



**Auditor of State
Betty Montgomery**

CITY OF MOUNT VERNON
KNOX COUNTY

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**CITY OF MOUNT VERNON
KNOX COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants	A-F-03-149-1	14.228	\$71,500
	A-F-04-149-1		77,000
	A-F-05-149-1		14,000
	A-C-03-149-1		191,522
	A-C-05-149-1		7,049
	A-X-02-149-1		<u>226,024</u>
Total Community Development Block Grants			<u>587,095</u>
Home Improvements Partnerships Program	A-C-03-149-2	14.239	96,573
	A-C-05-149-2		3,000
Total Home Improvements Partnerships Program			<u>99,573</u>
Total U.S. Department of Development			<u>686,668</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Program			
State Domestic Preparedness Equipment Support Program	N/A	97.004	81,864
<i>Passed Through Ohio Department of Public Safety</i>			
Public Assistance Grants	N/A	97.036	<u>12,731</u>
Total U.S. Department of Homeland Security			<u>94,595</u>
Total			<u><u>\$781,263</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF MOUNT VERNON
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Auditor of State Betty Montgomery

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

City of Mount Vernon
Knox County
40 Public Square
Mount Vernon, Ohio 43050

To the Members of City of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Vernon, Knox County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 28, 2006, we reported an other matter related to noncompliance we deemed immaterial.

City of Mount Vernon
Knox County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 4

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

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

Betty Montgomery
Auditor of State

June 28, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

City of Mount Vernon
Knox County
40 Public Square
Mount Vernon, Ohio 43050

To the Members of City Council:

Compliance

We have audited the compliance of City of Mount Vernon, Knox County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Mount Vernon complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

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

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

Federal Awards Expenditures Schedule

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2005, and have issued our report thereon dated June 28, 2006. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

June 28, 2006

CITY OF MOUNT VERON
KNOX COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant: CFDA# 14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

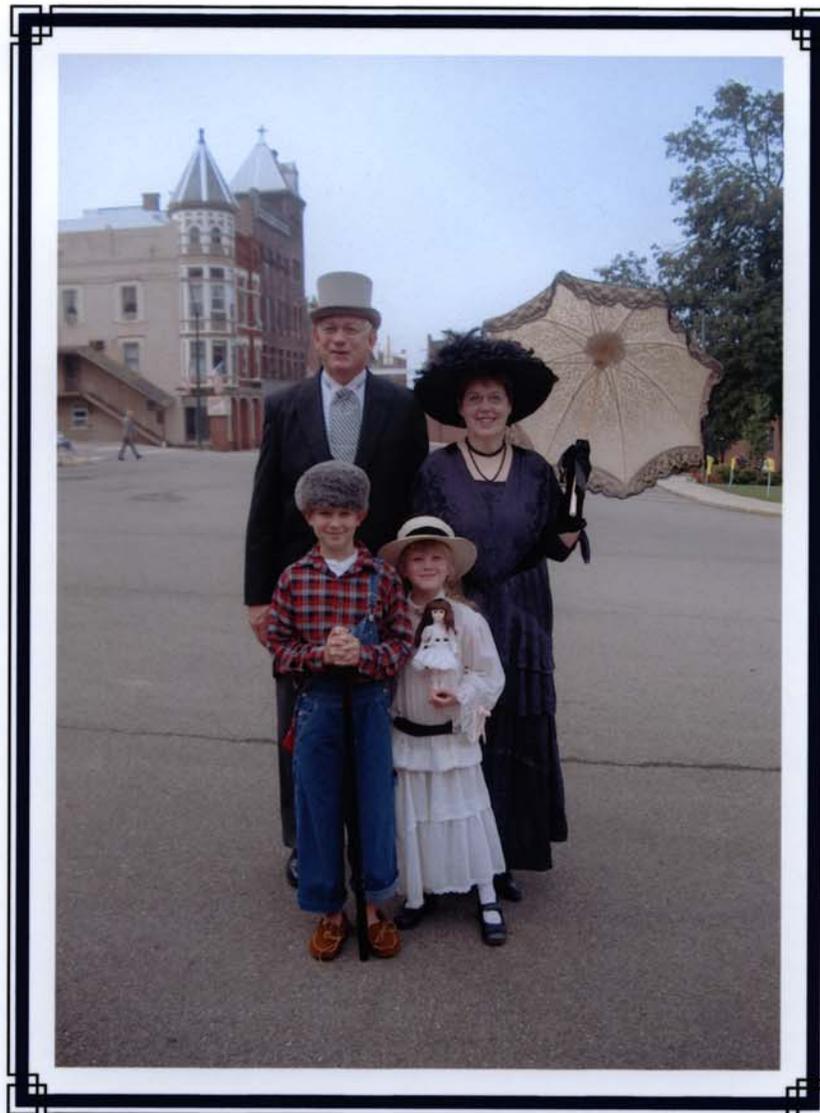
None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

City of Mount Vernon, Ohio

Comprehensive Annual Financial Report Year Ended December 31, 2005



**The Mavis Family
Bicentennial Celebration Day**



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005

Prepared by the Auditor's Office

Terry Scott
City Auditor



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KNOX COUNTY, OHIO**

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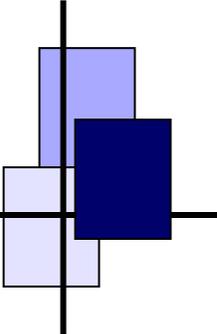
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Introductory Section







CITY OF MOUNT VERNON

40 Public Square • Mount Vernon, Ohio 43050
Terry Scott, City Auditor

phone (740) 393-9523

fax (740)-397-5288

June 28, 2006

To The Members of Council and
all Citizens of the City of
Mount Vernon, Ohio

As City Auditor, I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Mount Vernon for the fiscal year ended December 31, 2005. 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 Mount Vernon (the City) to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data, as presented, is accurate in all material respects; it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been presented.

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

THE REPORT:

This Comprehensive Annual Financial Report is designed to assist and guide the reader in understanding its contents. The report is comprised of the following three major sections:

1. *The Introductory Section* includes this letter of transmittal which presents the City's organization, operational structure and accomplishments, an organizational chart, a list of principal elected officials; and the GFOA Certificate of Achievement.
2. *The Financial Section* contains the Independent Accountants' Report, Management's Discussion and Analysis, basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.
3. *The Statistical Section* presents social, economic and historical data in a multi-year format useful in identifying financial trends and data relative to the fiscal capacity of the City.

CITY OF MOUNT VERNON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

THE REPORTING ENTITY:

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all the organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide financial benefit to or impose a financial burden on the City. There were no potential component units that met the criteria imposed by GASB 14 to be included in the City's reporting entity. Therefore, the reporting entity of the City includes the following services: police protection, parks and recreation, cemetery, planning, zoning, street maintenance, and other governmental services. In addition, the City owns and operates the water treatment and distribution system and the wastewater treatment and collection system, each of which is reported as an enterprise fund.

The Knox County Emergency Management Agency (EMA) is a jointly governed organization whose board is composed of seven members; one county commissioner, five chief executive officers representing municipal corporations or townships and one non-elected representative. The agency was organized to coordinate all civil defense functions within the county to help insure the most effective use of resources during an emergency. The City did not appoint a majority of the members of the board of the EMA nor is the City accountable for any operating deficits of the EMA. Knox County is the fiscal agent for the EMA. The City appropriated \$6,000 for an operating grant to the EMA for 2005.

Mid Ohio Transit Authority (MOTA) is a jointly governed organization whose board is composed of four members; one county commissioner, one township representative, and one representative from the municipal corporation. These three members collectively appoint one non-elected representative from within the county. MOTA was organized to provide public transportation for the entire county. The City did not appoint a majority of the members of the Board, nor is the City accountable for any operating deficits of MOTA. The MOTA Board is responsible for the fiscal operation of MOTA. The City appropriated \$15,000 for an operating grant to MOTA for 2005.

Knox County General Health District as a combined agency was created in 1983 as provided in Section 3709.07 of the Ohio Revised Code. The jointly governed organization's board is composed of nine members; six members from the townships and villages, and three members from the City. The combined Knox County General Health District was organized to provide public health services as required by the Ohio Revised Code and the Ohio Administrative Code, and such other services as are duly authorized or required by regulations of the District and can be furnished within the financial resources available to the District. The combined Knox County General Health District Board is responsible for the fiscal operations of the District. Under a contractual arrangement, the District sets the amount the City shall contribute on an annual basis. The remaining funding necessary for the District shall be apportioned by the County Auditor on the basis of taxable valuations among each township and village. Any fees charged for services by the District shall be placed in the District Health Fund. The City appropriated \$42,436 for operations of the combined District for 2005.

CITY OF MOUNT VERNON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

Certain organizations share some degree of name similarity with the City, however, they constitute separate and distinct entities, not only from the City but also from each other. The City has no financial accountability for these entities. Due to their independent nature, none of these organizations' financial statements are included in this report. These organizations are as follows:

Mount Vernon City School District (the District) - The District encompasses the City of Mount Vernon as well as areas outside of the corporate boundaries. The members of the Board of Education of the District are elected by the voters within the District. The Board is a body politic and corporate, capable of suing, contracting, possessing, acquiring and disposing of real property. The Board controls its own operations and budget and the City has no ability to significantly influence operations and no accountability over the fiscal matters of the District. Therefore, the District's separate financial statements are excluded from the City's financial statements.

The Mount Vernon Public Library (the Library) - The Mount Vernon Public Library provides library services to the citizens of the City and surrounding communities. The Library is a separate entity from the City; it has a separately selected governing authority and a separate designation of management. In addition, the City has no ability to significantly influence operations and no financial accountability over the fiscal matters of the Library.

The City of Mount Vernon:

The City of Mount Vernon was founded in 1805 and was incorporated on February 22, 1830, under the laws of the State of Ohio. Mount Vernon is located in the center of the state, approximately 50 miles northeast of Columbus, Ohio, and is the county seat of Knox County. Mount Vernon operates under a statutory Mayor-Council form of government, as set forth in the Ohio Revised Code. Mount Vernon's 9.2 square mile area serves a residential population of 15,256. State highways 3, 13 and 229 and U. S. Highway 36 serve as some of the City's major transportation arteries. Mount Vernon is the birthplace of Daniel Decatur Emmett, composer of the southern classic "Dixie" and Paul Lynde, a nationally known comedian.

The Management:

The citizens of Mount Vernon elect one full-time Mayor (for a four year term), who appoints the Clerk of Council and his Administrative Assistant (combined as one full-time position) and the Safety-Service Director, who is a full-time employee. The Safety-Service Director is responsible for each of the following departments:

Police Department - The department employs a total of thirty-two individuals including both civilian employees and sworn police officers. The department is responsible for enforcing various criminal and traffic statutes as well as local parking laws.

Fire Department - The department is comprised of twenty-five firefighters, six paramedics and one executive secretary. All Fire Department services including all basic fire protection, emergency medical and rescue services are tax supported. There is no charge levied for any of the services described above.

CITY OF MOUNT VERNON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

Engineering Department - This department has a total of six engineering personnel. They are responsible for issuance of building permits, plan reviews for new construction and remodeling, insuring compliance with prevailing wage statutes and working with the Water and Wastewater Commission.

Public Building and Land and Parks Department - These two departments work very closely together under the leadership of a single department head. There is a total of five full-time employees and up to nine part-time or seasonal employees. The departments maintain all the City's buildings and grounds including all vacant land and park facilities.

Recreation and Pool Departments - These departments employ part-time and seasonal employees, only. In the summertime, forty-four people are hired to coordinate and administer organized recreational programs in the City's two major parks and to operate the two municipal swimming pools.

Street Department - The Street Department is responsible for the on-going maintenance and improvement of the City's highways, streets, alleys, storm water drainage facilities, and traffic signs and signals. The department includes ten full-time employees and five part-time or seasonal employees to help with the fall leaf pick-up program.

Cemetery Department - This department is operated with four full-time employees and four seasonal employees. The Cemetery department is responsible for the operation and maintenance of the City's cemetery, as well as the sale of burial lots.

Water Department - This department operates with ten full-time employees and fifteen shared full-time employees. The shared employees also work with the Wastewater Department. The Water Department is responsible for the treatment and distribution of potable water to the City's 6,000 customers and customers located in the Village of Gambier (approximately three miles east of Mount Vernon). All treatment plant employees are required to have a Class I operators license within two years of employment.

Wastewater Department - This department operates with twelve full-time employees and fifteen shared full-time employees as described above. The Wastewater Department is responsible for the collection and treatment of all sewerage within the City of Mount Vernon and Clinton Township (a township adjacent to the City). All plant employees are required to have a Class I operators license within two years of employment.

The citizens of Mount Vernon elect one full-time Auditor (for a four year term), who appoints the staff of the Auditor's Office. There are two full-time employees, who in conjunction with the City Auditor, are responsible for the accounting and financial administration functions, including recording all revenues, investing idle funds, debt service management, accounts payable processing, payroll, expenditure tracking, financial records administration, budgeting and financial reporting.

The citizens of Mount Vernon elect one part-time Treasurer (for a four year term), who appoints the staff of the Income Tax Department. The Income Tax Department has three full-time employees, who are responsible for the administration and collection of the City's 1.5% earnings tax. In addition, the Income Tax Department offers direct taxpayer assistance services to all residents and businesses.

CITY OF MOUNT VERNON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

The citizens of Mount Vernon elect one full-time Law Director (for a four year term), who appoints the Law Department. The Law Department has one assistant Law Director and three full-time employees, who along with the Law Director, are responsible for writing all legislation and prosecuting all of the City's court cases.

The citizens of Mount Vernon elect one part-time President of Council, (for a two year term), who is responsible for conducting the council meetings and assigning committees of council.

The citizens of Mount Vernon elect one part-time councilperson from each of the four wards and three part-time council-at-large for a total of seven. Council members serve a two year term and are elected in odd numbered years. The City Council meets on the second and fourth Monday night of each month, in a public meeting, to hear proposed legislation and take action on various issues pending before the legislative body.

Economic Outlook

The year of 2005 was the year of a grand celebration. It marked an era that has span two hundred years and for a good reason. The City of Mount Vernon was founded in 1805. Mount Vernon was known as a small area with a few short streets perched atop a hill. The town consisted of about fifty people. The first settlers began constructing buildings in the area we now know as the town square, and headed north on Main Street. During 2005, the community assembled a Bicentennial committee who worked zealously to create the celebration of the second century of existence for Mount Vernon, Ohio. On July 16, 2005, the exact day the city was originally platted, the entire community hosted a parade unlike any other parade ever given. The streets were lined with onlookers as parade entries passed them by. The spirit was high, and the enthusiasm was unmeasurable. It definitely was a day to celebrate.

