,754	\$190,528	\$9,287	\$368,253
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$3,291	(\$86,799)	(\$56,415)	(\$19,058)	(\$158,981)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	0	34,274	0	0	34,274
Miscellaneous Nonoperating Revenues	0	252	502	0	754
Changes in Assets and Liabilities:					
Decrease in Accounts Receivable	0	0	721	0	721
Increase in Prepaid Items	0	(2,121)	0	0	(2,121)
Increase (Decrease) in Accounts Payable	6,325	2,250	(1,525)	(625)	6,425
Increase in Accrued Wages and Benefits	0	753	1,946	1,653	4,352
Increase in Compensated Absences Payable	0	(628)	1,328	0	700
Total Adjustments	6,325	34,780	2,972	1,028	45,105
Net Cash Provided (Used) by Operating Activities	\$9,616	(\$52,019)	(\$53,443)	(\$18,030)	(\$113,876)

Schedule of Noncash Investing, Capital and Financing Activities:

During 2007 the fair value of investments increased by \$1,039 in the Storm Water Utility Fund.

Nonmajor Internal Service Funds

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

Fuel and Oil Rotary Fund

To account for the accumulation and allocation of costs associated with petroleum products.

Supplies Rotary Fund

To account for the accumulation and allocation of costs associated with operating supplies.

Employee Health Insurance Fund

To account for the expenses related to employee health insurance coverage provided by the City. This program is partially self-funded by the City as well as through a 'stop-loss' cap arrangement with an outside contractor.

Workers' Compensation Retrospective Fund

To account for expenses for workers' compensation coverage provided by the Ohio Bureau of Workers' Compensation.

CITY OF PAINESVILLE, OHIO

**Combining Statement of Net Assets
Nonmajor Internal Service Funds
December 31, 2007**

	<u>Fuel and Oil Rotary</u>	<u>Supplies Rotary</u>	<u>Employee Health Insurance</u>	<u>Workers' Compensation Retrospective</u>	<u>Total</u>
Assets:					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 19,556	\$ 29,564	\$ 26,383	\$ 153,777	\$ 229,280
Inventory of Supplies at Cost	0	35,351	0	0	35,351
<i>Total Current Assets</i>	<u>19,556</u>	<u>64,915</u>	<u>26,383</u>	<u>153,777</u>	<u>264,631</u>
Total Assets	<u>19,556</u>	<u>64,915</u>	<u>26,383</u>	<u>153,777</u>	<u>264,631</u>
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	0	610	281,384	0	281,994
Claims Payable	0	0	376,886	759,226	1,136,112
Total Liabilities	<u>0</u>	<u>610</u>	<u>658,270</u>	<u>759,226</u>	<u>1,418,106</u>
Net Assets:					
Unrestricted	19,556	64,305	(631,887)	(605,449)	(1,153,475)
Total Net Assets	<u>\$ 19,556</u>	<u>\$ 64,305</u>	<u>\$ (631,887)</u>	<u>\$ (605,449)</u>	<u>\$ (1,153,475)</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Internal Service Funds
For the Year Ended December 31, 2007**

	<u>Fuel and Oil Rotary</u>	<u>Supplies Rotary</u>	<u>Employee Health Insurance</u>	<u>Workers' Compensation Retrospective</u>	<u>Total</u>
Operating Revenues:					
Charges for Services	\$ 238,557	\$ 43,784	\$ 2,000,281	\$ 355,449	\$ 2,638,071
Total Operating Revenues	<u>238,557</u>	<u>43,784</u>	<u>2,000,281</u>	<u>355,449</u>	<u>2,638,071</u>
Operating Expenses:					
Personal Services	0	0	2,361,992	178,182	2,540,174
Contractual Services	0	0	232,441	277,251	509,692
Materials and Supplies	292,609	43,430	0	0	336,039
Total Operating Expenses	<u>292,609</u>	<u>43,430</u>	<u>2,594,433</u>	<u>455,433</u>	<u>3,385,905</u>
Change in Net Assets	(54,052)	354	(594,152)	(99,984)	(747,834)
Net Assets Beginning of Year	<u>73,608</u>	<u>63,951</u>	<u>(37,735)</u>	<u>(505,465)</u>	<u>(405,641)</u>
Net Assets End of Year	<u>\$ 19,556</u>	<u>\$ 64,305</u>	<u>\$ (631,887)</u>	<u>\$ (605,449)</u>	<u>\$ (1,153,475)</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Cash Flows
Nonmajor Internal Service Funds
For the Year Ended December 31, 2007**

	Fuel and Oil Rotary	Supplies Rotary	Employee Health Insurance	Workers' Compensation Retrospective	Totals
<u>Cash Flows from Operating Activities:</u>					
Cash Receipts from Interfund Services Provided	\$238,557	\$43,784	\$2,000,281	\$355,449	\$2,638,071
Cash Payments for Goods and Services	(292,609)	(43,634)	(232,441)	(177,267)	(745,951)
Cash Payments to Employees	0	0	0	(178,182)	(178,182)
Cash Payments for Employee Medical Claims	0	0	(1,811,763)	0	(1,811,763)
Net Cash Provided (Used) by Operating Activities	(54,052)	150	(43,923)	0	(97,825)
Net Decrease in Cash and Cash Equivalents	(54,052)	150	(43,923)	0	(97,825)
Cash and Cash Equivalents at Beginning of Year	73,608	29,414	70,306	153,777	327,105
Cash and Cash Equivalents at End of Year	\$19,556	\$29,564	\$26,383	\$153,777	\$229,280
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	(\$54,052)	\$354	(\$594,152)	(\$99,984)	(\$747,834)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Changes in Assets and Liabilities:					
Increase in Inventory	0	(814)	0	0	(814)
Increase (Decrease) in Accounts Payable	0	610	281,384	0	281,994
Increase in Claims Liability	0	0	268,845	99,984	368,829
Total Adjustments	0	(204)	550,229	99,984	650,009
Net Cash Provided (Used) by Operating Activities	(\$54,052)	\$150	(\$43,923)	\$0	(\$97,825)

Fiduciary Funds

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

Agency Funds

Municipal Court Fund

To account for funds that flow through the municipal court.

State Patrol Transfer Fund

To account for the receipt from the City's municipal court and disbursement to the City and County Law Library of fines and forfeitures for State Highway Patrol cases in accordance with provisions of the Ohio Revised Code.

Electric License Fund

To account for funds from the fifteen percent (15%) fees as required by Ohio Revised Code

Land Bank Fund

To account for the receipt of monies from the sale of property under the Land Bank Program and the disbursement to the County for back taxes.

CITY OF PAINESVILLE, OHIO

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2007**

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$43,431	\$3,135,715	(\$3,128,031)	\$51,115
Total Assets	<u>\$43,431</u>	<u>\$3,135,715</u>	<u>(\$3,128,031)</u>	<u>\$51,115</u>
Liabilities:				
Due to Others	\$43,431	\$3,135,715	(\$3,128,031)	\$51,115
Total Liabilities	<u>\$43,431</u>	<u>\$3,135,715</u>	<u>(\$3,128,031)</u>	<u>\$51,115</u>
<u>State Patrol Transfer</u>				
Assets:				
Cash and Cash Equivalents	\$18,284	\$74,752	(\$74,752)	\$18,284
Total Assets	<u>\$18,284</u>	<u>\$74,752</u>	<u>(\$74,752)</u>	<u>\$18,284</u>
Liabilities:				
Due to Others	\$18,284	\$74,752	(\$74,752)	\$18,284
Total Liabilities	<u>\$18,284</u>	<u>\$74,752</u>	<u>(\$74,752)</u>	<u>\$18,284</u>
<u>Electric License</u>				
Assets:				
Cash and Cash Equivalents	\$7,206	\$0	\$0	\$7,206
Total Assets	<u>\$7,206</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,206</u>
Liabilities:				
Due to Others	\$7,206	\$0	\$0	\$7,206
Total Liabilities	<u>\$7,206</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,206</u>
<u>Land Bank</u>				
Assets:				
Cash and Cash Equivalents	\$4,943	\$0	\$0	\$4,943
Total Assets	<u>\$4,943</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,943</u>
Liabilities:				
Due to Others	\$4,943	\$0	\$0	\$4,943
Total Liabilities	<u>\$4,943</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,943</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$73,864	\$3,210,467	(\$3,202,783)	\$81,548
Total Assets	<u>\$73,864</u>	<u>\$3,210,467</u>	<u>(\$3,202,783)</u>	<u>\$81,548</u>
Liabilities:				
Due to Others	\$73,864	\$3,210,467	(\$3,202,783)	\$81,548
Total Liabilities	<u>\$73,864</u>	<u>\$3,210,467</u>	<u>(\$3,202,783)</u>	<u>\$81,548</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF PAINESVILLE, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2007***

Capital Assets:

Land	\$4,238,035
Buildings and Improvements	4,368,703
Improvements Other than Buildings	3,996,404
Machinery and Equipment	5,510,987
Infrastructure	24,929,303
Construction in Progress	668,401
Total Capital Assets	<u><u>\$43,711,833</u></u>

Investment in Capital Assets from:

General Fund	\$7,652,812
Special Revenue Funds	4,423,049
Capital Projects Funds	30,350,453
Enterprise Funds	1,259,708
Expendable Trust Funds	13,920
Gifts	11,891
Total Investment in Capital Assets	<u><u>\$43,711,833</u></u>

CITY OF PAINESVILLE, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2007**

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings and Improvements</u>	<u>Improvements Other than Buildings</u>
General Government				
Judicial:				
Municipal Court	\$0	\$0	\$1,392,457	\$0
Executive:				
City Manager	1,629,330	0	0	0
Information Technology	0	0	0	62,346
Economic Development	0	0	0	0
Finance	0	0	47,850	0
Engineering	35,460	0	268,180	0
Buildings and Grounds	332,670	595,599	1,498,216	6,046
Total General Government	1,997,460	595,599	3,206,703	68,392
Public Safety				
Police	0	0	0	0
Fire	0	0	26,735	0
Control Center	0	0	0	0
Total Public Safety	0	0	26,735	0
Highways and Streets				
Public Works	155,501	72,802	121,290	3,148,978
Public Health and Welfare				
Cemeteries	506,223	0	180,000	36,500
Culture/Recreation				
Parks - Recreation	1,506,011	0	833,975	742,534
Community Environment				
Community Development	72,840	0	0	0
Code Enforcement	0	0	0	0
Total Community Environmen	72,840	0	0	0
Total Capital Assets	\$4,238,035	\$668,401	\$4,368,703	\$3,996,404

CITY OF PAINESVILLE, OHIO

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$101,552	\$0	\$1,494,009
306,785	0	1,936,115
249,071	0	311,417
14,195	0	14,195
39,965	0	87,815
66,884	0	370,524
23,880	0	2,456,411
<u>802,332</u>	<u>0</u>	<u>6,670,486</u>
804,606	0	804,606
1,303,968	0	1,330,703
54,498	0	54,498
<u>2,163,072</u>	<u>0</u>	<u>2,189,807</u>
<u>1,952,559</u>	<u>24,929,303</u>	<u>30,380,433</u>
<u>238,139</u>	<u>0</u>	<u>960,862</u>
<u>265,232</u>	<u>0</u>	<u>3,347,752</u>
12,463	0	85,303
77,190	0	77,190
89,653	0	162,493
<u>\$5,510,987</u>	<u>\$24,929,303</u>	<u>\$43,711,833</u>

CITY OF PAINESVILLE, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2007***

Function and Activity	December 31, 2006	Additions	Deletions	December 31, 2007
General Government				
Judicial				
Municipal Court	\$1,494,009	\$0	\$0	\$1,494,009
Executive				
City Manager	2,185,865	65,000	(314,750)	1,936,115
Information Technology	222,344	89,073	0	311,417
Economic Development	14,195	0	0	14,195
Finance	96,378	0	(8,563)	87,815
Engineering	370,524	0	0	370,524
Buildings and Grounds	1,797,024	659,387	0	2,456,411
Total General Government	6,180,339	813,460	(323,313)	6,670,486
Public Safety				
Police	795,841	102,389	(93,624)	804,606
Fire	1,447,083	26,735	(143,115)	1,330,703
Control Center	54,498	0	0	54,498
Total Public Safety	2,297,422	129,124	(236,739)	2,189,807
Highways and Streets				
Public Works	28,420,035	2,687,664	(727,266)	30,380,433
Public Health and Welfare				
Cemeteries	960,862	0	0	960,862
Culture/Recreation				
Parks - Recreation	3,301,023	59,483	(12,754)	3,347,752
Community Environment				
Community Development	291,523	12,463	(218,683)	85,303
Code Enforcement	77,190	0	0	77,190
Total Community Environment	368,713	12,463	(218,683)	162,493
Total Capital Assets	\$41,528,394	\$3,702,194	(\$1,518,755)	\$43,711,833

STATISTICAL SECTION



STATISTICAL TABLES

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

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue sources, the income tax and the property tax.	
Debt Capacity	S 18 – S 27
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 28 – S 31
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 32 – S 41
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	

City of Painesville

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (1)</u>
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$8,072,398	\$14,662,144	\$12,923,925	\$23,248,755
Restricted	2,787,638	1,902,860	2,082,124	2,756,163
Unrestricted	2,014,404	350,924	1,345,168	7,361,806
Total Governmental Activities Net Assets	<u>\$12,874,440</u>	<u>\$16,915,928</u>	<u>\$16,351,217</u>	<u>\$33,366,724</u>
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	\$23,500,627	\$31,172,045	\$32,921,887	\$33,400,614
Restricted	897,200	910,426	896,417	792,875
Unrestricted (Deficit)	27,080,610	22,083,319	24,597,934	27,439,385
Total Business-type Activities Net Assets	<u>\$51,478,437</u>	<u>\$54,165,790</u>	<u>\$58,416,238</u>	<u>\$61,632,874</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$31,573,025	\$45,834,189	\$45,845,812	\$56,649,369
Restricted	3,684,838	2,813,286	2,978,541	3,549,038
Unrestricted	29,095,014	22,434,243	25,943,102	34,801,191
Total Primary Government Net Assets	<u>\$64,352,877</u>	<u>\$71,081,718</u>	<u>\$74,767,455</u>	<u>\$94,999,598</u>