A copy of the original platting map was assembled along with a declaration from the governor of the state in conjunction with a signature sheet for all of the current elected officials and representatives to affix their names. The ceremony was hosted on the town square where attendees were dressed in the 1800's styling that included top hats, long tailed coats for the men, the ladies sporting long flowing hoop dresses adorned with a light umbrella for shading.

The bicentennial celebration carried over into many other events during the year. In the year of 2005, Mount Vernon was the showplace to be. The City shares great thanks to all of the volunteers who helped put the events together, and for sharing the rich historical heritage we all have heard of by those before us. To this, we dedicate the front cover of this report to the bicentennial committee, and to the community.

New asphalt roads are always an improvement for traffic flow throughout the City. During 2005, the Ohio Department of Transportation resurfaced State Route 3, north of the square, while adding handicap ramps at all related street crossings. This resurfacing project included approximately one mile of roadway of which the City contributed twenty percent of the cost.

CITY OF MOUNT VERNON, OHIO

Letter of Transmittal For the Year Ended December 31, 2005

The City was able to reach a major accomplishment during the end of 2004 with the Clinton Water & Sewer District. Both entities had been working several years on a contract to provide water services to the District. Through a number of revisions to draft documentation, both entities reached an agreement and the final contract was signed in January 2005. This will allow for water services to be provided to certain areas within the District who are in immediate need of a source of water. The City anticipates with this contract, certain development projects will be forth coming in the future years. During 2005, the City began laying out the proposed main water line running down Harcourt Road. Estimated costs and funding will be the goal for 2006.

With a grant provided by the Ohio Public Works Commission, improvements to a three block stretch of East Chestnut Street will become a reality in the coming year. This section of roadway is currently a brick street with significant deterioration of curbs, gutters, and sub surface. The design work that was completed in 2005 will include removing the entire roadway, including the base course, and replace it with a new base and a finished course layer of asphalt. New curbs and gutters will also become a part of the overall improvements. Bids were opened in early January 2006, and the estimated cost is approximately \$950,000.

During the upcoming year, the Water and Wastewater divisions will have some major improvements either underway or in the design stages. The new laboratory/administration building got under way during the year. Final completion is expected to be near the end of June 2006. The wastewater plant is in need of replacing the influent screening process and replacing the aeration system which is a part of the secondary treatment process. Final design plans were completed in 2005 and bidding and contract awarding took place in February 2006. These improvements are estimated to cost approximately \$2.4 million with the estimated completion sometime in mid 2007. The overall gain by achieving these improvements would allow for a second influent system into the plant, in the event of future needs for a shutdown to make certain maintenance repairs and to allow for a better aeration system in the secondary treatment units.

The City continued with its historical preservation of the former Baltimore & Ohio Railroad Depot. This multi year project is expected to continue until 2007. Private donations from corporations and foundations help to make this preservation project a success. The City actively continues to seek private donations from varying sources of funding.

Thanks to the foresight of City management, coupled with the cooperation of the City's department heads, the growth in the local economy resulted in a favorable impact on the City's ability to provide quality services to the public. The Engineering Department issued two hundred eighteen building permits in 2005 and two hundred twenty-three in 2004, a decrease of five permits.

Employee Relations:

The City of Mount Vernon completed the third year of a three year contract with the City's three unions. All union contracts were effective January 1, 2003, through December 31, 2005, with annual raises on January 1st of each year. The first is, the Dan Emmett Chapter of the Ohio Civil Service Employees Association (OCSEA), Local 11/American Federation of State, County and Municipal Employees, AFL-CIO, which consists of fifty-three members from the public service departments (Engineering, Public Building and Land, Parks, Street, Cemetery, Water and Wastewater). The second is the Ohio Association

CITY OF MOUNT VERNON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

of Professional Firefighters, The Mount Vernon Firefighters and Paramedics Local 3712 which consists of twenty-four members of the fire department. The final bargaining unit is the Kokosing Chapter of the Fraternal Order of Police, Ohio Labor Council, Inc. (FOP) which consists of twenty-four members of the police department. Negotiations began in late October with the three unions, however; there were no ratifications made by year end. Negotiations will continue into 2006 without any unforeseen altercations or work stoppage. The remaining departments along with all the department heads are not represented by any union.

The City continues to experience a good working relationship with these three unions for the betterment of the citizens of this community.

Unemployment Rates:

The City of Mount Vernon's economic outlook continued to be mixed for 2005. Starting out the year at 4.6 percent, the unemployment rate was on a continuous roller coaster ride, though climbing to 5.8 percent during midyear, but managed to level out by year end at 5.2 percent. This moderate reduction of .6 percent was the result of unsettling economic conditions to the overall economy. The City's diverse mix of employment opportunities helps to offset such economic fluctuations.

Major Initiatives

Municipal Court:

The Municipal Court found 2005 to be a rather uneventful year. While there continue to be ongoing law changes, the Court did not experience any significant changes compared to the prior year.

Traffic cases filed numbered 6,002, an increase of 745 from those filed in 2004, while criminal case filings of 1,146 decreased by 5 cases from those filed in 2004. There was a decrease in civil case filings, 1,098 in 2005 compared to 1,193 in 2004.

Fire Department:

The Fire Department received various pieces of equipment for the department throughout the year. Training and certification of paramedics continue to be major concentrations for the department. Each paramedic is required to maintain continued education and recertification every two years. Each firefighter holds Emergency Medical Technician certification which requires recertification and continued education also. The department is slated to receive a much-needed new fire pumper truck in the new year.

Police Department:

The department continued its program of managed capital replacement with the purchase of three new marked police cruisers. The fleet was furnished with three more from funding that was secured from the prior year, but took delivery in 2005. Total criminal, traffic and juvenile citations and charges filed by the department for 2005 equals 3,608, an increase of 655 from 2004. Law enforcement within the City maintains a safe and secure environment for all of its citizens and visitors.

***Letter of Transmittal
For the Year Ended December 31, 2005***

Street Department:

Due to a significant reduction of capital resources, continuous equipment replacement was suspended for the Street Department in 2005. With a moderate snowfall during the months of winter, purchasing road salt was not a major expense for the department. This allowed the department to maintain a reasonable financial base into the next year. To help offset additional costs incurred during the severe ice storm in 2004, the Federal Emergency Management Agency supported the department's request for financial reimbursement in the amount of \$1,788 in 2005. While relatively small in amount, it helped the department recapture its overtime costs that were incurred. Other routine projects completed by the Street Department included street sweeping, traffic line painting, traffic signal repairs, traffic sign replacement and leaf pick-up. The on going street resurfacing program provided for the resurfacing of a total of sixteen streets in 2005.

Cemetery Department:

The Cemetery Department was unable to continue a restoration project on the chapel located within the cemetery due to the reduction of capital resources. The City will attempt to restore funding in the upcoming year. This structure has been dated back to as early as 1884, and is currently being petitioned for recognition as a historical structure in Ohio. This structure will undergo extensive improvements in the coming years as resources become available. Continued repairs to monuments and foundations were completed throughout the year.

Engineering Department:

The Engineering Department continued to serve the needs of new construction within the City in 2005. Two hundred eighteen building permits, representing approximately twenty-four million dollars in increased property values were issued in 2005. The Engineering department provided assistance for all new construction and upgrade projects that were conducted by the City in 2005.

Public Buildings and Land and Parks Department:

The Public Buildings and Land Department and Parks Department share employees on an as needed basis. The salary of the superintendent and foreman is paid one half from each department. The Public Buildings and Land Department is responsible for a total of thirteen buildings and property. The Parks Department maintains eight parks with a total acreage of 176.576 acres of land. Foundation Park, a nature trail and fishing park continues to receive improvements.

Water Department:

The Water Distribution Division of the Water Department performed various maintenance activities to the lines in 2005. With the completion of the vulnerability assessment the department began analyzing the report for the related improvements that may be needed. During the next year, a plan for implementing such improvements will be compiled. Wellhead protection continues to be a major concern for the City and this area will be included with the vulnerability assessment report to design a well-head protection plan to deter water contamination into our supply of raw water. Backflow prevention continues to be monitored to prevent contaminates through the water service connection into the public water system. High risk consumers are the major users the City requires to comply with these regulations. Future service connections to be required will be industrial, commercial and residential users. This will include current and new service connections.

***Letter of Transmittal
For the Year Ended December 31, 2005***

A new water line project on Newark Road was under contract by year end. This project will help provide water supply to fire hydrants in the area, as well as help increase the water pressure to customers being served in the respective area. Estimated completion date is slated for June 2006 at a contract price of \$81,227.

The City is currently conducting a water rate study to help determine the financial needs over the next five to ten years. The study will provide proposed rate increases to match the fiscal needs for improvements as outlined on the ten year plan assembled by the department.

Wastewater Department:

The Wastewater Treatment Plant Division of the Wastewater Department performed routine maintenance of the facility and equipment throughout 2005. The new laboratory/administration building project was started during the year and is estimated to be completed by late June 2006.

Financial Information

Internal Control, Budgetary Control and the Accounting System:

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

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

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

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation, and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City administration and the Auditor's Office.

All internal control evaluations occur within this framework. It is the belief of the administration and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by Mount Vernon City Council. All funds are included in the annual appropriated budget. The level of budgetary control (that is, the levels at which expenditures cannot legally exceed the appropriated amount) is at the object level within each department. Budgetary control is maintained within the personal services, operating expenses, and capital outlay categories with each department through the encumbering of estimated purchase amounts prior to the release of formal purchase orders to vendors. Encumbered appropriations carry forward to the following year(s) until expended or liquidated. Unencumbered amounts lapse at year end. Open encumbrances as of December 31, 2005, that have not been included as an accrued item are reported as reservations of fund balances with this report.

CITY OF MOUNT VERNON, OHIO

Letter of Transmittal For the Year Ended December 31, 2005

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Risk Management:

The proactive approach that the Administration employs in addressing its on going operations is reflected in the composition of the City's insurance protection package and its very favorable loss experience.

The City has contracted with Great American Insurance Company of New York and Claredon National Insurance Company for insurance coverages. The provision of underlying bodily injury, personal injury, property damage, and general liability coverage are provided in conjunction with coverage that includes Emergency Medical Technician professional liability, gap police professional liability, and an overlying umbrella liability policy. Evans & Muir Insurance Agency provides protection for honesty bonding requirements. Rates during the year remained stable due to the reduced exposure to claim activity.

Primarily attributable to excellent employment standards and on going training, we have been able to maintain police professional liability coverage at a reasonable cost with a financially sound carrier, Claredon National Insurance Company. The reputation of our safety forces, coupled with the training provided, has been a definite plus in maintaining this difficult to place coverage. Claredon National Insurance Company insures the City for firemen's errors and omissions coverage.

Deductible levels for the various policies have been selected so as not to expose the City to excessive "first dollars" loss in the case of a claim. In the property damage area, deductibles are \$1,000 per loss. In the professional liability areas, no deductible exceeds \$25,000. When a notice of claim does arise, in each and every instance, it is referred to the insurance company and claims monitoring is reviewed both by the administration and by the City's legal counsel to assure that the City's interests are protected.

Through a periodic review of the City's scope of activities and an evaluation of acquisitions and disposals of fixed assets, an up-to-date risk profile is made available to all of our insurance carriers.

Cash Management

Cash temporarily idle during the year was invested in certificates of deposit, federal agency securities, money market savings and interest bearing checking accounts. As of December 31, 2005, the City's cash resources were divided between cash and investments as follows:

<u>Cash Resources</u>	<u>Amount</u>	<u>Percentage</u>
Cash	\$1,906,699	19.40%
Federal Securities	2,361,023	24.02%
Certificate of Deposits	4,000,000	40.69%
STAR Ohio	1,562,320	15.89%
Totals	<u>\$9,830,042</u>	<u>100.00%</u>

CITY OF MOUNT VERNON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

The City implemented an investment policy in 1997 and requires all depositories to comply with its deposit and investment ordinance and with state law governing collateralization of deposits. See Note 3 to the financial statements for additional information on deposits and investments.

Other Information

Independent Audit:

This report of the City of Mount Vernon was audited by the Auditor of the State of Ohio. They have audited the basic financial statements and the related notes as indicated in their letter. Their examination was conducted in accordance with generally accepted government auditing standards, which includes a financial and compliance audit as well as an evaluation of internal accounting controls and tests of transactions. The State Auditor's unqualified opinion letter is included in this report.

Awards:

The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mount Vernon, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in state and local government financial reporting. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity.

A Certificate of Achievement is valid for a period of one year only. The City of Mount Vernon received a Certificate of Achievement for the last fourteen consecutive years (fiscal years ended 1991-2004). I believe this current report continues to conform to the Certificate of Achievement program requirements, and I am submitting it to GFOA.

Public Disclosure:

The publication of this Comprehensive Annual Financial Report is indicative of the City's commitment to provide significantly enhanced financial information and accountability to the citizens. In addition to the citizens of Mount Vernon, 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.

CITY OF MOUNT VERNON, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2005***

Acknowledgments:

I would like to thank my staff and extend special recognition to all related departments within the City, who assisted with the preparation of the 2005 Comprehensive Annual Financial Report and annual independent audit.

Special appreciation is extended to, Stacie Scholl, audit manager of the City's audit by the Auditor of the State of Ohio, for timely completion of the audit.

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

Respectfully,

A handwritten signature in black ink, appearing to read "Terry Scott", with a long, sweeping horizontal flourish extending to the right.