Source: Finance Director's Office

(1) Restated to include infrastructure net assets

City of Painesville

2007

\$23,806,608
6,813,043
6,316,586
\$36,936,237

\$35,152,108
0
28,790,094
\$63,942,202

\$58,958,716
6,813,043
35,106,680
\$100,878,439

City of Painesville

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

	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General Government	\$3,041,680	\$3,031,283	\$2,790,590	\$2,825,835
Public Safety	7,193,890	7,823,918	6,989,395	7,585,876
Highways and Streets	1,138,633	3,182,909	2,817,057	2,870,730
Public Health and Welfare	773,593	835,694	668,013	531,090
Culture and Recreation	953,407	799,394	700,165	746,813
Community Environment	648,579	415,026	351,307	353,652
Interest and Fiscal Charges	97,872	118,717	67,711	230,802
<i>Total Governmental Activities Expenses</i>	<u>13,847,654</u>	<u>16,206,941</u>	<u>14,384,238</u>	<u>15,144,798</u>
Business-type Activities:				
Water	4,565,407	4,509,371	4,696,086	4,863,071
Sewer	3,350,651	3,897,646	3,550,942	3,340,241
Electric	14,942,089	24,437,629	18,650,228	19,568,938
Other Enterprise	378,932	511,944	682,843	766,324
<i>Total Business-type Activities Expenses</i>	<u>23,237,079</u>	<u>33,356,590</u>	<u>27,580,099</u>	<u>28,538,574</u>
<i>Total Primary Government Expenses</i>	<u>\$37,084,733</u>	<u>\$49,563,531</u>	<u>\$41,964,337</u>	<u>\$43,683,372</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$1,102,103	\$1,155,531	\$1,290,247	\$1,328,425
Public Safety	219,370	513,720	338,428	436,247
Highways and Streets	106,707	147,797	50,844	67,586
Public Health and Welfare	150,643	159,060	151,607	131,527
Culture and Recreation	67,889	75,825	78,114	21,688
Community Environment	109,444	183,300	264,293	264,180
Operating Grants and Contributions	83,677	774,687	1,324,588	831,378
Capital Grants and Contributions	112,076	162,802	429,980	735,382
<i>Total Governmental Activities Program Revenues</i>	<u>1,951,909</u>	<u>3,172,722</u>	<u>3,928,101</u>	<u>3,816,413</u>

City of Painesville

2007

\$3,453,915
7,511,624
3,540,017
613,032
847,647
551,236
329,646
16,847,117

4,746,880
3,183,132
20,600,631
730,063
29,260,706
\$46,107,823

\$1,438,482
555,777
51,231
159,275
7,917
304,968
876,146
2,856,316
6,250,112

(continued)

City of Painesville

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

	2003	2004	2005	2006
Business-type Activities:				
Charges for Services				
Water	4,328,180	4,513,453	4,905,365	4,654,394
Sewer	3,331,499	3,166,647	3,268,359	3,215,491
Electric	18,310,051	18,957,480	22,173,641	21,014,180
Other Enterprise	432,325	506,892	507,485	610,279
Operating Grants and Contributions	53,588	9,267	587,546	0
Capital Grants and Contributions	0	1,218,151	0	410,942
<i>Total Business-type Activities Program Revenues</i>	<u>26,455,643</u>	<u>28,371,890</u>	<u>31,442,396</u>	<u>29,905,286</u>
<i>Total Primary Government Program Revenues</i>	<u>28,407,552</u>	<u>31,544,612</u>	<u>35,370,497</u>	<u>33,721,699</u>
Net (Expense)/Revenue				
Governmental Activities	(11,895,745)	(13,034,219)	(10,456,137)	(11,328,385)
Business-type Activities	3,218,564	(4,984,700)	3,862,297	1,366,712
<i>Total Primary Government Net (Expense)/Revenue</i>	<u><u>(\$8,677,181)</u></u>	<u><u>(\$18,018,919)</u></u>	<u><u>(\$6,593,840)</u></u>	<u><u>(\$9,961,673)</u></u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes	\$631,395	\$717,203	\$725,082	\$801,010
Municipal Income Taxes	7,273,781	6,702,181	7,681,884	8,039,713
Other Local Taxes	7,903	1,108	5,957	31,692
Grants and Entitlements not Restricted to Specific Programs	2,513,880	1,590,443	1,766,542	2,007,863
Investment Earnings	292,903	103,487	378,891	1,189,061
Miscellaneous	434,784	382,964	278,499	111,205
Transfers	984,729	614,276	558,853	505,320
<i>Total Governmental Activities</i>	<u>12,139,375</u>	<u>10,111,662</u>	<u>11,395,708</u>	<u>12,685,864</u>
Business-type Activities:				
Investment Earnings	204,095	330,270	568,022	407,410
Transfers	(984,729)	(614,276)	(558,853)	(505,320)
<i>Total Business-type Activities</i>	<u>(780,634)</u>	<u>(284,006)</u>	<u>9,169</u>	<u>(97,910)</u>
<i>Total Primary Government</i>	<u><u>\$11,358,741</u></u>	<u><u>\$9,827,656</u></u>	<u><u>\$11,404,877</u></u>	<u><u>\$12,587,954</u></u>
Change in Net Assets				
Governmental Activities	\$243,630	(\$2,922,557)	\$939,571	\$1,357,479
Business-type Activities	2,437,930	(5,268,706)	3,871,466	1,268,802
<i>Total Primary Government Change in Net Assets</i>	<u><u>\$2,681,560</u></u>	<u><u>(\$8,191,263)</u></u>	<u><u>\$4,811,037</u></u>	<u><u>\$2,626,281</u></u>

Source: Finance Director's Office

City of Painesville

2007

4,838,095
3,237,420
22,505,860
554,923
110,973
997,376
32,244,647
38,494,759

(10,597,005)
2,983,941
(\$7,613,064)

\$896,215
7,962,098
8,056

1,802,287
1,870,044
884,813
743,005
14,166,518

68,392
(743,005)
(674,613)
\$13,491,905

\$3,569,513
2,309,328
\$5,878,841

City of Painesville

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund					
Reserved	\$893,459	\$1,723,178	\$1,487,735	\$1,394,384	\$1,645,344
Unreserved	<u>2,615,974</u>	<u>2,207,331</u>	<u>2,501,029</u>	<u>3,502,699</u>	<u>3,037,127</u>
<i>Total General Fund</i>	<u>3,509,433</u>	<u>3,930,509</u>	<u>3,988,764</u>	<u>4,897,083</u>	<u>4,682,471</u>
All Other Governmental Funds					
Reserved	526,334	1,013,711	1,345,851	920,279	516,977
Unreserved, Undesignated, Reported in:					
Special Revenue Funds	738,480	(88,278)	1,043,684	1,669,858	2,130,684
Capital Projects Funds	966,948	624,562	500,881	84,322	454,776
Permanent Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total All Other Governmental Funds</i>	<u>2,231,762</u>	<u>1,549,995</u>	<u>2,890,416</u>	<u>2,674,459</u>	<u>3,102,437</u>
<i>Total Governmental Funds</i>	<u>\$5,741,195</u>	<u>\$5,480,504</u>	<u>\$6,879,180</u>	<u>\$7,571,542</u>	<u>\$7,784,908</u>

Source: Finance Director's Office

NOTE: Years 1997-2002 Do not include Cemetery Trust Fund, Special Endowment Fund, Evergreen Cemetery Trust Fund, Riverside Cemetery Trust Fund and Special Endowment Trust Fund which was classified as a Fiduciary Fund prior to implementing GASB 34 in 2003.

City of Painesville

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$1,394,500	\$1,457,828	\$1,201,195	\$1,133,204	\$1,301,396
<u>1,396,127</u>	<u>1,920,494</u>	<u>2,027,492</u>	<u>4,026,432</u>	<u>5,423,645</u>
<u>2,790,627</u>	<u>3,378,322</u>	<u>3,228,687</u>	<u>5,159,636</u>	<u>6,725,041</u>
1,809,451	1,633,965	2,004,446	1,653,817	1,511,911
1,510,440	1,141,244	355,394	637,926	2,370,336
(102,259)	(969,587)	(109,712)	23,236	2,207,811
7,043	4,219	63,532	129,713	185,778
<u>3,224,675</u>	<u>1,809,841</u>	<u>2,313,660</u>	<u>2,444,692</u>	<u>6,275,836</u>
<u>\$6,015,302</u>	<u>\$5,188,163</u>	<u>\$5,542,347</u>	<u>\$7,604,328</u>	<u>\$13,000,877</u>

City of Painesville

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

	1998	1999	2000	2001
Revenues:				
Taxes	\$6,921,888	\$7,181,523	\$7,614,958	\$7,301,526
Intergovernmental Revenues	2,670,751	3,830,361	3,903,437	3,302,823
Charges for Services	247,654	248,725	334,241	327,915
Licenses, Permits and Inspection Fees	160,646	179,690	189,621	163,558
Investment Earnings	989,273	1,201,096	1,292,816	1,220,765
Special Assessments	61,648	69,722	58,482	57,556
Fines and Forfeitures	843,321	804,513	821,577	827,796
Lawsuit Settlement	260,114	0	0	0
All Other Revenue	184,114	120,177	278,653	149,340
Total Revenue	<u>12,339,409</u>	<u>13,635,807</u>	<u>14,493,785</u>	<u>13,351,279</u>
Expenditures:				
Current:				
General Government	1,967,453	2,000,784	2,137,553	2,778,315
Public Safety	4,672,076	5,281,060	5,471,391	5,994,831
Highways and Streets	1,695,777	4,322,320	2,396,435	2,371,993
Public Health and Welfare Services	514,971	554,676	594,196	606,275
Culture and Recreation	702,249	745,573	841,974	940,621
Community Environment	279,138	257,296	438,083	463,399
Capital Outlay	255,950	485,720	1,466,811	1,407,232
Debt Service:				
Principal Retirement	41,416	49,624	56,416	43,208
Interest and Fiscal Charges	52,467	102,595	101,184	153,707
Total Expenditures	<u>10,181,497</u>	<u>13,799,648</u>	<u>13,504,043</u>	<u>14,759,581</u>
Excess (Deficiency) of Revenues Over Expenditures	2,157,912	(163,841)	989,742	(1,408,302)

City of Painesville

2002	2003	2004	2005	2006	2007
\$8,087,055	\$7,868,089	\$8,284,270	\$8,389,482	\$8,417,301	\$9,323,731
2,860,610	2,604,091	2,793,225	3,107,173	3,805,033	2,928,630
301,580	449,198	592,861	598,062	529,395	658,104
78,377	178,544	333,135	348,422	354,320	396,750
319,813	247,032	144,587	431,046	1,126,218	1,922,173
64,861	68,358	60,743	65,099	56,858	85,079
1,008,366	1,020,294	1,071,977	1,104,650	1,227,721	1,283,191
0	0	0	0	0	0
211,071	466,930	706,710	300,778	225,135	725,957
<u>12,931,733</u>	<u>12,902,536</u>	<u>13,987,508</u>	<u>14,344,712</u>	<u>15,741,981</u>	<u>17,323,615</u>
2,758,726	2,907,513	2,883,102	2,657,661	2,899,758	3,241,261
6,837,365	7,003,391	7,279,219	6,848,266	7,464,913	7,164,514
2,316,349	2,994,752	2,759,535	2,800,859	2,703,721	2,420,543
690,005	769,675	740,072	694,291	544,005	563,578
911,244	943,098	789,511	659,993	667,236	774,225
335,371	639,638	354,156	345,801	346,486	530,400
903,825	540,850	1,296,545	882,396	298,301	497,808
56,415	61,416	58,208	50,000	105,778	126,569
95,465	105,895	75,477	117,237	228,653	303,355
<u>14,904,765</u>	<u>15,966,228</u>	<u>16,235,825</u>	<u>15,056,504</u>	<u>15,258,851</u>	<u>15,622,253</u>
(1,973,032)	(3,063,692)	(2,248,317)	(711,792)	483,130	1,701,362

(Continued)

City of Painesville

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

	1998	1999	2000	2001
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	27,010	133,094	24,347
Other Financing Sources - Capital Leases	0	0	0	218,047
Ohio Public Works Commission Loan	0	0	100,000	0
General Obligation Notes Issued	0	0	0	1,163,750
General Obligation Bonds Issued	0	0	0	0
Premium on Debt Issuance	0	0	0	0
Construction Loans	0	0	0	0
Transfers In	1,212,509	1,530,516	2,036,457	2,078,255
Transfers Out	(2,072,300)	(1,651,785)	(1,833,949)	(1,820,100)
Total Other Financing Sources (Uses)	<u>(859,791)</u>	<u>(94,259)</u>	<u>435,602</u>	<u>1,664,299</u>
Net Change in Fund Balance	<u>\$1,298,121</u>	<u>(\$258,100)</u>	<u>\$1,425,344</u>	<u>\$255,997</u>
 Debt Service as a Percentage of Noncapital Expenditures	 0.96%	 1.13%	 1.28%	 1.52%

Source: Finance Director's Office

NOTE: Years 1997-2002 Do not include Cemetery Trust Fund, Special Endowment Fund, Evergreen Cemetery Trust Fund, Riverside Cemetery Trust Fund and Special Endowment Trust Fund which was classified as a Fiduciary Fund prior to implementing GASB 34 in 2003.

City of Painesville

2002	2003	2004	2005	2006	2007
69,275	26,210	5,001	4,090	2,555	258,092
1,255,400	0	558,796	419,406	353,758	553,838
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	410,000	0	2,075,000
0	0	0	0	4,302	73,565
0	0	0	0	587,645	0
2,557,721	2,243,379	1,762,396	2,552,091	2,787,199	3,409,345
(1,701,454)	(958,650)	(873,120)	(2,307,523)	(2,171,146)	(2,666,340)
2,180,942	1,310,939	1,453,073	1,078,064	1,564,313	3,703,500
\$207,910	(\$1,752,753)	(\$795,244)	\$366,272	\$2,047,443	\$5,404,862
1.14%	1.29%	0.84%	1.20%	2.28%	3.53%

City of Painesville

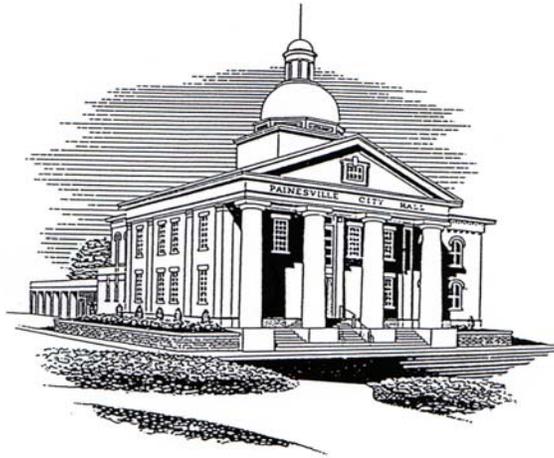
*Income Tax Revenues by Source, Governmental Funds
Last Ten Years*