Terry Scott,
City Auditor

CITY OF MOUNT VERNON, OHIO

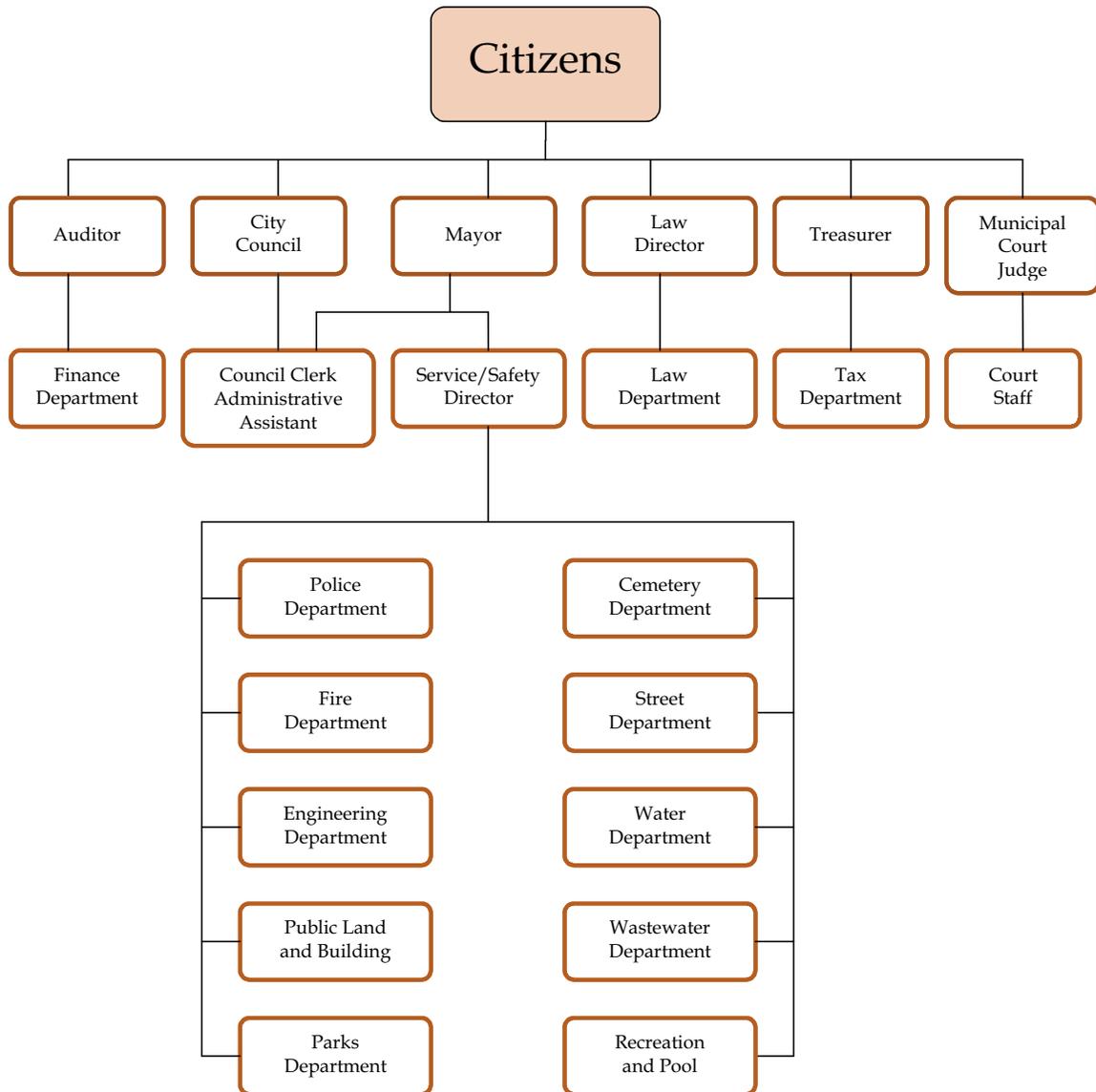
***List of Principal Officials
For the Year Ended December 31, 2005***

<i>NAME</i>	<i>TITLE</i>	<i>YEARS OF SERVICE</i>
<i><u>City Council</u></i>		
John Booth	President	2
Burt Hanson	First Ward Member	5
Charles K. Dice	Second Ward Member	7
Derk Demaree	Third Ward Member	2
John Fair	Fourth Ward Member	6
Anna M. Kinnard	Member At-Large	12
Larry Schafer	Member At-Large	6
Nancy Vail	Member At-Large	2
<i><u>City Administration</u></i>		
Richard K. Mavis	Mayor	10
Terry Scott	Auditor	11
William D. Smith	Law Director	25
James Shipley	Treasurer	6
David C. Glass	Safety-Service Director	27
Janet M. Brown	Clerk of Council	13
<i><u>Department Heads</u></i>		
Burma Van Winkle	Income Tax Administrator	17
Thomas E. Bartlett	Police Chief	42
Vacant *	Fire Chief	
Paul G. Oliver	Parks, Public Buildings and Land Superintendent	23
David Carpenter	Street Superintendent	14
Deborah S. Briscoe	Cemetery Foreman	25
Pam Muralt	Water and Wastewater Meter and Customer Service Administrator	25
Judith Scott	Water and Wastewater Treatment and Distribution Administrator	23

* Vacant as of 12/31/2005, Fire Chief Clifford retired on 9/30/2005.

CITY OF MOUNT VERNON, OHIO

**City Organizational Chart
For the Year Ended December 31, 2005**



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Mount Vernon,
Ohio

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

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



Carla E. Perry

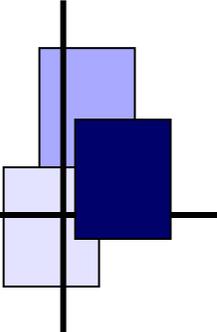
President

Jeffrey R. Emmer

Executive Director



Financial Section







Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Mount Vernon
Knox County
40 Public Square
Mount Vernon, Ohio 43050

To the Members of City Council:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

June 28, 2006

The discussion and analysis of the City of Mount Vernon's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, 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 2005 are as follows:

- ❑ In total, net assets increased \$2,083,427. Net assets of governmental activities increased \$2,313,264 which represents a 6.3% increase from 2004. Net assets of business-type activities decreased \$229,837 or 1.1% from 2004.
- ❑ General revenues accounted for \$10,660,249 in revenue or 52.6% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$9,600,183, 47.4% of total revenues of \$20,260,432.
- ❑ The City had \$12,525,349 in expenses related to governmental activities; only \$4,178,364 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10,660,249 were also used to provide for these programs.
- ❑ Among major funds, the general fund had \$10,066,508 in revenues and other financing sources and \$9,813,195 in expenditures and other financing uses. The general fund's fund balance increased from \$2,311,852 to \$2,565,456.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City'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 program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer funds are reported as business-type activities.

Fund Financial Statements

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

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

CITY OF MOUNT VERNON, OHIO

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

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water and Sewer funds, both of which are considered major funds.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2005 compared to 2004:

	Governmental Activities		Business-type Activities		Total	
	Restated				Restated	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$10,435,903	\$8,802,368	\$7,373,750	\$8,451,540	\$17,809,653	\$17,253,908
Capital assets, Net	35,576,338	35,204,402	30,222,580	30,286,569	65,798,918	65,490,971
Total assets	46,012,241	44,006,770	37,596,330	38,738,109	83,608,571	82,744,879
Long-term liabilities outstanding	4,616,229	4,854,216	16,441,426	17,376,701	21,057,655	22,230,917
Other liabilities	2,289,615	2,359,421	393,589	370,256	2,683,204	2,729,677
Total liabilities	6,905,844	7,213,637	16,835,015	17,746,957	23,740,859	24,960,594
Net assets						
Invested in capital assets, net of related debt	32,127,147	31,550,662	14,093,254	13,240,227	46,220,401	44,790,889
Restricted	4,339,253	2,985,534	1,258,730	694,806	5,597,983	3,680,340
Unrestricted	2,639,997	2,256,937	5,409,331	7,056,119	8,049,328	9,313,056
Total net assets	\$39,106,397	\$36,793,133	\$20,761,315	\$20,991,152	\$59,867,712	\$57,784,285

CITY OF MOUNT VERNON, OHIO

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

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2005 compared to 2004:

	Governmental		Business-type		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,361,777	\$1,047,653	\$5,407,043	\$5,494,339	\$6,768,820	\$6,541,992
Operating Grants and Contributions	1,439,733	870,878	14,776	0	1,454,509	870,878
Capital Grants and Contributions	1,376,854	1,995,939	0	0	1,376,854	1,995,939
Total Program Revenues	4,178,364	3,914,470	5,421,819	5,494,339	9,600,183	9,408,809
General Revenues:						
Property Taxes	1,345,350	1,536,589	0	0	1,345,350	1,536,589
Income Taxes	8,018,764	6,988,358	0	0	8,018,764	6,988,358
Other Local Taxes	2,899	2,727	0	0	2,899	2,727
Intergovernmental Revenues, Unrestricted	971,834	939,630	0	0	971,834	939,630
Investment Earnings	214,335	103,091	0	0	214,335	103,091
Miscellaneous	107,067	122,869	0	0	107,067	122,869
Total General Revenues	10,660,249	9,693,264	0	0	10,660,249	9,693,264
Total Revenues	14,838,613	13,607,734	5,421,819	5,494,339	20,260,432	19,102,073
Program Expenses						
Security of Persons and Property	4,875,188	4,664,297	0	0	4,875,188	4,664,297
Public Health and Welfare Services	593,592	556,057	0	0	593,592	556,057
Leisure Time Activities	332,477	314,140	0	0	332,477	314,140
Community Environment	245,735	717,905	0	0	245,735	717,905
Transportation	2,392,740	1,193,206	0	0	2,392,740	1,193,206
General Government	3,955,560	3,282,747	0	0	3,955,560	3,282,747
Interest and Fiscal Charges	130,057	137,418	0	0	130,057	137,418
Water	0	0	3,215,544	2,863,797	3,215,544	2,863,797
Wastewater	0	0	2,436,112	2,240,963	2,436,112	2,240,963
Total Expenses	12,525,349	10,865,770	5,651,656	5,104,760	18,177,005	15,970,530
Change in Net Assets before transfers	2,313,264	2,741,964	(229,837)	389,579	2,083,427	3,131,543
Transfers	0	49,500	0	(49,500)	0	0
Total Change in Net Assets	2,313,264	2,791,464	(229,837)	340,079	2,083,427	3,131,543
Restated Beginning Net Assets	36,793,133	34,001,669	20,991,152	20,651,073	57,784,285	54,652,742
Ending Net Assets	\$39,106,397	\$36,793,133	\$20,761,315	\$20,991,152	\$59,867,712	\$57,784,285

Governmental Activities

Net assets of the City's governmental activities increased by \$2,313,264 over 2004. The increase in Net Assets is the result of additional capital grants from the Ohio Department of Development, income tax revenues, and unrestricted intergovernmental revenues.

The City receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation and on net profits earned from those working in the City.

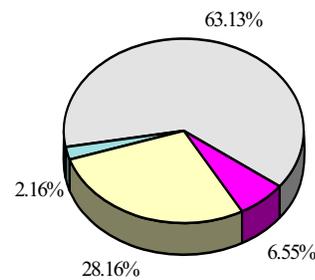
CITY OF MOUNT VERNON, OHIO

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

Unaudited

Income taxes and property taxes made up 54.04% and 9.07% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 63.13% of total revenues from general tax revenues:

Revenue Sources	2005	Percent of Total
General Tax Revenues	\$9,367,013	63.13%
Intergovernmental Revenues, Unrestricted	971,834	6.55%
Program Revenues	4,178,364	28.16%
General Other	321,402	2.16%
Total Revenue	\$14,838,613	100.00%



Business-Type Activities

Net assets of the business type activities decreased by \$229,837. This decrease was primarily the result of conservation measures taken by commercial and industrial users and increased utility costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$5,610,360, which is an increase from last year's balance of \$4,433,911. The schedule below indicates the fund balance and the total change in fund balance by fund as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$2,565,456	\$2,311,852	\$253,604
General Bond Retirement	0	2	(2)
Capital Improvement	1,265,961	686,828	579,133
Other Governmental	1,778,943	1,435,229	343,714
Total	\$5,610,360	\$4,433,911	\$1,176,449

CITY OF MOUNT VERNON, OHIO

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

Unaudited

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

	2005	2004	Increase
	Revenues	Revenues	(Decrease)
Property and Other Taxes	\$7,559,999	\$6,749,545	\$810,454
Intergovernmental Revenue	1,034,874	896,728	138,146
Charges for Services	596,537	292,447	304,090
Licenses and Permits	31,100	1,999	29,101
Investment Earnings	204,258	98,445	105,813
Fines and Forfeitures	585,559	576,915	8,644
All Other Revenue	49,640	16,054	33,586
Total	<u>\$10,061,967</u>	<u>\$8,632,133</u>	<u>\$1,429,834</u>

General Fund revenues in 2005 increased approximately 16.6% compared to revenues in fiscal year 2004. The increase is a combination of an increase in city income tax revenues, estate tax revenues, investment earnings, and a substantial increase in fire service contract revenues.

	2005	2004	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$4,036,033	\$3,759,970	\$276,063
Public Health and Welfare Services	311,868	286,922	24,946
Leisure Time Activities	286,417	269,296	17,121
Community Environment	14,947	13,013	1,934
Transportation	26,558	30,559	(4,001)
General Government	3,881,528	3,520,489	361,039
Debt Service:			
Principal Retirement	7,827	7,504	323
Interest and Fiscal Charges	20,048	20,371	(323)
Total	<u>\$8,585,226</u>	<u>\$7,908,124</u>	<u>\$677,102</u>

General Fund expenditures increased by \$677,102 or 8.6% compared to the prior year primarily due to spending costs being reduced by management in 2004. As resources became available, expenditures were made that had been postponed in the prior year. This comparative table is a good example of what economic conditions can do both on the decline side (2004) and on the incline side (2005) when resources are limited. Management continues to regulate expenditures, however certain maintenance and service items need to be restored.

General Bond Retirement Fund – The General Debt Retirement Fund balance has not changed because the City transfers money into this fund as debt service payments become due.

CITY OF MOUNT VERNON, OHIO

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

Unaudited

Capital Improvement Fund - The Capital Improvement Fund balance increased from \$686,828 to \$1,265,961 as a result of decreased expenditures over the prior year. Transportation improvement costs decreased in 2005 because several projects were completed in 2004 that were not repeated in 2005.

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 2005 the City amended its General Fund budget several times. The major beneficiaries of these amendments were for establishing transfers in the general fund to the police and fire pension funds, salaries, income tax refunds, equipment maintenance and street lighting expenses.

For the General Fund, final budget basis revenue of \$9,338,898 changed over the original budget estimates of \$8,061,453 due to exceeded estimated revenues for local government tax, real property tax, personal property tax, investment earnings, court collections, and income tax.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$65,798,918 net of accumulated depreciation invested in buildings, infrastructure, equipment and vehicles. Of this total, \$35,576,338 was related to governmental activities and \$30,222,580 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	Restated 2004	
Land	\$9,512,270	\$9,512,270	\$0
Construction In Progress	111,015	43,731	67,284
Buildings	6,458,001	6,430,351	27,650
Improvements Other than Buildings	544,774	544,774	0
Infrastructure	30,573,017	28,704,437	1,868,580
Machinery and Equipment	4,901,290	4,858,121	43,169
Less: Accumulated Depreciation	(16,524,029)	(14,889,282)	(1,634,747)
Totals	<u>\$35,576,338</u>	<u>\$35,204,402</u>	<u>\$371,936</u>

The restatement of 2004 capital assets was due to reporting infrastructure retroactively. See Note 2. This restatement will bring the City into full compliance of GASB 34.

CITY OF MOUNT VERNON, OHIO

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

Unaudited

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$894,311	\$894,311	\$0
Construction in Progress	1,278,003	155,608	1,122,395
Buildings and Improvements	21,349,014	21,344,984	4,030
Utility Structures in Service	22,152,577	22,136,434	16,143
Machinery and Equipment	3,103,184	3,051,214	51,970
Less: Accumulated Depreciation	(18,554,509)	(17,295,982)	(1,258,527)
Totals	\$30,222,580	\$30,286,569	(\$63,989)

Business type capital assets decreased as a result of depreciation expense. The additions to construction in progress accounts for the ongoing improvement projects, namely the laboratory/administration building and designs for water and wastewater line improvements. Additional information on the City's capital assets can be found in Note 7.

Debt

At December 31, 2005, the City had \$19,265,000 in bonds outstanding, \$1,145,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	2005	2004
Governmental Activities:		
General Obligation Bonds Payable	\$3,056,065	\$3,239,365
Ohio Public Works Commission Loan	393,125	414,375
Police and Firemen's Pension Accrued Liability	465,829	473,656
Compensated Absences	701,210	726,820
Total Governmental Activities	4,616,229	4,854,216
Business-Type Activities:		
Mortgage Revenue Bonds Payable	6,155,000	6,505,000
General Obligation Bonds Payable	10,053,935	10,625,635
Compensated Absences	232,491	246,066
Total Business-Type Activities	16,441,426	17,376,701
Totals	\$21,057,655	\$22,230,917

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 9.

ECONOMIC FACTORS

During 2005, the Ohio Department of Transportation resurfaced the entire north section of State Route 3 while adding handicap ramps at all related street crossings. This resurfacing project included approximately one mile of roadway of which the City contributed twenty percent of the cost. In addition to this project the City was able to resurface eleven streets throughout the city.

A new laboratory/administration building near the wastewater plant was the City's major improvement project. This long awaited project will provide a very much-needed updated laboratory for the wastewater plant operations in conjunction with providing a facility for administrative purposes. Once completed, the current space within the plant will be used for plant operations. Estimated completion is late June 2006.

The renovations to the historical 1907 Baltimore & Ohio Railroad Depot continued during the year. With most of the structure having been preserved and improved, design plans were prepared for the heating, ventilation, and air conditioning system. These improvements are slated to begin in the upcoming year. All of the improvements to this facility have been accomplished through the generous donations of private corporate donations and foundation donations. We give sincere thanks to those who have continued to support this historical preservation project.

Development continues to prosper within the community. Commercial development on the City's east side continues to bring small strip mall type retail establishments. Fifteen commercial permits were issued in 2005, contributing an estimated \$15.7 million in tax valuation. Future residential developments are underway in the upcoming year as design plans continue to be submitted for engineering review and acceptance. This diversification helps to support our tax base and also helps to provide additional employment within the community.

Unemployment for the year was like a roller coaster ride. Starting out the year with 4.6 percent, it managed to climb to 5.8 percent by midyear, and finally leveled out to 5.2 percent by year end. The impact of such increases and decreases throughout the year are minimal due to the diverse mix of employers throughout the city.

REQUESTS FOR INFORMATION

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



CITY OF MOUNT VERNON, OHIO

**Statement of Net Assets
December 31, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,393,886	\$ 669,192	\$ 3,063,078
Investments	1,697,272	4,663,751	6,361,023
Receivables:			
Taxes	4,159,532	0	4,159,532
Accounts	14,323	1,125,779	1,140,102
Intergovernmental	1,683,279	14,776	1,698,055
Interest	37,175	0	37,175
Inventory of Supplies	12,804	103,955	116,759
Prepaid Items	8,646	6,412	15,058
Deferred Charge	74,986	79,608	154,594
Restricted Assets:			
Cash and Cash Equivalents	313,431	0	313,431
Cash and Cash Equivalents with Fiscal Agent	40,569	710,277	750,846
Capital Assets			
Capital Assets not Being Depreciated	9,623,285	2,172,314	11,795,599
Capital Assets Being Depreciated	25,953,053	28,050,266	54,003,319
Total Assets	46,012,241	37,596,330	83,608,571
Liabilities:			
Accounts Payable	200,899	103,253	304,152
Accrued Wages and Benefits	518,616	119,118	637,734
Contracts Payable	0	141,038	141,038
Matured Bonds and Interest Payable	0	650	650
Unearned Revenue	1,570,100	0	1,570,100
Accrued Interest Payable	0	29,530	29,530
Noncurrent liabilities:			
Due within one year	443,447	1,024,670	1,468,117
Due in more than one year	4,172,782	15,416,756	19,589,538
Total Liabilities	6,905,844	16,835,015	23,740,859
Net Assets:			
Invested in Capital Assets, Net of Related Debt	32,127,147	14,093,254	46,220,401
Restricted For:			
Capital Projects	1,684,429	548,453	2,232,882
Debt Service	0	710,277	710,277
Perpetual Care, Nonexpendable	318,268	0	318,268
Other Purposes	2,336,556	0	2,336,556
Unrestricted	2,639,997	5,409,331	8,049,328
Total Net Assets	\$ 39,106,397	\$ 20,761,315	\$ 59,867,712

See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, OHIO

**Statement of Activities
For the Year Ended December 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 4,875,188	\$ 367,877	\$ 0	\$ 0
Public Health and Welfare Services	593,592	58,751	0	0
Leisure Time Activities	332,477	54,994	0	0
Community Environment	245,735	421	450,000	430,000
Transportation	2,392,740	2,254	829,934	946,854
General Government	3,955,560	877,480	159,799	0
Interest and Fiscal Charges	130,057	0	0	0
Total Governmental Activities	12,525,349	1,361,777	1,439,733	1,376,854
Business-Type Activities:				
Water	3,215,544	2,931,081	0	0
Sewer	2,436,112	2,475,962	14,776	0
Total Business-Type Activities	5,651,656	5,407,043	14,776	0
Totals	\$ 18,177,005	\$ 6,768,820	\$ 1,454,509	\$ 1,376,854

General Revenues

Property Taxes Levied for:
 General Purposes
 Special Purposes
 Capital Outlay
 Municipal Income Tax
 Other Local Taxes
 Intergovernmental Revenues, Unrestricted
 Investment Earnings
 Miscellaneous
 Total General Revenues
 Change in Net Assets
 Net Assets Beginning of Year, Restated
 Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,507,311)	\$ 0	\$ (4,507,311)
(534,841)	0	(534,841)
(277,483)	0	(277,483)
634,686	0	634,686
(613,698)	0	(613,698)
(2,918,281)	0	(2,918,281)
(130,057)	0	(130,057)
<u>(8,346,985)</u>	<u>0</u>	<u>(8,346,985)</u>
0	(284,463)	(284,463)
<u>0</u>	<u>54,626</u>	<u>54,626</u>
<u>0</u>	<u>(229,837)</u>	<u>(229,837)</u>
<u>(8,346,985)</u>	<u>(229,837)</u>	<u>(8,576,822)</u>
628,011	0	628,011
151,338	0	151,338
566,001	0	566,001
8,018,764	0	8,018,764
2,899	0	2,899
971,834	0	971,834
214,335	0	214,335
107,067	0	107,067
<u>10,660,249</u>	<u>0</u>	<u>10,660,249</u>
2,313,264	(229,837)	2,083,427
36,793,133	20,991,152	57,784,285
<u>\$ 39,106,397</u>	<u>\$ 20,761,315</u>	<u>\$ 59,867,712</u>

CITY OF MOUNT VERNON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2005**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 551,511	\$ 415,123	\$ 1,427,252	\$ 2,393,886
Investments	941,315	755,957	0	1,697,272
Receivables:				
Taxes	2,996,556	144,060	1,018,916	4,159,532
Accounts	6,890	0	7,433	14,323
Intergovernmental	369,132	0	1,314,147	1,683,279
Interest	37,175	0	0	37,175
Inventory of Supplies	535	0	12,269	12,804
Prepaid Items	6,244	0	2,402	8,646
Restricted Assets:				
Cash and Cash Equivalents	0	0	313,431	313,431
Cash and Cash Equivalents with Fiscal Agent	0	0	40,569	40,569
Total Assets	\$ 4,909,358	\$ 1,315,140	\$ 4,136,419	\$ 10,360,917
Liabilities:				
Accounts Payable	\$ 169,724	\$ 0	\$ 31,175	\$ 200,899
Accrued Wages and Benefits Payable	325,895	0	192,721	518,616
Deferred Revenue	1,848,283	49,179	2,133,580	4,031,042
Total Liabilities	2,343,902	49,179	2,357,476	4,750,557
Fund Balances:				
Reserved for Encumbrances	223,475	11,500	252,196	487,171
Reserved for Prepaid Items	6,244	0	2,402	8,646
Reserved for Supplies Inventory	535	0	12,269	12,804
Reserved for Endowments	0	0	318,268	318,268
Undesignated/Unreserved in:				
General Fund	2,335,202	0	0	2,335,202
Special Revenue Funds	0	0	824,716	824,716
Capital Projects Funds	0	1,254,461	369,092	1,623,553
Total Fund Balances	2,565,456	1,265,961	1,778,943	5,610,360
Total Liabilities and Fund Balances	\$ 4,909,358	\$ 1,315,140	\$ 4,136,419	\$ 10,360,917

See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2005***

Total Governmental Fund Balances		\$	5,610,360
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>			
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.			35,576,338
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			2,460,942
Bond issuance costs, reported as expenditures in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.			74,986
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General Obligation Bonds Payable	(3,056,065)		
Ohio Public Works Commission Loan Payable	(393,125)		
Police and Firemen's Pension Accrued Liability	(465,829)		
Compensated Absences Payable	(701,210)		
			<u>(4,616,229)</u>
<i>Net Assets of Governmental Activities</i>		\$	<u>39,106,397</u>

See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, OHIO

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

	General	General Bond Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 7,559,999	\$ 0	\$ 493,823	\$ 1,183,189	\$ 9,237,011
Intergovernmental Revenues	1,034,874	0	946,854	1,347,791	3,329,519
Charges for Services	596,537	0	0	64,494	661,031
Licenses and Permits	31,100	0	0	3,229	34,329
Investment Earnings	204,258	0	0	10,077	214,335
Fines and Forfeitures	585,559	0	0	71,399	656,958
All Other Revenue	49,640	0	43,254	81,232	174,126
Total Revenue	10,061,967	0	1,483,931	2,761,411	14,307,309
Expenditures:					
Current:					
Security of Persons and Property	4,036,033	0	0	581,555	4,617,588
Public Health and Welfare Services	311,868	0	0	266,318	578,186
Leisure Time Activities	286,417	0	0	843	287,260
Community Environment	14,947	0	0	431,296	446,243
Transportation	26,558	0	1,726,789	1,099,445	2,852,792
General Government	3,881,528	0	15,009	120,693	4,017,230
Debt Service:					
Principal Retirement	7,827	204,550	0	0	212,377
Interest and Fiscal Charges	20,048	105,597	0	0	125,645
Total Expenditures	8,585,226	310,147	1,741,798	2,500,150	13,137,321
Excess (Deficiency) of Revenues Over Expenditures	1,476,741	(310,147)	(257,867)	261,261	1,169,988
Other Financing Sources (Uses):					
Sale of Capital Assets	4,541	0	0	0	4,541
Transfers In	0	310,145	837,000	372,531	1,519,676
Transfers Out	(1,227,969)	0	0	(291,707)	(1,519,676)
Total Other Financing Sources (Uses)	(1,223,428)	310,145	837,000	80,824	4,541
Net Change in Fund Balances	253,313	(2)	579,133	342,085	1,174,529
Fund Balances at Beginning of Year	2,311,852	2	686,828	1,435,229	4,433,911
Increase in Inventory Reserve	291	0	0	1,629	1,920
Fund Balances End of Year	\$ 2,565,456	\$ 0	\$ 1,265,961	\$ 1,778,943	\$ 5,610,360

See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2005***

Net Change in Fund Balances - Total Governmental Funds \$ 1,174,529

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 outlays exceeded depreciation in the current period.

Capital Outlay	2,374,397	
Depreciation Expense	<u>(1,751,927)</u>	622,470

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

In the statement of activities, only the gain on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources.	(4,541)	
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The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(245,993)</u>	(250,534)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		531,304
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Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	183,300	
Ohio Public Works Commission Loan Payment	21,250	
Police Firemen's Pension Accrued Liability Principal Payment	<u>7,827</u>	212,377

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

Compensated Absences	25,610	
Amortization of Issuance Costs	(4,412)	
Change in Inventory	<u>1,920</u>	23,118

<i>Change in Net Assets of Governmental Activities</i>		<u>\$ 2,313,264</u>
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See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, 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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 6,572,095	\$ 7,409,095	\$ 7,613,310	\$ 204,215
Intergovernmental Revenue	514,972	874,332	1,038,230	163,898
Charges for Services	448,886	474,779	596,537	121,758
Licenses and Permits	15,500	15,500	31,100	15,600
Investment Earnings	85,000	130,000	199,776	69,776
Fines and Forfeitures	425,000	425,000	582,393	157,393
All Other Revenues	0	10,192	43,975	33,783
Total Revenues	8,061,453	9,338,898	10,105,321	766,423
Expenditures:				
Current:				
Security of Persons and Property	4,009,366	4,271,824	4,200,896	70,928
Public Health and Welfare Services	317,350	327,508	324,268	3,240
Leisure Time Activities	292,868	310,539	300,617	9,922
Community Environment	15,567	18,841	15,475	3,366
Transportation	26,250	30,450	29,708	742
General Government	3,730,162	4,088,271	3,865,870	222,401
Total Expenditures	8,391,563	9,047,433	8,736,834	310,599
Excess (Deficiency) of Revenues Over (Under) Expenditures	(330,110)	291,465	1,368,487	1,077,022
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	4,541	4,541
Transfers Out	(358,000)	(1,249,500)	(1,227,969)	21,531
Total Other Financing Sources (Uses):	(358,000)	(1,249,500)	(1,223,428)	26,072
Net Change in Fund Balance	(688,110)	(958,035)	145,059	1,103,094
Fund Balance at Beginning of Year	688,110	688,110	688,110	0
Prior Year Encumbrances	269,925	269,925	269,925	0
Fund Balance at End of Year	\$ 269,925	\$ 0	\$ 1,103,094	\$ 1,103,094

See accompanying notes to the basic financial statements



CITY OF MOUNT VERNON, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2005**

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Sewer	
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 401,360	\$ 267,832	\$ 669,192
Investments	765,724	3,898,027	4,663,751
Accounts receivable (net of allowance for uncollectibles)	645,100	480,679	1,125,779
Intergovernmental receivable	0	14,776	14,776
Inventory of Supplies	61,171	42,784	103,955
Prepaid Items	2,917	3,495	6,412
Total current assets	<u>1,876,272</u>	<u>4,707,593</u>	<u>6,583,865</u>
Noncurrent assets:			
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	710,277	0	710,277
Deferred Charges	0	79,608	79,608
Capital assets:			
Capital Assets Not Being Depreciated	512,271	1,660,043	2,172,314
Capital Assets Being Depreciated	<u>19,177,111</u>	<u>8,873,155</u>	<u>28,050,266</u>
Total capital assets	<u>19,689,382</u>	<u>10,533,198</u>	<u>30,222,580</u>
Total noncurrent assets	<u>20,399,659</u>	<u>10,612,806</u>	<u>31,012,465</u>
Total assets	<u>22,275,931</u>	<u>15,320,399</u>	<u>37,596,330</u>