Tax year	1998	1999	2000	2001	2002
Income Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated Personal Income	\$441,155	\$454,992	\$533,754	\$534,034	\$534,244
Total Tax Collected	\$6,352,966	\$6,642,671	\$6,748,897	\$7,211,472	\$7,160,210
Income Tax Receipts					
Withholding	5,256,721	5,428,292	5,687,491	5,953,650	5,889,168
Percentage	82.7%	81.7%	84.3%	82.6%	82.2%
Corporate	493,548	488,125	318,736	398,449	469,520
Percentage	7.8%	7.3%	4.7%	5.5%	6.6%
Individuals	602,697	726,254	742,670	859,373	801,522
Percentage	9.5%	10.9%	11.0%	11.9%	11.2%

Source: City Income Tax Department

City of Painesville

2003	2004	2005	2006	2007
2.00%	2.00%	2.00%	2.00%	2.00%
\$548,299	\$569,933	\$582,815	\$627,413	\$627,413
\$7,242,174	\$7,135,376	\$7,653,206	\$7,775,604	\$7,828,025
6,070,037	6,045,625	6,263,019	6,460,073	6,540,893
83.8%	84.7%	81.8%	83.1%	83.6%
383,625	365,953	576,843	588,673	548,194
5.3%	5.1%	7.5%	7.6%	7.0%
788,512	723,798	813,344	726,858	738,938
10.9%	10.1%	10.6%	9.3%	9.4%



City of Painesville

Income Tax Collections Current Year and Nine Years Ago

Calendar Year 2007				
Income Level	Number of Filers	Percent of Total	Local Taxable Income	Percent of Income
\$0 - \$19,999	1,645	44.52%	\$9,161,839	7.90%
20,000 - 49,999	1,185	32.07%	39,557,561	34.13%
50,000 - 74,999	500	13.53%	30,292,539	26.13%
75,000 - 99,999	224	6.06%	19,167,833	16.54%
Over 100,000	141	3.82%	17,733,037	15.30%
Total	3,695	100.00%	\$115,912,809	100.00%

Local Taxes Paid by Residents	Tax Dollars
Taxes Paid to Painesville	\$898,542
Taxes Credited to Other Municipalities	740,559
	\$1,639,101

Calendar Year 1998				
Income Level	Number of Filers	Percent of Total	Local Taxable Income	Percent of Income
\$0 - \$19,999	2,083	46.82%	\$14,441,136	11.62%
20,000 - 49,999	1,604	36.04%	53,783,334	43.25%
50,000 - 74,999	551	12.38%	34,375,268	27.65%
75,000 - 99,999	154	3.46%	13,870,125	11.16%
Over 100,000	58	1.30%	7,853,032	6.32%
Total	4,450	100.00%	\$124,322,895	100.00%

Local Taxes Paid by Residents	Tax Dollars
Taxes Paid to Painesville	\$652,082
Taxes Credited to Other Municipalities	1,067,997
	\$1,720,079

Source: Finance Director's Office

City of Painesville

Ratio of Outstanding Debt By Type Last Ten Years

	1998	1999	2000	2001
Governmental Activities ⁽¹⁾				
General Obligation Bonds	\$0	\$0	\$0	\$0
Special Assessment Bonds	375,000	350,000	320,000	290,000
Ohio Public Works Commission Loan Payable	90,286	65,662	139,246	126,038
Long-Term Notes Payable	0	0	0	1,163,750
Construction Loan Payable	0	0	0	0
Capital Leases	10,991	6,830	2,359	165,741
Business-type Activities ⁽¹⁾				
Mortgage Revenue Bonds Payable	\$5,030,000	\$4,465,000	\$3,865,000	\$6,577,674
General Obligation Bonds Payable	7,830,000	7,405,000	7,015,000	6,615,000
Ohio Water Development Authority Loan Payable	1,296,971	2,180,289	2,045,160	1,963,364
Ohio Public Works Commission Loan Payable	0	0	0	0
Capital Leases	0	0	0	0
Total Primary Government	<u>\$14,633,248</u>	<u>\$14,472,781</u>	<u>\$13,386,765</u>	<u>\$16,901,567</u>
Population ⁽²⁾				
City of Painesville	15,599	15,599	17,503	17,503
Outstanding Debt Per Capita	\$938	\$928	\$765	\$966
Income ⁽³⁾				
Personal (in thousands)	\$441,155	\$454,992	\$533,754	\$534,034
Percentage of Personal Income	3.32%	3.18%	2.51%	3.16%

Sources:

(1) Source: Finance Director's Office

(2) US Bureau of Census, Population Division

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

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

City of Painesville

2002	2003	2004	2005	2006	2007
\$0	\$0	\$0	\$0	\$0	\$2,075,000
260,000	225,000	185,000	555,000	500,000	435,000
99,623	73,207	55,000	45,000	35,000	25,000
1,163,750	100,000	100,000	100,000	0	0
0	0	0	0	587,645	539,365
1,365,356	1,071,252	1,253,453	1,178,895	1,096,129	1,162,451
\$5,733,097	\$5,028,857	\$4,279,954	\$3,491,056	\$2,651,829	\$2,517,273
6,205,000	5,960,000	5,485,000	5,005,000	4,520,000	4,035,000
1,658,886	1,333,242	1,275,148	1,214,400	1,150,870	1,084,426
600,000	540,000	480,000	833,474	732,117	630,760
38,300	27,645	98,084	368,603	339,731	4,492,400
<u>\$17,124,012</u>	<u>\$14,359,203</u>	<u>\$13,211,639</u>	<u>\$12,791,428</u>	<u>\$11,613,321</u>	<u>\$16,996,675</u>

17,503	17,503	17,503	17,503	17,503	17,503
\$978	\$820	\$755	\$731	\$664	\$971

\$534,244	\$548,299	\$569,933	\$582,815	\$627,413	\$627,413
3.21%	2.62%	2.32%	2.19%	1.85%	2.71%

City of Painesville

Ratios of General Obligation Debt Outstanding Last Ten Years

Year	1998	1999	2000	2001
Population ⁽¹⁾	15,599	15,599	17,503	17,503
Assessed Value ⁽²⁾	\$193,124,063	\$193,125,650	\$196,719,634	\$219,115,887
General Bonded Debt ⁽³⁾				
General Obligation Notes	\$1,890,000	\$1,725,000	\$1,690,000	\$3,173,750
General Obligation Bonds	\$0	\$0	\$0	\$0
Resources Available to Pay Principal ⁽⁴⁾	\$73,321	\$16,407	\$1,019	\$4,681
Net General Bonded Debt	\$1,816,679	\$1,708,593	\$1,688,981	\$3,169,069
Ratio of Net Bonded Debt to Estimated Assessed Value	0.94%	0.88%	0.86%	1.45%
Net Bonded Debt per Capita	\$116.46	\$109.53	\$96.50	\$181.06

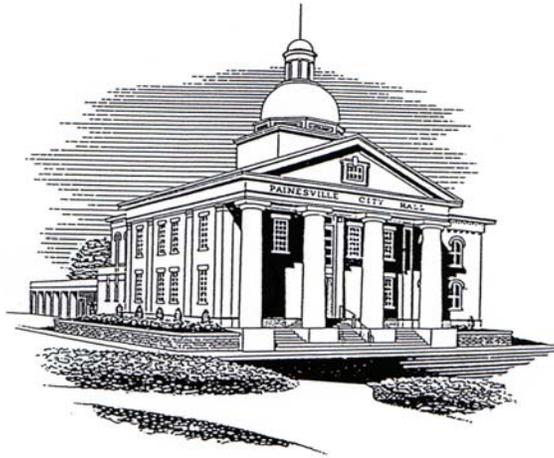
Source:

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

City of Painesville

2002	2003	2004	2005	2006	2007
17,503	17,503	17,503	17,503	17,503	17,503
\$234,118,306	\$226,496,195	\$253,325,479	\$254,533,194	\$259,644,108	\$281,300,753
\$3,701,750	\$2,198,000	\$2,798,000	\$4,187,000	\$3,202,000	\$1,630,000
\$0	\$0	\$0	\$0	\$0	\$2,075,000
\$11,883	\$5,343	\$16,260	\$77,196	\$3,821	\$10,709
\$3,689,867	\$2,192,657	\$2,781,740	\$4,109,804	\$3,198,179	\$3,694,291
1.58%	0.97%	1.10%	1.61%	1.23%	1.31%
\$210.81	\$125.27	\$158.93	\$234.81	\$182.72	\$211.07

City of Painesville



City of Painesville

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2007*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Painesville</u>	<u>Amount Applicable to the City of Painesville</u>
Direct:			
City of Painesville	\$5,841,816	100.00%	\$5,841,816
Overlapping:			
Painesville City School District	30,239,993	100.00%	30,239,993
Riverside Schools	5,383,165	2.08%	111,970
Lake County	23,999,000	4.08%	979,159
Lake County Library District	9,050,000	21.49%	1,944,845
		Subtotal	<u>33,275,967</u>
		Total	<u><u>\$39,117,783</u></u>

Sources: Lake County
Painesville City School District
Painesville Township School District

City of Painesville

*Debt Limitations
Last Ten Years*

Collection Year	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Total Debt				
Net Assessed Valuation	\$193,124,063	\$193,125,650	\$196,719,634	\$219,115,887
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	20,278,027	20,278,193	20,655,562	23,007,168
City Debt Outstanding (2)	1,890,000	1,725,000	1,690,000	3,173,750
Less: Applicable Debt Service Fund Amounts	(73,321)	(16,407)	(1,019)	(4,681)
Net Indebtedness Subject to Limitation	<u>1,816,679</u>	<u>1,708,593</u>	<u>1,688,981</u>	<u>3,169,069</u>
Overall Legal Debt Margin	<u><u>\$18,461,348</u></u>	<u><u>\$18,569,600</u></u>	<u><u>\$18,966,581</u></u>	<u><u>\$19,838,099</u></u>
Unvoted Debt				
Net Assessed Valuation	\$193,124,063	\$193,125,650	\$196,719,634	\$219,115,887
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	10,621,823	10,621,911	10,819,580	12,051,374
City Debt Outstanding (2)	1,450,000	1,350,000	1,410,000	1,710,000
Less: Applicable Debt Service Fund Amounts	(73,321)	(16,407)	(1,019)	(4,681)
Net Indebtedness Subject to Limitation	<u>1,376,679</u>	<u>1,333,593</u>	<u>1,408,981</u>	<u>1,705,319</u>
Overall Legal Debt Margin	<u><u>\$9,245,144</u></u>	<u><u>\$9,288,318</u></u>	<u><u>\$9,410,599</u></u>	<u><u>\$10,346,055</u></u>

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

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.
Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Auditor's / Finance Director's Office

City of Painesville

2002	2003	2004	2005	2006	2007
\$234,118,306	\$226,496,195	\$253,325,479	\$254,533,194	\$259,644,108	\$281,300,753
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
24,582,422	23,782,100	26,599,175	26,725,985	27,262,631	29,536,579
3,701,750	2,198,000	2,798,000	4,187,000	3,202,000	3,705,000
(11,883)	(5,343)	(16,260)	(77,196)	(3,821)	(10,709)
3,689,867	2,192,657	2,781,740	4,109,804	3,198,179	3,694,291
\$20,892,555	\$21,589,443	\$23,817,435	\$22,616,181	\$24,064,452	\$25,842,288
\$234,118,306	\$226,496,195	\$253,325,479	\$254,533,194	\$259,644,108	\$281,300,753
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
12,876,507	12,457,291	13,932,901	13,999,326	14,280,426	15,471,541
1,960,000	1,800,000	2,095,000	1,645,000	1,280,000	670,000
(11,883)	(5,343)	(16,260)	(77,196)	(3,821)	(10,709)
1,948,117	1,794,657	2,078,740	1,567,804	1,276,179	659,291
\$10,928,390	\$10,662,634	\$11,854,161	\$12,431,522	\$13,004,247	\$14,812,250

City of Painesville

Pledged Revenue Coverage Last Ten Years

	1998	1999	2000	2001
Revenue Bonds - Electric (1 a)				
Gross Revenues (2)	\$14,440,100	\$16,247,338	\$15,407,695	\$17,324,667
Direct Operating Expenses (3)	12,393,936	13,047,575	13,783,257	14,242,983
Net Revenue Available for Debt Service	2,046,164	3,199,763	1,624,438	3,081,684
Annual Debt Service Requirement	749,620	747,533	753,768	747,503
Coverage	2.73	4.28	2.16	4.12
Revenue Bonds - Off-Street Parking (1 b)				
Gross Revenues (2)	\$72,036	\$70,676	\$81,369	\$89,722
Direct Operating Expenses (3)	143,925	164,240	177,957	182,889
Net Revenue Available for Debt Service	(71,889)	(93,564)	(96,588)	(93,167)
Annual Debt Service Requirement	109,296	103,450	101,378	8,924
Coverage	0.00	0.00	0.00	0.00
Special Assessment Bonds (4)				
Special Assessment Collections	\$0	\$0	\$0	\$0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Coverage	0.00	0.00	0.00	0.00

(1) The Mortgage Revenue Bonds were issued as follows:

(a) The \$4,540,000 balance of the 1st Mortgage Revenue Bonds-6th and 7th Series were defeased in December, 1985, by the issuance of \$3,400,000 Special Obligation Electric System Refunding Bonds. The bond proceeds were deposited in an escrow account with the City's trustee, and the principal and interest on these funds will be sufficient to retire both the defeased debt and the Special Obligation debt, thus the Special Obligation Bond debt is not included in the annual debt service requirements above. The City also issued \$7,490,000 Electric system Mortgage Revenue bonds, Series 1985, which debt service requirements are included above. In 1992, the City defeased \$5,090,000 of the 1985 Bonds through the issuance of \$6,000,000 of Electric System Mortgage Revenue Refunding Bonds.

(b) The Off-Street Parking Facility 1st Mortgage Revenue bonds were issued in 1973, in the amount of \$1,600,000.

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

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

N/A - The Off-Street Parking Mortgage Revenue Bonds were retired in 2003.

N/A - The Electric Mortgage Revenue Bonds were retired in 2006.

(4) The special assessment bonds were issued for improvements to the Renaissance Parkway area.

City of Painesville

2002	2003	2004	2005	2006	2007
\$19,609,552	\$18,433,897	\$19,153,275	\$22,172,809	\$21,308,391	N/A
15,402,889	13,326,736	23,846,102	17,512,070	18,730,885	N/A
4,206,663	5,107,161	(4,692,827)	4,660,739	2,577,506	N/A
749,415	848,259	750,300	747,500	752,600	N/A
5.61	6.02	(6.25)	6.24	3.42	0.00
\$100,535	N/A	N/A	N/A	N/A	N/A
177,654	N/A	N/A	N/A	N/A	N/A
(77,119)	N/A	N/A	N/A	N/A	N/A
178,032	N/A	N/A	N/A	N/A	N/A
0.00	0.00	0.00	0.00	0.00	0.00
\$0	\$0	\$0	\$65,099	\$56,858	\$85,079
0	0	0	0	10,000	15,000
0	0	0	0	31,938	19,775
0.00	0.00	0.00	0.00	1.36	2.45

City of Painesville

Demographic and Economic Statistics Last Ten Years

Calendar Year	1998	1999	2000	2001
Population (1)				
City of Painesville	15,599	15,599	17,503	17,503
Lake County	215,499	215,499	227,511	227,511
Income (2) (a)				
Total Personal (in thousands)	\$441,155	\$454,992	\$533,754	\$534,034
Per Capita	28,281	29,168	30,495	30,511
Unemployment Rate (3)				
Federal	4.9%	4.5%	4.2%	3.8%
State	4.6%	4.3%	4.3%	3.7%
Lake County	3.6%	4.0%	3.6%	4.2%
Civilian Work Force Estimates (3)				
State	5,678,000	5,749,000	5,900,400	5,857,000
Lake County	122,700	124,800	126,900	127,500

Sources:

(1) US Bureau of Census of Population

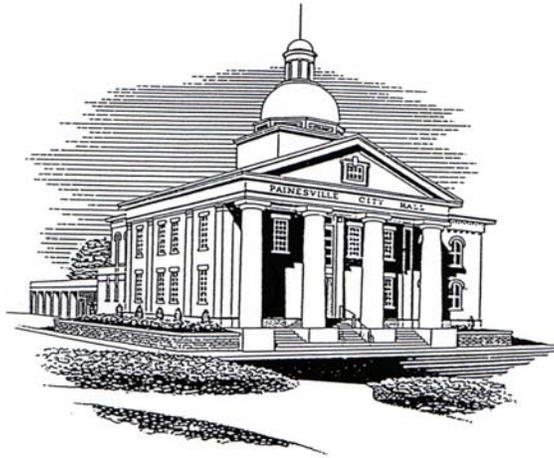
(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2006 for the presentation of 2007 statistics, the City is using the latest information available.

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

(3) State Department of Labor Statistics

City of Painesville

2002	2003	2004	2005	2006	2007
17,503	17,503	17,503	17,503	17,503	17,503
227,511	227,511	227,511	232,466	232,466	232,466
\$534,244	\$548,299	\$569,933	\$582,815	\$627,413	\$627,413
30,523	31,326	32,562	33,298	35,846	35,846
4.8%	5.8%	6.0%	5.5%	5.0%	4.6%
4.3%	5.7%	6.1%	6.0%	5.9%	5.6%
6.1%	6.3%	5.4%	5.1%	4.8%	5.2%
5,828,000	5,915,000	5,875,300	5,900,400	5,934,000	5,976,500
125,100	127,000	131,200	130,600	131,400	132,500



City of Painesville

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2007		
		Number of Employees	Rank	Percentage of Total Employment
County of Lake	Government	1,339	1	25.27%
Lake Hospital System	Medical-Patient Care	878	2	16.57%
Fasson Div. Avery Intl. Corporation	Manufacturing	611	3	11.53%
Painesville City Schools	Education	479	4	9.04%
City of Painesville	Government	284	5	5.36%
AeroControlex Group, Inc.	Manufacturing	254	6	4.79%
Lake Erie College	Education	235	7	4.44%
Core Systems	Manufacturing	205	8	3.87%
Coe Manufacturing	Manufacturing	132	9	2.49%
SAS Rubber Co.	Manufacturing	102	10	1.93%
Total		<u>4,519</u>		
Total Employment within the City		<u>5,298</u>		
		1998		
Employer	Nature of Business	Number of Employees	Rank	Percentage of Total Employment
County of Lake	Government	1,076	1	N/A
Lake Hospital System	Hospital	825	2	N/A
Avery Dennison	Manufacturing	724	3	N/A
The City of Painesville	Government	362	4	N/A
Painesville City Schools	Education	324	5	N/A
Coe Manufacturing Company	Manufacturing	262	6	N/A
SAS Rubber	Manufacturing	159	7	N/A
Lake Erie College	Education	132	8	N/A
Fuild Regulators	Manufacturing	117	9	N/A
Bank One, Cleveland, N.A.	Financial Services	42	10	N/A
Total		<u>4,023</u>		
Total Employment within the City		<u>N/A</u>		

Sources:

2006 Harris Ohio Industrial Directory and City of Painesville

N/A - not available

City of Painesville

Full Time Equivalent Employees by Function Last Ten Years

	1998	1999	2000	2001	2002
Governmental Activities					
General Government					
Finance	6.00	6.00	6.00	6.00	6.00
Judicial	23.00	22.00	23.00	23.00	22.00
Administration	30.00	29.00	29.00	29.00	28.00
Maintenance	1.00	1.00	1.00	1.00	1.00
Public Safety					
Police	42.00	42.00	42.00	42.00	41.00
Fire	28.00	28.00	28.00	28.00	28.00
Public Works					
Public Works	19.00	18.00	18.00	18.00	18.00
Public Health and Welfare					
Cemeteries	5.00	4.00	4.00	4.00	4.00
Culture and Recreation					
Parks - Recreation	10.00	10.00	8.00	8.00	8.00
Business-Type Activities					
Utilities					
Water	21.00	21.00	21.00	20.00	20.00
Sewer	18.00	18.00	18.00	18.00	18.00
Electric	61.00	61.00	61.00	61.00	61.00
Off Street Parking	4.00	4.00	4.00	4.00	4.00
<i>Total Employees</i>	<u>268.00</u>	<u>264.00</u>	<u>263.00</u>	<u>262.00</u>	<u>259.00</u>

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

Source: Finance Director's Office

City of Painesville

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
6.00	6.00	6.00	6.00	7.00
22.00	22.00	23.00	23.00	23.00
28.00	28.00	30.00	30.00	50.00
1.00	1.00	1.00	1.00	1.00
40.00	40.00	44.00	44.00	44.00
28.00	28.00	28.00	29.00	28.00
18.00	18.00	19.00	19.00	19.00
4.00	4.00	4.00	5.00	6.00
8.00	8.00	10.00	10.00	11.00
20.00	20.00	22.00	22.00	26.00
18.00	18.00	18.00	18.00	18.00
61.00	61.00	61.00	61.00	64.00
4.00	4.00	4.00	4.00	3.00
<u>258.00</u>	<u>258.00</u>	<u>270.00</u>	<u>272.00</u>	<u>300.00</u>

City of Painesville

Operating Indicators by Function Last Ten Years

	1998	1999	2000
Governmental Activities			
General Government			
Court			
Number of Probation Cases	2,207	2,205	2,028
Number of Traffic Cases	15,291	15,311	15,299
Licenses and Permits			
Number of Building Permits - Residential	331	335	384
Number of Building Permits - Commercial & Industrial	81	447	48
Number of Building Inspections - Residential	536	593	535
Number of Building Inspections - Commercial	382	501	300
Public Safety			
Police			
Number of Citations Issued	1,730	1,235	1,460
Number of Arrests	820	857	872
Number of Accidents	665	N/A	692
Fire			
Number of Fire Calls	104	117	97
Number of EMS Runs	1,781	1,962	1,908
Number of Inspections	420	486	286
Public Works			
Public Works			
Number of Streets Resurfaced	9	5	1
Public Health and Welfare			
Cemeteries			
Number of Burials	238	212	241
Number of Cemeteries	2	2	2
Culture and Recreation			
Parks - Recreation			
Program Attendance	N/A	N/A	N/A
Number of Park Visitations	N/A	N/A	N/A