CITY OF MOUNT VERNON, OHIO

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Sewer	
LIABILITIES			
Current liabilities:			
Accounts Payable	61,570	41,683	103,253
Accrued Wages and Benefits	59,198	59,920	119,118
Contracts Payable	13,576	127,462	141,038
Matured Bonds and Interest Payable	650	0	650
Accrued Interest Payable	24,876	4,654	29,530
General Obligation Bonds Payable - Current	386,000	206,000	592,000
Revenue Bond Payable - Current	365,000	0	365,000
Compensated Absences Payable - Current	30,731	36,939	67,670
Total Current Liabilities	941,601	476,658	1,418,259
Noncurrent Liabilities:			
General Obligation Bonds Payable	6,318,890	3,143,045	9,461,935
Revenue Bonds Payable	5,790,000	0	5,790,000
Compensated Absences Payable	82,544	82,277	164,821
Total noncurrent liabilities	12,191,434	3,225,322	15,416,756
Total Liabilities	13,133,035	3,701,980	16,835,015
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,829,492	7,263,762	14,093,254
Restricted for Capital Projects	548,453	0	548,453
Restricted for Debt Service	710,277	0	710,277
Unrestricted	1,054,674	4,354,657	5,409,331
Total Net Assets	\$ 9,142,896	\$ 11,618,419	\$ 20,761,315

See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Sewer	
Operating Revenues:			
Charges for Services	\$ 2,870,355	\$ 2,436,857	\$ 5,307,212
Other Operating Revenues	7,897	27,266	35,163
Total Operating Revenues	<u>2,878,252</u>	<u>2,464,123</u>	<u>5,342,375</u>
Operating Expenses:			
Personal Services	1,000,642	1,021,765	2,022,407
Contractual Services	144,933	510,303	655,236
Materials and Supplies	382,118	164,612	546,730
Utilities	170,959	244,437	415,396
Depreciation	889,446	374,770	1,264,216
Total Operating Expenses	<u>2,588,098</u>	<u>2,315,887</u>	<u>4,903,985</u>
Operating Income	290,154	148,236	438,390
Non-Operating Revenues (Expenses):			
Interest Income	52,829	11,839	64,668
Interest and Fiscal Charges	(627,446)	(120,225)	(747,671)
Intergovernmental Grants	0	14,776	14,776
Total Non-Operating Revenues (Expenses)	<u>(574,617)</u>	<u>(93,610)</u>	<u>(668,227)</u>
Change in Net Assets	(284,463)	54,626	(229,837)
Net Assets Beginning of Year	9,427,359	11,563,793	20,991,152
Net Assets End of Year	<u>\$ 9,142,896</u>	<u>\$ 11,618,419</u>	<u>\$ 20,761,315</u>

See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Sewer	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$2,911,856	\$2,520,102	\$5,431,958
Cash Payments for Goods and Services	(749,383)	(848,648)	(1,598,031)
Cash Payments to Employees	(985,243)	(1,019,022)	(2,004,265)
Net Cash Provided by Operating Activities	1,177,230	652,432	1,829,662
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(123,283)	(1,123,748)	(1,247,031)
Principal Paid on General Obligation Bonds	(370,850)	(200,850)	(571,700)
Principal Paid on Revenue Bonds	(350,000)	0	(350,000)
Interest Paid on All Debt	(616,840)	(111,060)	(727,900)
Net Cash Used for Capital and Related Financing Activities	(1,460,973)	(1,435,658)	(2,896,631)
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	525,108	721,793	1,246,901
Receipt of Interest	52,829	11,839	64,668
Net Cash Used by Investing Activities	577,937	733,632	1,311,569
Net Increase (Decrease) in Cash and Cash Equivalents	294,194	(49,594)	244,600
Cash and Cash Equivalents at Beginning of Year	817,443	317,426	1,134,869
Cash and Cash Equivalents at End of Year	\$1,111,637	\$267,832	\$1,379,469
<u>Reconciliation of Cash and Cash Equivalents</u>			
<u>per the Statement of Net Assets:</u>			
Cash and Cash Equivalents	\$401,360	\$267,832	\$669,192
Restricted Cash with Fiscal Agent	710,277	0	710,277
Cash and Cash Equivalents at End of Year	\$1,111,637	\$267,832	\$1,379,469
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$290,154	\$148,236	\$438,390
Adjustments to Reconcile Operating Income to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	889,446	374,770	1,264,216
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	33,604	55,979	89,583
Increase in Inventory	(13,749)	(3,634)	(17,383)
Decrease in Prepaid Items	2,672	6,060	8,732
Increase in Accounts Payable	1,925	13,256	15,181
Increase in Accrued Wages and Benefits	15,583	14,778	30,361
Increase (Decrease) in Contracts Payable	(41,570)	55,727	14,157
Decrease in Compensated Absences	(835)	(12,740)	(13,575)
Total Adjustments	887,076	504,196	1,391,272
Net Cash Provided by Operating Activities	\$1,177,230	\$652,432	\$1,829,662

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2005 the Water and Sewer Funds had outstanding liabilities of \$12,810 and \$2,507 respectively for certain capital assets.

See accompanying notes to the basic financial statements

CITY OF MOUNT VERNON, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2005***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 92,510
Total Assets	<u>\$ 92,510</u>
Liabilities:	
Intergovernmental Payable	\$ 25,276
Due to Others	<u>67,234</u>
Total Liabilities	<u>\$ 92,510</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mount Vernon, Ohio (the "City") was incorporated on February 22, 1830 under the laws of the State of Ohio. The City operates under the general statutory form of government.

The financial statements are presented as of December 31, 2005 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* 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. The reporting entity of the City includes the following services: police and fire protection, emergency medical, parks, recreation, cemetery, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds.

The City, in conjunction with Knox County, the six villages and the twenty-two townships within Knox County, have created the Knox County Emergency Management Agency (EMA). The EMA is a jointly governed organization whose board is composed of seven members, one county commissioner, five chief executive officers representing municipal corporations or townships and one non-elected representative. The agency was organized to coordinate all civil defense functions within the county to insure the most effective use of resources during an emergency. The City appropriated \$6,000 for operations of the EMA for 2005.

Mid Ohio Transit Authority (MOTA) is a jointly governed organization whose board is composed of four members; one county commissioner, one township representative, and one representative from the City. These three members collectively appoint one non-elected representative from within the county. MOTA was organized to provide public transportation for the entire county.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The City did not appoint a majority of the members of the Board, nor is the City accountable for any operating deficits of MOTA. The MOTA Board is responsible for the fiscal operation of MOTA. The City appropriated \$15,000 for an operating grant to MOTA for 2005.

The Knox County General Health District as a combined agency was created in 1983 as provided in Section 3709.07 of the Ohio Revised Code. The jointly governed organization's board is composed of nine members; six members from the townships and villages, and three members from the City. The combined Knox County General Health District was organized to provide public health services as required by the Ohio Revised Code and the Ohio Administrative Code, and such other services as are duly authorized or required by regulations of the District and can be furnished within the financial resources available to the District.

The combined Knox County General Health District Board is responsible for the fiscal operations of the District. Under a contractual arrangement, the District sets the amount the City shall contribute on an annual basis. The remaining funding necessary for the District shall be apportioned by the County Auditor on the basis of taxable valuations among each township and village. Any fees charged for services by the District shall be placed in the District Health Fund. The City appropriated \$42,436 for operations of the combined District for 2005.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

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 balance, net assets, revenues and expenditures or expenses. The following fund types are used by the City:

Governmental Funds

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

Agency Funds - These funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations or other governmental units. The agency funds account for municipal court collections that are distributed to various local governments, bond and inspection collections are funds on deposit as required by City ordinance for subdivision construction, and insurance trust funds are for insurance funds on deposit to ensure the clean up of damaged property. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

Property taxes measurable as of December 31, 2005 but which are not intended to finance 2005 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

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

For governmental activities and proprietary funds, the City applies Financial Accounting Standards Board (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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the general fund and major special revenue funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by an ordinance of the City Council.

1. Tax Budget

By July 15, the Mayor 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 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificates of estimated resources is amended to include any unencumbered fund balances from the preceding year, and are reported as original budget amounts on the budgetary statements. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the final budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The original appropriation budget ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. During the year, several supplemental appropriations were necessary to budget the use of contingency funds.

Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual " are provided on the budgetary basis to provide a comparison of actual results to the original and the final budgets. The final budget includes all amendments and modifications.

4. Encumbrances

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

5. Lapsing of Appropriations

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than 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 a 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. The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$253,313
Increase (Decrease):	
Accrued Revenues at December 31, 2005 received during 2006	(1,602,690)
Accrued Revenues at December 31, 2004 received during 2005	1,646,681
Accrued Expenditures at December 31, 2005 paid during 2006	495,619
Accrued Expenditures at December 31, 2004 paid during 2005	(361,962)
2004 Prepays for 2005	89,403
2005 Prepays for 2006	(6,244)
Adjustment to Fair Value	9,555
Outstanding Encumbrances	<u>(378,616)</u>
Budget Basis	<u><u>\$145,059</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Assets Reserve (STAR Ohio), and certificates of deposit and investments with original maturities of less than three months. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value. Federal securities consist of Federal National Mortgage Association, Federal Home Loan Mortgage and Federal Home Loan Bank securities. Fair value is determined by quoted market prices, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. All investment income, including changes in the fair value of investments are recognized as revenue in the operating statements. The City allocates interest among the various funds based upon state statutes and city legislation. See Note 3, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the 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, 2005.

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds and on the statement of net assets. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the enterprise funds and on a government-wide basis when used.

I. Prepaid Items

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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 \$1,000.

1. Capital Assets - 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.

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

2. Capital Assets – Business Type Activities

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

3. Depreciation

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

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	15 - 50
Improvements other than Buildings	25-65
Infrastructure and Utility Structures in Service	15-100
Machinery and Equipment	5 - 20

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Bond Retirement Fund Water Fund Sewer Fund
Mortgage Revenue Bonds	Water Fund
Ohio Public Works Loan	General Bond Retirement Fund
Police and Fire Pension Accrued Liability	General Fund
Compensated Absences	General Fund Water Fund Sewer Fund

L. Compensated Absences

City employees earn vacation at varying rates based upon length of service. A maximum of three weeks of vacation time may be carried over beyond the anniversary date subject to the approval of the department head. Upon separation from the City, the employee (or his estate) is paid for the accumulated unused vacation leave balance.

Sick leave is accrued by employees at the rate of 5 hours for every eighty hours worked. Upon separation from the City, after 10 years of service, 40 hour employees are paid 50% of accumulated sick leave up to a maximum of 480 hours and 48 hour employees up to a maximum of 617 hours. After 20 years of service, 40 hour employees are paid up to a maximum of 720 hours and 48 hour employees up to a maximum of 864 hours. Upon retirement the maximum payments are 1,080 hours with ten or more years of service for 40 hour employees in the police department, 1,200 hours with ten or more years of service for all other 40 hour employees and 1,296 hours for 48 hour employees with ten or more years of service.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

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

Compensated absences accumulated by employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are 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 noncurrent portion of the liability is not reported.

Compensated absences are expensed in the Water and Sewer Enterprise Funds when earned and the related liability is reported within the fund.

M. 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 or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, federal grants for security of persons and property and mandatory fines for various court programs.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

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

O. Interfund Transactions

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

P. Reservations of Fund Balance

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

Q. Restricted Assets

Certain assets are classified as restricted cash on the statement of net assets and the balance sheet because these funds are being held by Knox County for permissive tax, or a trustee as designated by a bond indenture, or in a trustee capacity for perpetual care.

R. 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 and wastewater collection and treatment. 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.

S. Bond Issuance Costs

In governmental fund types, bond issuance costs are recognized in the current period. Bond issuance costs in the government-wide financial statements and proprietary fund types are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 2 –ACCOUNTING CHANGE AND RESTATEMENT OF NET ASSETS

A. Restatement of Net Assets

In 2005, the City reported its infrastructure capital assets retrospectively. The retrospective reporting of infrastructure resulted in the restatement of the net assets at December 31, 2004 for governmental activities as follows:

	<u>Governmental Activities</u>
Net Assets at December 31, 2004	\$12,857,554
Retroactive reporting of infrastructure	<u>23,935,579</u>
Restated Net Assets at December 31, 2004	<u><u>\$36,793,133</u></u>

B. Change in Accounting Principle

The City has implemented GASB Statement No. 40, *Deposits and Investment Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*. Implementation of this GASB had no impact on the City's financial position or results of operation.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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 "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 no later than the end of the current period of designation of depositories.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category 3 consists of "interim" funds - those funds not needed for immediate use but 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.

CITY OF MOUNT VERNON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$5,906,699 and the bank balance \$6,106,961. The Federal Deposit Insurance Corporation (FDIC) covered \$300,000 of the bank balance. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC. 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	<u>\$5,806,961</u>
Total Balance	<u><u>\$5,806,961</u></u>

B. Investments

The City's investments at December 31, 2005 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
STAR Ohio	\$1,562,320	AAA ¹	\$1,562,320	\$0	\$0
Federal National Mortgage Association (a)	199,438	AAA ¹ , Aaa ²	0	199,438	0
Federal Home Loan Mortgage (a)	1,368,225	AAA ¹ , Aaa ²	0	1,127,396	240,830
Federal Home Loan Bank (a)	<u>793,360</u>	<u>AAA¹, Aaa²</u>	<u>0</u>	<u>793,360</u>	<u>0</u>
Total Investments	<u><u>\$3,923,343</u></u>		<u><u>\$1,562,320</u></u>	<u><u>\$2,120,194</u></u>	<u><u>\$240,830</u></u>

¹ Standard & Poor's

² Moody's Investor Service

^a Call Options – Callable anytime at par value.

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

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, 39.8% are STAR Ohio, 5.1% are FNMA, 20.2% are FHLB, and 34.9% are FHLM.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The above investments are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the City's name. The City has no deposit policy in regards to custodial credit risk beyond the requirements in the state statute.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Cash with Fiscal Agents

In addition to deposits and investments, the City has uninsured and uncollateralized cash in the amount of \$40,569 being held by Knox County and the City had cash with fiscal agents in the amount of \$710,277 for bond reserve accounts, of which \$100,000 was insured by the FDIC and the remaining deposits were uninsured and uncollateralized.

D. 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. STAR Ohio is treated as a cash equivalent. 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 GASB Statement No. 9	\$3,469,019	\$6,361,023
Certificates of Deposit (with maturities of more than 3 months)	4,000,000	(4,000,000)
Investments:		
STAR Ohio	(1,562,320)	1,562,320
Per GASB Statement No. 3	<u>\$5,906,699</u>	<u>\$3,923,343</u>

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 31; 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 payable by September 20.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Mount Vernon. 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, 2005 was \$3.20 per \$1,000 of assessed value. The 2005 assessed value was \$296,485,180. This amount constitutes \$225,625,110 in real property assessed value, \$7,400,430 in public utility assessed value and \$63,459,640 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .320% (3.20 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of up to 1% of the tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, accounts, interest, and intergovernmental receivables. All receivables are collectible in full and within one year except for allowance for doubtful accounts related to billings for proprietary funds.

CITY OF MOUNT VERNON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 6 - TRANSFERS

Following is a summary of Transfers in and out for all funds for 2005:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$1,227,969
General Bond Retirement Fund	310,145	0
Capital Improvement Fund	837,000	0
Other Governmental Funds	372,531	291,707
Total Governmental Funds	<u>\$1,519,676</u>	<u>\$1,519,676</u>

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

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets as of December 31, 2005:

Class	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Historical Cost:				
<i>Capital assets not being depreciated:</i>				
Land	\$9,512,270	\$0	\$0	\$9,512,270
Construction in Progress	43,731	67,284	0	111,015
Subtotal	<u>9,556,001</u>	<u>67,284</u>	<u>0</u>	<u>9,623,285</u>
<i>Capital assets being depreciated:</i>				
Buildings	6,430,351	27,650	0	6,458,001
Improvements Other than Buildings	544,774	0	0	544,774
Infrastructure	28,704,437	2,114,315	(245,735)	30,573,017
Machinery and Equipment	4,858,121	165,148	(121,979)	4,901,290
Subtotal	<u>40,537,683</u>	<u>2,307,113</u>	<u>(367,714)</u>	<u>42,477,082</u>
Total Cost	<u>\$50,093,684</u>	<u>\$2,374,397</u>	<u>(\$367,714)</u>	<u>\$52,100,367</u>
Accumulated Depreciation:				
Class	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$2,959,883)	(\$179,231)	\$0	(\$3,139,114)
Improvements	(459,406)	(5,308)	0	(464,714)
Infrastructure	(7,854,772)	(1,211,779)	0	(9,066,551)
Machinery and Equipment	(3,615,221)	(355,609)	117,180	(3,853,650)
Total Depreciation	<u>(\$14,889,282)</u>	<u>(\$1,751,927) *</u>	<u>\$117,180</u>	<u>(\$16,524,029)</u>
Net Value:	<u>\$35,204,402</u>			<u>\$35,576,338</u>

CITY OF MOUNT VERNON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 7 – CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$271,893
Leisure Time Activities	40,845
Public Health & Welfare	15,474
Transportation	1,283,239
General Government	140,476
Total Depreciation Expense	<u>\$1,751,927</u>

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets as of December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Capital assets not being depreciated:				
Land	\$894,311	\$0	\$0	\$894,311
Construction in Progress	155,608	1,122,395	0	1,278,003
Subtotal	1,049,919	1,122,395	0	2,172,314
Capital assets being depreciated:				
Buildings	21,344,984	4,030	0	21,349,014
Utility Structures in Service	22,136,434	16,143	0	22,152,577
Machinery and Equipment	3,051,214	69,813	(17,843)	3,103,184
Subtotal	46,532,632	89,986	(17,843)	46,604,775
Total Cost	<u>\$47,582,551</u>	<u>\$1,212,381</u>	<u>(\$17,843)</u>	<u>\$48,777,089</u>

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$4,760,833)	(\$810,305)	\$0	(\$5,571,138)
Utility Structures in Service	(10,023,651)	(335,206)	0	(10,358,857)
Machinery and Equipment	(2,511,498)	(118,705)	5,689	(2,624,514)
Total Depreciation	<u>(\$17,295,982)</u>	<u>(\$1,264,216)</u>	<u>\$5,689</u>	<u>(\$18,554,509)</u>
Net Value:	<u>\$30,286,569</u>			<u>\$30,222,580</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 8 - DEFINED BENEFIT PENSION PLANS AND POSTEMPLOYMENT BENEFITS

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

A. Ohio Public Employees Retirement System (the "Ohio PERS")

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% 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, 2005, 2004, and 2003 were \$548,587, \$511,221 and \$527,405, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 8 – DEFINED BENEFIT PENSION PLANS AND POSTEMPLOYMENT BENEFITS
(Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$161,945.

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, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of 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. The investment assumption rate for 2004 was 8.0%. 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 1% to 6% 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 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 8 – DEFINED BENEFIT PENSION PLANS AND POSTEMPLOYMENT BENEFITS
(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, 2005, 2004, and 2003 were \$225,062, \$213,822 and \$206,850 for police and \$359,027, \$326,342 and \$325,848 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 2005 covered payroll that was used to fund postemployment health care benefits was \$89,448 representing 7.75% of covered payroll for police and \$115,936 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 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, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

CITY OF MOUNT VERNON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 9 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2005 were as follows:

		Balance December 31, 2004	Additions	(Reductions)	Balance December 31, 2005	Amounts Due Within One Year
Business-Type Activities:						
Mortgage Revenue Bonds:						
3.00 - 4.75% Water	1999	\$6,505,000	\$0	(\$350,000)	\$6,155,000	\$365,000
General Obligation Bonds:						
6.525% Waterworks	1997	6,960,000	0	(365,000)	6,595,000	380,000
2.00 - 4.200% Wastewater Improvements	2003	2,009,997	0	(113,100)	1,896,897	116,000
2.00 - 4.200% Wastewater-Refunding 1992	2003	1,424,158	0	(81,900)	1,342,258	84,000
2.00 - 4.200% Water-Building Project	2003	115,740	0	(5,850)	109,890	6,000
2.00 - 4.200% Wastewater-Building Project	2003	115,740	0	(5,850)	109,890	6,000
Total General Obligation Bonds Payable		10,625,635	0	(571,700)	10,053,935	592,000
Compensated Absences		246,066	202,807	(216,382)	232,491	67,670
Total Business-Type Activities		\$17,376,701	\$202,807	(\$1,138,082)	\$16,441,426	\$1,024,670
Governmental Activities:						
General Obligation Bond:						
2.00 - 4.200% Building Project	2003	\$230,095	\$0	(\$11,700)	\$218,395	\$12,000
2.00 - 4.200% Highway Project	2003	3,009,270	0	(171,600)	2,837,670	176,000
Total General Obligation Bonds Payable		3,239,365	0	(183,300)	3,056,065	188,000
Ohio Public Works Commission Loan Payable	2003	414,375	0	(21,250)	393,125	21,250
Compensated Absences		726,820	1,201,426	(1,227,036)	701,210	226,034
Police and Firemen's Pension Accrued Liability		473,656	0	(7,827)	465,829	8,163
Total Governmental Activities		\$4,854,216	\$1,201,426	(\$1,439,413)	\$4,616,229	\$443,447

A. Police and Firemen's Pension Fund

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2005 was \$821,044 in principal and interest payments through the year 2035.

CITY OF MOUNT VERNON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 9 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

B. Principal and Interest Requirements

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

Business-type Activities:

Years	General Obligation Bonds		Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$592,000	\$437,830	\$365,000	\$270,857
2007	607,000	416,490	380,000	256,622
2008	634,950	394,171	395,000	241,612
2009	660,250	370,010	410,000	225,615
2010	685,550	343,475	430,000	208,600
2011-2015	3,585,200	1,261,455	2,430,000	747,814
2016-2020	2,857,035	402,250	1,745,000	167,252
2021-2024	431,950	27,168	0	0
Totals	<u>\$10,053,935</u>	<u>\$3,652,849</u>	<u>\$6,155,000</u>	<u>\$2,118,372</u>

Governmental Activities:

Years	General Obligation Bonds		Police/Fire Pension Liability		Ohio Public Works Commission Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$188,000	\$101,931	\$8,163	\$19,712	\$21,250	\$0
2007	188,000	98,171	8,513	19,362	21,250	0
2008	195,050	94,317	8,879	18,996	21,250	0
2009	199,750	89,636	9,261	18,614	21,250	0
2010	204,450	84,043	9,658	18,216	21,250	0
2011-2015	864,800	325,430	54,879	84,491	106,250	0
2016-2020	832,965	180,828	67,722	71,648	106,250	0
2021-2025	383,050	24,092	83,573	55,800	74,375	0
2026-2030	0	0	103,129	36,242	0	0
2031-2035	0	0	112,052	12,134	0	0
Totals	<u>\$3,056,065</u>	<u>\$998,448</u>	<u>\$465,829</u>	<u>\$355,215</u>	<u>\$393,125</u>	<u>\$0</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 10 – COMPENSATED ABSENCES

The City provides a liability for accumulated unpaid sick leave, vacation and compensatory time benefits when earned by employees. Accrued employee benefits for Governmental Funds not currently due and payable at year end are recorded as Long-Term Obligations in the government-wide statements. At December 31, 2005, the total accumulated unpaid sick, vacation and compensatory time recorded was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	51,371	\$475,176
Vacation	10,549	186,500
Compensatory Time	<u>2,222</u>	<u>39,534</u>
Total	<u>64,142</u>	<u>\$701,210</u>

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2005 the City contracted with two insurance providers for various insurance coverages as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Claredon National Insurance Company	General Liability	\$0
Great American Insurance Company of New York	Valuable Paper, Equipment Floater, EDP, Boiler and Machinery	\$1,000
Claredon National Insurance Company	Automobile	\$500 Comprehensive, \$500-Collision
Claredon National Insurance Company	Law Enforcement Liability	\$25,000
Claredon National Insurance Company	Employee Blanket Coverage	\$250
Claredon National Insurance Company	Public Officials Liability	\$25,000

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.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 12 - CONSTRUCTION COMMITMENTS

As of December 31, 2005, the City had the following commitments with respect to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Lab Administration Building	\$63,402	June 30, 2006
Newark Road Water Line Improvement	\$81,227	June 15, 2006

NOTE 13 - CONTINGENCIES

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

NOTE 14 – SUBSEQUENT EVENTS

On March 23, 2006, the City issued \$3,200,000 Bond Anticipated Notes, Series 2006. The BANs were issued to finance the cost of improving the wastewater treatment plant by acquiring, constructing and installing influent screenings, aeration facilities and a new roof, together with all necessary appurtenances. The City entered into contract for these improvements on April 5, 2006. Final completion of the project is estimated to be July 29, 2007.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

To account for state-levied and controlled gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

State Highway Improvement Fund

To account for the portion of the state gasoline tax and motor vehicle registration fees designated for maintenance and repair of state highways within the City.

Permissive Auto License Tax Fund

To account for county-levied motor vehicle registration fees designated for maintenance and repair of roads within the City.

Cemetery Fund

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

Park Development Fund

To account for the operation and maintenance of public recreational facilities.

Community Development Block Grant Fund

To account for federal grants designated for community environment improvements.

Parking Fund

To account for revenues received from the City's parking garage.

Law Enforcement Trust Fund

To account for the proceeds from the confiscation of contraband.

Drug Enforcement Trust Fund

To account for mandatory fines collected for drug offenses.

Permissive License Registration Fund

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

(Continued)

Special Revenue Funds

Indigent Drivers Alcohol Treatment Fund

To account for revenues derived from fines levied by the courts to be used for treatment of persons with alcohol related problems.

DUI - Enforcement and Education Fund

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

Court Computerization Fund

To account for revenues from fines to be used for computers and for updating computerized court functions.

Probation Services Fund

To account for revenues from offenders placed on probation and designated for probation related expenses or reconciliation programs for offenders and victims.

Federal Emergency Management Agency (FEMA) Fund

To account for Federal Emergency Management Agency funds received as reimbursement for winter clean up by the Street Department. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Police Pension Fund

To account for .3 mills of property taxes for the partial payment of the current and accrued liability for police disability and pension.

Fire Pension Fund

To account for .3 mills of property taxes for the partial payment of the current and accrued liability for fire disability and pension.

Mausoleum Fund

To account for funds on deposit used for the purpose of upkeep, repair and maintenance of the mausoleum.

Veterans Honor Walkway Fund

To account for funds on deposit used for the purpose of upkeep, repair and maintenance of the Veterans Walk of Honor and the Civil War monument located on the city square.

Capital Projects Funds

The Capital Projects Fund is used to account for the financial resources used for the acquisition or construction of major capital facilities other than that financed by proprietary or trust funds.

TIF District-Coshocton Road Fund

To account for financial resources used for the improvements within the described boundaries of the Coshocton Road area. The TIF (tax increment financing) district will expire in January 2024 due to the twenty-five year maximum lifetime.

Baltimore and Ohio (B&O) Railroad Depot Fund

To account for financial resources used for the acquisition and improvements of a 1907 historical railroad depot station. The improvements are being funded by public contributions and potential future historical preservation grants. The site will provide space for community activities or additional governmental operations.

Permanent Fund

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.

Perpetual Care Fund

To account for funds on deposit used for the purpose of upkeep, repair and maintenance of the cemetery.