City of Painesville

2001	2002	2003	2004	2005	2006	2007
2,023	2,234	2,228	1,990	2,029	2,048	2,096
15,218	15,605	13,107	11,263	10,471	11,510	11,319
473	381	403	444	451	520	328
34	36	51	47	54	51	51
564	456	601	1,386	1,686	2,094	3,391
260	182	193	273	243	562	2,898
1,390	2,562	1,973	1,979	1,818	2,225	2,197
864	1,344	1,382	1,273	1,350	1,535	1,200
754	783	716	700	657	645	653
114	133	151	105	146	142	152
1,917	1,906	1,926	1,815	1,829	1,911	2,103
486	664	549	643	630	782	618
1	9	3	12	7	9	8
242	260	237	227	210	219	219
2	2	2	2	2	2	2
N/A	N/A	N/A	7,000	7,486	6,758	6,570
N/A	N/A	N/A	95,750	100,000	90,000	93,500

(Continued)

City of Painesville

Operating Indicators by Function Last Ten Years

	1998	1999	2000
Business-Type Activities			
Water			
Number of Service Connections	8,111	8,111	8,340
Water Main Breaks	34	48	20
Daily Average Consumption (thousands of gallons)	3,400	3,400	3,697
Peak Daily Consumption (thousands of gallons)	6,000	6,000	6,000
Storage Capacity (thousands of gallons)	N/A	N/A	N/A
Sewer			
Daily Average Sewage Treatment (thousands of gallons)	3.18	2.64	2.71
Electric			
Number of Service Connections	10,699	10,816	10,854
Average Daily Generation in Kilowatt Hours	470,029	466,699	479,210
Peak Load in Kilowatts	44,000	46,000	43,300
Off Street Parking			
Number of Parking Garage Spaces	502	502	502
Number of Vogue Lot Spaces	60	60	60
Number of Sterling Lot Spaces	101	101	101
Storm Water Drainage			
Number of Billings	4,451	4,876	5,522

Source: Finance Director's Office

City of Painesville

2001	2002	2003	2004	2005	2006	2007
8,539	8,694	8,696	9,247	9,751	9,744	10,066
28	37	43	49	57	27	60
3,882	3,589	3,594	3,638	3,849	3,728	3,530
6,000	6,000	6,000	6,000	6,000	6,000	6,000
N/A	4,053	4,053	4,053	4,053	4,053	4,053
2.32	2.74	2.99	3.17	3.17	3.62	3.17
10,977	10,957	10,889	11,183	11,403	11,613	11,636
428,836	489,045	521,427	513,827	652,416	635,317	587,647
49,900	52,300	47,900	49,100	54,200	57,900	54,700
502	502	502	502	502	502	502
60	60	60	60	60	60	60
101	101	101	101	101	101	101
5,694	5,686	5,685	5,796	5,938	5,984	5,981

City of Painesville

Capital Asset Statistics by Function Last Ten Years

	1998	1999	2000	2001
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	0.95	0.95	0.95	0.95
Buildings	5	5	7	7
Public Safety				
Police				
Stations	1	1	1	1
Vehicles	13	13	13	16
Fire				
Stations	1	1	1	1
Vehicles	10	10	10	10
Public Works				
Street				
Streets (lane miles)	56	56	56	57
Street Lights	1,402	1,402	1,402	1,402
Traffic Signals	106	106	106	106
Vehicles	25	25	25	25
Culture and Recreation				
Recreation/Seniors				
Land (acres)	118.02	118.02	118.02	118.02
Buildings	1	1	1	1
Parks	10	10	10	10
Playgrounds	5	5	5	6
Tennis Courts	2	2	2	2
Baseball/Softball Diamonds	12	12	12	10
Soccer Fields	1	1	1	1

City of Painesville

2002	2003	2004	2005	2006	2007
0.95 7	0.95 7	0.95 7	0.95 7	0.95 7	0.95 7
1 17	1 16	1 16	1 14	1 14	1 14
1 10	1 10	1 11	1 1	1 11	1 11
57 1,402 106 25	57 1,402 106 26	58 1,444 106 26	58 1,474 106 27	58 1,504 106 27	58 1,550 108 27
118.02 1 9 6 2 10 1	118.02 1 9 6 2 10 1	118.02 1 10 6 2 9 1	118.02 1 10 7 2 9 1	118.02 1 10 7 2 9 1	118.02 1 10 7 2 9 1

(Continued)

City of Painesville

*Capital Asset Statistics by Function
Last Ten Years*

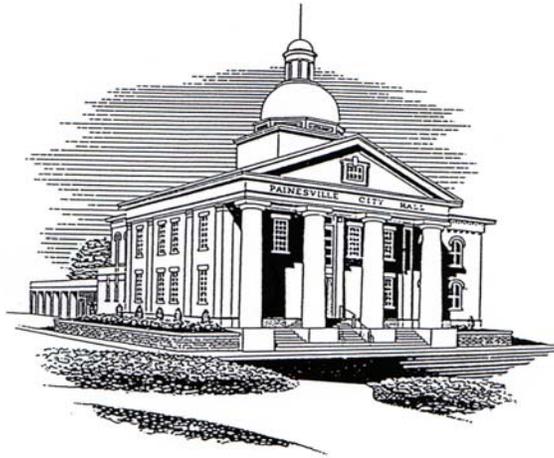
	1998	1999	2000	2001
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	104.8	104.8	104.8	119.9
Pump Stations	5	5	5	5
Number of Hydrants	1,230	1,230	1,230	1,417
Sewer				
Sewerlines (Miles)	48	48	48	48
Lift Stations	7	7	7	7
Electric				
Lines (Miles)	160	160	160	200
Refuse				
Off Street Parking				
Buildings and Improvements	1	1	1	1
Storm Water Drainage				
Storm Drains (Miles)	37	37	37	37
Number of Catch Basins	2,800	2,800	2,800	2,850
Treatment Capacity (thousands of gallons)	28,000,000	28,000,000	28,000,000	28,000,000

Source: Finance Director's Office

City of Painesville

2002	2003	2004	2005	2006	2007
108.1	124.9	127.1	128.28	128.3	131.0
5	5	5	5	5	5
1,230	1,498	1,615	1,735	1,735	1,743
48	48	49	49	50	50
7	7	7	7	7	7
175	200	205	205	210	215
1	1	1	1	1	1
37	37	37	37	37	37
2,850	2,850	2,850	2,900	2,900	2,900
28,000,000	28,000,000	28,000,000	28,000,000	28,000,000	28,000,000

City of Painesville



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

City Council
City of Painesville, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Ohio (the “City”), as of and for the year ended December 31, 2007, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 27, 2008, wherein we noted the City adopted *Governmental Accounting Standards Board Statement Nos. 43 and 48*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Members of the City Council
City of Painesville, Ohio

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the City of Painesville in a separate letter dated June 27, 2008.

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

Handwritten signature in black ink that reads "Cini & Panichi, Inc." The signature is written in a cursive, flowing style.

Cleveland, Ohio
June 27, 2008



Mary Taylor, CPA
Auditor of State

CITY OF PAINESVILLE

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2008**