CITY OF MOUNT VERNON, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,054,802	\$ 372,450	\$ 0	\$ 1,427,252
Receivables:				
Taxes	358,719	660,197	0	1,018,916
Accounts	2,596	0	4,837	7,433
Intergovernmental	1,314,147	0	0	1,314,147
Inventory of Supplies	12,269	0	0	12,269
Prepaid Items	2,402	0	0	2,402
Restricted Assets:				
Cash and Cash Equivalents	0	0	313,431	313,431
Cash and Cash Equivalents with Fiscal Agent	40,569	0	0	40,569
Total Assets	\$ 2,785,504	\$ 1,032,647	\$ 318,268	\$ 4,136,419
Liabilities:				
Accounts Payable	\$ 27,817	\$ 3,358	\$ 0	\$ 31,175
Accrued Wages and Benefits Payable	192,721	0	0	192,721
Deferred Revenue	1,473,383	660,197	0	2,133,580
Total Liabilities	1,693,921	663,555	0	2,357,476
Fund Balances:				
Reserved for Encumbrances	252,196	0	0	252,196
Reserved for Prepaid Items	2,402	0	0	2,402
Reserved for Supplies Inventory	12,269	0	0	12,269
Reserved for Endowments	0	0	318,268	318,268
Undesignated/Unreserved				
Special Revenue Funds	824,716	0	0	824,716
Capital Projects Funds	0	369,092	0	369,092
Total Fund Balances	1,091,583	369,092	318,268	1,778,943
Total Liabilities and Fund Balances	\$ 2,785,504	\$ 1,032,647	\$ 318,268	\$ 4,136,419

CITY OF MOUNT VERNON, OHIO

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 616,518	\$ 566,671	\$ 0	\$ 1,183,189
Intergovernmental Revenues	1,284,571	63,220	0	1,347,791
Charges for Services	64,494	0	0	64,494
Licenses and Permits	3,229	0	0	3,229
Investment Earnings	10,077	0	0	10,077
Fines and Forfeitures	71,399	0	0	71,399
All Other Revenue	14,298	57,600	9,334	81,232
Total Revenue	2,064,586	687,491	9,334	2,761,411
Expenditures:				
Current:				
Security of Persons and Property	581,555	0	0	581,555
Public Health and Welfare Services	266,318	0	0	266,318
Leisure Time Activities	843	0	0	843
Community Environment	431,296	0	0	431,296
Transportation	927,211	172,234	0	1,099,445
General Government	87,956	32,737	0	120,693
Total Expenditures	2,295,179	204,971	0	2,500,150
Excess (Deficiency) of Revenues Over Expenditures	(230,593)	482,520	9,334	261,261
Other Financing Sources (Uses):				
Transfers In	372,531	0	0	372,531
Transfers Out	0	(291,707)	0	(291,707)
Total Other Financing Sources (Uses)	372,531	(291,707)	0	80,824
Net Change in Fund Balances	141,938	190,813	9,334	342,085
Fund Balances at Beginning of Year	948,016	178,279	308,934	1,435,229
Increase in Inventory Reserve	1,629	0	0	1,629
Fund Balances End of Year	\$ 1,091,583	\$ 369,092	\$ 318,268	\$ 1,778,943

CITY OF MOUNT VERNON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Street Construction, Maintenance and Repair	State Highway Improvement	Permissive Auto License Tax	Cemetery
Assets:				
Cash and Cash Equivalents	\$ 209,480	\$ 88,956	\$ 17,812	\$ 71,543
Receivables:				
Taxes	43,218	0	0	57,623
Accounts	0	0	0	2,596
Intergovernmental	312,662	25,351	0	0
Inventory of Supplies	11,726	0	0	543
Prepaid Items	0	0	0	50
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	40,569	0
Total Assets	<u>\$ 577,086</u>	<u>\$ 114,307</u>	<u>\$ 58,381</u>	<u>\$ 132,355</u>
Liabilities:				
Accounts Payable	\$ 3,939	\$ 2,281	\$ 0	\$ 2,534
Accrued Wages and Benefits Payable	30,822	0	0	11,744
Deferred Revenue	223,195	16,901	40,569	19,671
Total Liabilities	<u>257,956</u>	<u>19,182</u>	<u>40,569</u>	<u>33,949</u>
Fund Balances:				
Reserved for Encumbrances	16,368	269	0	9,074
Reserved for Prepaid Items	0	0	0	50
Reserved for Supplies Inventory	11,726	0	0	543
Unreserved, Undesignated in:				
Special Revenue Funds	291,036	94,856	17,812	88,739
Total Fund Balances	<u>319,130</u>	<u>95,125</u>	<u>17,812</u>	<u>98,406</u>
Total Liabilities and Fund Balances	<u>\$ 577,086</u>	<u>\$ 114,307</u>	<u>\$ 58,381</u>	<u>\$ 132,355</u>

CITY OF MOUNT VERNON, OHIO

<u>Park Development</u>	<u>Community Development Block Grant</u>	<u>Parking</u>	<u>Law Enforcement Trust</u>	<u>Drug Enforcement Trust</u>	<u>Permissive License Registration</u>
\$ 87,437	\$ 63,563	\$ 11,867	\$ 5,093	\$ 1,072	\$ 65,980
0	0	0	0	0	0
0	0	0	0	0	0
0	953,841	0	0	0	16,289
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 87,437</u>	<u>\$ 1,017,404</u>	<u>\$ 11,867</u>	<u>\$ 5,093</u>	<u>\$ 1,072</u>	<u>\$ 82,269</u>
\$ 0	\$ 0	\$ 670	\$ 0	\$ 0	\$ 15,885
0	0	0	0	0	0
0	928,141	0	0	0	0
<u>0</u>	<u>928,141</u>	<u>670</u>	<u>0</u>	<u>0</u>	<u>15,885</u>
0	55,875	80	0	0	5,313
0	0	0	0	0	0
0	0	0	0	0	0
<u>87,437</u>	<u>33,388</u>	<u>11,117</u>	<u>5,093</u>	<u>1,072</u>	<u>61,071</u>
<u>87,437</u>	<u>89,263</u>	<u>11,197</u>	<u>5,093</u>	<u>1,072</u>	<u>66,384</u>
<u>\$ 87,437</u>	<u>\$ 1,017,404</u>	<u>\$ 11,867</u>	<u>\$ 5,093</u>	<u>\$ 1,072</u>	<u>\$ 82,269</u>

(Continued)

CITY OF MOUNT VERNON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Indigent Drivers Alcohol Treatment	DUI Enforcement and Education	Court Computerization	Probation Services
Assets:				
Cash and Cash Equivalents	\$ 2,700	\$ 31,611	\$ 44,152	\$ 10,692
Receivables:				
Taxes	0	0	0	0
Accounts	0	0	0	0
Intergovernmental	0	0	0	0
Inventory of Supplies	0	0	0	0
Prepaid Items	0	0	2,352	0
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Total Assets	<u>\$ 2,700</u>	<u>\$ 31,611</u>	<u>\$ 46,504</u>	<u>\$ 10,692</u>
Liabilities:				
Accounts Payable	\$ 2,045	\$ 0	\$ 50	\$ 413
Accrued Wages and Benefits Payable	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	<u>2,045</u>	<u>0</u>	<u>50</u>	<u>413</u>
Fund Balances:				
Reserved for Encumbrances	0	0	21,000	37
Reserved for Prepaid Items	0	0	2,352	0
Reserved for Supplies Inventory	0	0	0	0
Unreserved, Undesignated in:				
Special Revenue Funds	655	31,611	23,102	10,242
Total Fund Balances	<u>655</u>	<u>31,611</u>	<u>46,454</u>	<u>10,279</u>
Total Liabilities and Fund Balances	<u>\$ 2,700</u>	<u>\$ 31,611</u>	<u>\$ 46,504</u>	<u>\$ 10,692</u>

CITY OF MOUNT VERNON, OHIO

<u>Police Pension</u>	<u>Fire Pension</u>	<u>Mausoleum</u>	<u>Veterans Honor Walkway</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 104,654	\$ 168,367	\$ 4,195	\$ 65,628	\$ 1,054,802
128,939	128,939	0	0	358,719
0	0	0	0	2,596
3,002	3,002	0	0	1,314,147
0	0	0	0	12,269
0	0	0	0	2,402
0	0	0	0	40,569
<u>\$ 236,595</u>	<u>\$ 300,308</u>	<u>\$ 4,195</u>	<u>\$ 65,628</u>	<u>\$ 2,785,504</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,817
59,549	90,606	0	0	192,721
122,453	122,453	0	0	1,473,383
<u>182,002</u>	<u>213,059</u>	<u>0</u>	<u>0</u>	<u>1,693,921</u>
59,600	84,550	0	30	252,196
0	0	0	0	2,402
0	0	0	0	12,269
(5,007)	2,699	4,195	65,598	824,716
<u>54,593</u>	<u>87,249</u>	<u>4,195</u>	<u>65,628</u>	<u>1,091,583</u>
<u>\$ 236,595</u>	<u>\$ 300,308</u>	<u>\$ 4,195</u>	<u>\$ 65,628</u>	<u>\$ 2,785,504</u>

CITY OF MOUNT VERNON, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	Street Construction, Maintenance and Repair	State Highway Improvement	Permissive Auto License Tax	Cemetery
Revenues:				
Taxes	\$ 148,147	\$ 0	\$ 0	\$ 197,529
Intergovernmental Revenues	571,017	46,298	49,618	0
Charges for Services	0	0	0	49,417
Licenses and Permits	2,254	0	0	0
Investment Earnings	396	198	0	9,185
Fines and Forfeitures	0	0	0	0
All Other Revenue	9,324	0	0	0
Total Revenue	731,138	46,496	49,618	256,131
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	0	0	0	266,318
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	646,658	35,700	121,279	0
General Government	0	0	0	0
Total Expenditures	646,658	35,700	121,279	266,318
Excess (Deficiency) of Revenues Over Expenditures	84,480	10,796	(71,661)	(10,187)
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	84,480	10,796	(71,661)	(10,187)
Fund Balances at Beginning of Year	233,232	84,329	89,473	108,382
Increase in Inventory Reserve	1,418	0	0	211
Fund Balances End of Year	\$ 319,130	\$ 95,125	\$ 17,812	\$ 98,406

CITY OF MOUNT VERNON, OHIO

Park Development	Community Development Block Grant	Parking	Law Enforcement Trust	Drug Enforcement Trust	Permissive License Registration
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	497,356	0	0	0	103,459
4,531	0	206	0	0	0
0	0	975	0	0	0
0	16	0	0	0	0
0	0	1,696	705	1,075	0
0	4,792	0	0	0	0
<u>4,531</u>	<u>502,164</u>	<u>2,877</u>	<u>705</u>	<u>1,075</u>	<u>103,459</u>
0	0	18,256	556	247	0
0	0	0	0	0	0
0	0	0	0	0	0
0	431,296	0	0	0	0
0	0	0	0	0	123,574
0	0	0	0	0	0
<u>0</u>	<u>431,296</u>	<u>18,256</u>	<u>556</u>	<u>247</u>	<u>123,574</u>
4,531	70,868	(15,379)	149	828	(20,115)
<u>4,531</u>	<u>0</u>	<u>23,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>4,531</u>	<u>0</u>	<u>23,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
9,062	70,868	7,621	149	828	(20,115)
78,375	18,395	3,576	4,944	244	86,499
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 87,437</u>	<u>\$ 89,263</u>	<u>\$ 11,197</u>	<u>\$ 5,093</u>	<u>\$ 1,072</u>	<u>\$ 66,384</u>

(Continued)

CITY OF MOUNT VERNON, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	Indigent Drivers Alcohol Treatment	DUI Enforcement and Education	Court Computerization	Probation Services
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	8,400
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	16,932	2,182	48,809	0
All Other Revenue	0	0	0	0
Total Revenue	<u>16,932</u>	<u>2,182</u>	<u>48,809</u>	<u>8,400</u>
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	0	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	16,923	0	60,644	3,986
Total Expenditures	<u>16,923</u>	<u>0</u>	<u>60,644</u>	<u>3,986</u>
Excess (Deficiency) of Revenues Over Expenditures	9	2,182	(11,835)	4,414
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	9	2,182	(11,835)	4,414
Fund Balances at Beginning of Year	646	29,429	58,289	5,865
Increase in Inventory Reserve	0	0	0	0
Fund Balances End of Year	<u>\$ 655</u>	<u>\$ 31,611</u>	<u>\$ 46,454</u>	<u>\$ 10,279</u>

CITY OF MOUNT VERNON, OHIO

FEMA	Police Pension	Fire Pension	Mausoleum	Veterans Honor Walkway	Total Nonmajor Special Revenue Funds
\$ 0	\$ 135,421	\$ 135,421	\$ 0	\$ 0	\$ 616,518
1,541	7,641	7,641	0	0	1,284,571
0	0	0	0	1,940	64,494
0	0	0	0	0	3,229
0	0	0	123	159	10,077
0	0	0	0	0	71,399
0	182	0	0	0	14,298
<u>1,541</u>	<u>143,244</u>	<u>143,062</u>	<u>123</u>	<u>2,099</u>	<u>2,064,586</u>
0	217,357	345,139	0	0	581,555
0	0	0	0	0	266,318
0	0	0	0	843	843
0	0	0	0	0	431,296
0	0	0	0	0	927,211
1,541	2,431	2,431	0	0	87,956
<u>1,541</u>	<u>219,788</u>	<u>347,570</u>	<u>0</u>	<u>843</u>	<u>2,295,179</u>
0	(76,544)	(204,508)	123	1,256	(230,593)
<u>0</u>	<u>95,000</u>	<u>250,000</u>	<u>0</u>	<u>0</u>	<u>372,531</u>
<u>0</u>	<u>95,000</u>	<u>250,000</u>	<u>0</u>	<u>0</u>	<u>372,531</u>
0	18,456	45,492	123	1,256	141,938
0	36,137	41,757	4,072	64,372	948,016
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,629</u>
<u>\$ 0</u>	<u>\$ 54,593</u>	<u>\$ 87,249</u>	<u>\$ 4,195</u>	<u>\$ 65,628</u>	<u>\$ 1,091,583</u>

CITY OF MOUNT VERNON, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005**

	TIF District- Coshocton Road	B&O Railroad Depot	Total Nonmajor Capital Projects Funds
Assets:			
Cash and Cash Equivalents	\$ 302,517	\$ 69,933	\$ 372,450
Receivables:			
Taxes	660,197	0	660,197
Total Assets	<u>\$ 962,714</u>	<u>\$ 69,933</u>	<u>\$ 1,032,647</u>
Liabilities:			
Accounts Payable	\$ 0	\$ 3,358	\$ 3,358
Deferred Revenue	660,197	0	660,197
Total Liabilities	<u>660,197</u>	<u>3,358</u>	<u>663,555</u>
Fund Balances:			
Unreserved, Undesignated in:			
Capital Projects Funds	302,517	66,575	369,092
Total Fund Balances	<u>302,517</u>	<u>66,575</u>	<u>369,092</u>
Total Liabilities and Fund Balances	<u>\$ 962,714</u>	<u>\$ 69,933</u>	<u>\$ 1,032,647</u>

CITY OF MOUNT VERNON, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	TIF District- Coshocton Road	B&O Railroad Depot	Total Nonmajor Capital Project Funds
Revenues:			
Taxes	\$ 566,671	\$ 0	\$ 566,671
Intergovernmental Revenues	63,220	0	63,220
All Other Revenue	0	57,600	57,600
Total Revenue	629,891	57,600	687,491
Expenditures:			
Current:			
Transportation	172,234	0	172,234
General Government	0	32,737	32,737
Total Expenditures	172,234	32,737	204,971
Excess (Deficiency) of Revenues Over Expenditures	457,657	24,863	482,520
Other Financing Sources (Uses):			
Transfers Out	(291,707)	0	(291,707)
Total Other Financing Sources (Uses)	(291,707)	0	(291,707)
Net Change in Fund Balances	165,950	24,863	190,813
Fund Balances at Beginning of Year	136,567	41,712	178,279
Fund Balances End of Year	\$ 302,517	\$ 66,575	\$ 369,092

CITY OF MOUNT VERNON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 683,200	\$ 683,200	\$ 742,103	\$ 58,903
Municipal Income Tax	5,888,895	6,725,895	6,871,207	145,312
Total Tax Revenues	<u>6,572,095</u>	<u>7,409,095</u>	<u>7,613,310</u>	<u>204,215</u>
Intergovernmental Revenues:				
State Levied Shared Taxes	491,772	836,272	906,951	70,679
Intergovernmental Revenues	23,200	38,060	131,279	93,219
Total Intergovernmental Revenues	<u>514,972</u>	<u>874,332</u>	<u>1,038,230</u>	<u>163,898</u>
Charges for Services	448,886	474,779	596,537	121,758
Licenses and Permits	15,500	15,500	31,100	15,600
Investment Earnings	85,000	130,000	199,776	69,776
Fines and Forfeitures	425,000	425,000	582,393	157,393
All Other Revenues	0	10,192	43,975	33,783
Total Revenues	<u>8,061,453</u>	<u>9,338,898</u>	<u>10,105,321</u>	<u>766,423</u>
Expenditures:				
Security of Persons and Property:				
Police Division:				
Personal Services	1,273,003	1,262,363	1,255,116	7,247
Travel and Transportation	8,000	10,790	10,152	638
Materials and Supplies	36,950	44,604	37,780	6,824
Contractual Services	119,700	165,139	156,611	8,528
Capital Outlay	188,500	144,147	133,157	10,990
Total Police Division	<u>1,626,153</u>	<u>1,627,043</u>	<u>1,592,816</u>	<u>34,227</u>
Fire and E.M.S. Division:				
Personal Services	1,952,963	2,067,995	2,058,329	9,666
Travel and Transportation	17,000	18,159	15,114	3,045
Materials and Supplies	47,500	52,230	44,695	7,535
Contractual Services	112,250	140,150	127,725	12,425
Capital Outlay	37,000	134,810	131,025	3,785
Total Fire and E.M.S. Division	<u>2,166,713</u>	<u>2,413,344</u>	<u>2,376,888</u>	<u>36,456</u>

(Continued)

CITY OF MOUNT VERNON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Street Lighting/Radio Repair/Sirens:				
Materials and Supplies	23,500	19,500	19,500	0
Contractual Services	160,000	179,000	178,817	183
Public Defender:				
Contractual Services	5,000	5,000	5,000	0
Debt Services:				
Principal Retirement	7,850	7,850	7,827	23
Interest and Fiscal Charges	20,150	20,087	20,048	39
Total Miscellaneous	<u>216,500</u>	<u>231,437</u>	<u>231,192</u>	<u>245</u>
Total Security of Persons and Property	<u>4,009,366</u>	<u>4,271,824</u>	<u>4,200,896</u>	<u>70,928</u>
Public Health and Welfare Services:				
Police Division:				
Contractual Services	248,850	248,850	248,850	0
Total Police Division	<u>248,850</u>	<u>248,850</u>	<u>248,850</u>	<u>0</u>
Humane Officer:				
Travel and Transportation	9,000	10,862	10,019	843
Contractual Services	14,500	23,524	22,963	561
Total Humane Officer	<u>23,500</u>	<u>34,386</u>	<u>32,982</u>	<u>1,404</u>
Health Department:				
Contractual Services	45,000	44,272	42,436	1,836
Total Health Department	<u>45,000</u>	<u>44,272</u>	<u>42,436</u>	<u>1,836</u>
Total Public Health and Welfare Services	<u>317,350</u>	<u>327,508</u>	<u>324,268</u>	<u>3,240</u>
Leisure Time Activities:				
Parks:				
Personal Services	149,468	145,753	144,367	1,386
Travel and Transportation	100	160	126	34
Materials and Supplies	4,900	5,000	4,691	309
Contractual Services	49,000	66,565	63,356	3,209
Total Parks	<u>203,468</u>	<u>217,478</u>	<u>212,540</u>	<u>4,938</u>
Recreation:				
Personal Services	9,000	7,804	7,804	0
Materials and Supplies	4,000	4,065	2,777	1,288
Contractual Services	8,000	8,000	7,800	200
Total Recreation	<u>21,000</u>	<u>19,869</u>	<u>18,381</u>	<u>1,488</u>

(Continued)

CITY OF MOUNT VERNON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Pool:				
Personal Services	35,000	38,952	38,786	166
Materials and Supplies	10,900	13,740	13,204	536
Contractual Services	20,500	20,100	17,385	2,715
Capital Outlay	2,000	400	321	79
Total Pool	<u>68,400</u>	<u>73,192</u>	<u>69,696</u>	<u>3,496</u>
Total Leisure Time Activities	<u>292,868</u>	<u>310,539</u>	<u>300,617</u>	<u>9,922</u>
Community Environment:				
Miscellaneous Area Development, Tree Care and Trimming, Planning and Zoning:				
Materials and Supplies	9,000	9,735	9,131	604
Contractual Services	6,567	9,106	6,344	2,762
Total Community Environment	<u>15,567</u>	<u>18,841</u>	<u>15,475</u>	<u>3,366</u>
Transportation:				
Miscellaneous:				
Rivers and Harbors, Airport, Yauger Road Project, and Kokosing Gap Trail:				
Materials and Supplies	23,750	25,750	25,750	0
Contractual Services	2,500	4,700	3,958	742
Total Transportation	<u>26,250</u>	<u>30,450</u>	<u>29,708</u>	<u>742</u>
General Government:				
Council:				
Personal Services	57,240	57,240	57,240	0
Travel and Transportation	400	400	0	400
Materials and Supplies	2,000	7,914	7,895	19
Contractual Services	150	0	0	0
Total Council	<u>59,790</u>	<u>65,554</u>	<u>65,135</u>	<u>419</u>
Mayor:				
Personal Services	87,533	87,530	87,184	346
Travel and Transportation	150	105	0	105
Materials and Supplies	4,700	5,034	4,353	681
Contractual Services	50	50	0	50
Total Mayor	<u>92,433</u>	<u>92,719</u>	<u>91,537</u>	<u>1,182</u>
Auditor:				
Personal Services	209,383	208,383	194,942	13,441
Travel and Transportation	500	2,340	2,205	135
Materials and Supplies	13,500	16,940	14,271	2,669
Contractual Services	16,200	17,982	13,699	4,283
Total Auditor	<u>239,583</u>	<u>245,645</u>	<u>225,117</u>	<u>20,528</u>

(Continued)

CITY OF MOUNT VERNON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Treasurer:				
Personal Services	7,087	7,087	7,087	0
Materials and Supplies	200	200	154	46
Total Treasurer	7,287	7,287	7,241	46
Law Director:				
Personal Services	211,029	210,529	209,164	1,365
Travel and Transportation	750	750	200	550
Materials and Supplies	17,500	22,967	21,780	1,187
Contractual Services	1,000	1,000	0	1,000
Total Law Director	230,279	235,246	231,144	4,102
Income Tax:				
Personal Services	108,842	108,546	107,059	1,487
Travel and Transportation	500	1,064	1,026	38
Materials and Supplies	13,600	19,161	18,885	276
Contractual Services	96,500	127,252	119,133	8,119
Capital Outlay	1,000	1,000	0	1,000
Total Income Tax	220,442	257,023	246,103	10,920
Municipal Court:				
Personal Services	421,650	419,000	414,718	4,282
Travel and Transportation	4,900	5,500	4,943	557
Materials and Supplies	36,700	40,945	39,656	1,289
Contractual Services	1,500	2,850	2,205	645
Total Municipal Court	464,750	468,295	461,522	6,773
Civil Services:				
Personal Services	6,864	6,864	6,772	92
Materials and Supplies	5,900	6,199	4,332	1,867
Total Civil Services	12,764	13,063	11,104	1,959
Safety Service:				
Personal Services	96,254	97,054	94,147	2,907
Travel and Transportation	250	250	0	250
Materials and Supplies	7,400	7,400	6,117	1,283
Contractual Services	65,650	129,979	128,429	1,550
Total Safety Service	169,554	234,683	228,693	5,990

(Continued)

CITY OF MOUNT VERNON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Engineering:				
Personal Services	230,852	234,907	223,439	11,468
Materials and Supplies	9,200	10,045	8,345	1,700
Contractual Services	135,500	152,685	88,808	63,877
Capital Outlay	1,500	3,225	3,224	1
Total Engineering	377,052	400,862	323,816	77,046
Public Land and Buildings:				
Personal Services	77,168	69,723	68,860	863
Materials and Supplies	20,000	24,670	17,474	7,196
Contractual Services	209,500	244,748	236,226	8,522
Total Public Land and Buildings	306,668	339,141	322,560	16,581
Miscellaneous:				
Personal Services	1,286,692	1,422,641	1,381,780	40,861
Materials and Supplies	17,168	44,989	24,639	20,350
Contractual Services	245,700	261,123	245,479	15,644
Total Miscellaneous	1,549,560	1,728,753	1,651,898	76,855
Total General Government	3,730,162	4,088,271	3,865,870	222,401
Total Expenditures	8,391,563	9,047,433	8,736,834	310,599
Excess (Deficiency) of Revenues Over (Under) Expenditures	(330,110)	291,465	1,368,487	1,077,022
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	4,541	4,541
Transfers Out	(358,000)	(1,249,500)	(1,227,969)	21,531
Total Other Financing Sources (Uses)	(358,000)	(1,249,500)	(1,223,428)	26,072
Net Change in Fund Balance	(688,110)	(958,035)	145,059	1,103,094
Fund Balance at Beginning of Year	688,110	688,110	688,110	0
Prior Year Encumbrances	269,925	269,925	269,925	0
Fund Balance at End of Year	\$ 269,925	\$ 0	\$ 1,103,094	\$ 1,103,094

CITY OF MOUNT VERNON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Debt Service Fund – General Bond Retirement Fund
For the Year Ended December 31, 2005**

	GENERAL BOND RETIREMENT			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property Taxes	\$ 36,000	\$ 36,000	\$ 24,466	\$ (11,534)
Total Revenues	<u>36,000</u>	<u>36,000</u>	<u>24,466</u>	<u>(11,534)</u>
Expenditures:				
Basic Utility Service:				
Supplies and Materials	35,000	35,000	23,907	11,093
General Government:				
Contractual Services	1,900	1,900	559	1,341
Debt Service:				
Principal Retirement	1,126,250	1,126,250	1,126,250	0
Interest and Fiscal Charges	851,984	851,984	844,641	7,343
Total Expenditures	<u>2,015,134</u>	<u>2,015,134</u>	<u>1,995,357</u>	<u>19,777</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,979,134)	(1,979,134)	(1,970,891)	8,243
Other Financing Sources (Uses):				
Transfers In	1,979,132	1,979,132	1,970,889	(8,243)
Total Other Financing Sources (Uses)	<u>1,979,132</u>	<u>1,979,132</u>	<u>1,970,889</u>	<u>(8,243)</u>
Net Change in Fund Balance	(2)	(2)	(2)	0
Fund Balance at Beginning of Year	<u>2</u>	<u>2</u>	<u>2</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF MOUNT VERNON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Funds – Capital Improvements Fund
For the Year Ended December 31, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Municipal Income Taxes	\$ 418,033	\$ 418,033	\$ 497,116	\$ 79,083
Intergovernmental Revenues	0	740,675	443,600	(297,075)
All Other Revenues	0	20,473	43,254	22,781
Total Revenues	<u>418,033</u>	<u>1,179,181</u>	<u>983,970</u>	<u>(195,211)</u>
Expenditures:				
Transportation:				
Street:				
Capital Outlay	<u>523,000</u>	<u>1,354,166</u>	<u>841,656</u>	<u>512,510</u>
Total Transportation	<u>523,000</u>	<u>1,354,166</u>	<u>841,656</u>	<u>512,510</u>
General Government:				
Mayor:				
Capital Outlay	0	100	100	0
Auditor:				
Capital Outlay	0	12,500	11,500	1,000
Safety - Service:				
Capital Outlay	0	6,689	4,944	1,745
Engineering:				
Capital Outlay	141	11,000	8,473	2,527
Law Director:				
Capital Outlay	<u>0</u>	<u>1,500</u>	<u>1,492</u>	<u>8</u>
Total General Government	<u>141</u>	<u>31,789</u>	<u>26,509</u>	<u>5,280</u>
Total Expenditures	<u>523,141</u>	<u>1,385,955</u>	<u>868,165</u>	<u>517,790</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,108)	(206,774)	115,805	322,579

(Continued)

CITY OF MOUNT VERNON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Funds – Capital Improvements Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Transfers In	<u>0</u>	<u>0</u>	<u>837,000</u>	<u>837,000</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>837,000</u>	<u>837,000</u>
Net Change in Fund Balance	(105,108)	(206,774)	952,805	1,159,579
Fund Balance at Beginning of Year	105,109	105,109	105,109	0
Prior Year Encumbrances	<u>101,666</u>	<u>101,666</u>	<u>101,666</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 101,667</u>	<u>\$ 1</u>	<u>\$ 1,159,580</u>	<u>\$ 1,159,579</u>

CITY OF MOUNT VERNON, 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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR				
Revenues:				
Municipal Income Taxes	\$ 125,835	\$ 125,835	\$ 149,135	\$ 23,300
Intergovernmental Revenues	485,700	485,700	553,705	68,005
Licenses and Permits	0	0	2,254	2,254
Investment Earnings	300	300	396	96
All Other Revenues	0	7,000	9,352	2,352
Total Revenues	<u>611,835</u>	<u>618,835</u>	<u>714,842</u>	<u>96,007</u>
Expenditures:				
Transportation:				
Personal Services	583,700	587,000	564,698	22,302
Travel and Transportation	2,000	2,000	479	1,521
Materials and Supplies	59,618	66,868	38,180	28,688
Contractual Services	61,000	70,240	49,485	20,755
Capital Outlay	20,000	20,000	100	19,900
Total Expenditures	<u>726,318</u>	<u>746,108</u>	<u>652,942</u>	<u>93,166</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,483)	(127,273)	61,900	189,173
Fund Balance at Beginning of Year	114,483	114,483	114,483	0
Prior Year Encumbrances	12,790	12,790	12,790	0
Fund Balance at End of Year	<u>\$ 12,790</u>	<u>\$ 0</u>	<u>\$ 189,173</u>	<u>\$ 189,173</u>

CITY OF MOUNT VERNON, 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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 37,200	\$ 37,200	\$ 43,499	\$ 6,299
Investment Earnings	100	100	198	98
Total Revenues	<u>37,300</u>	<u>37,300</u>	<u>43,697</u>	<u>6,397</u>
Expenditures:				
Transportation:				
Capital Outlay	<u>114,977</u>	<u>118,945</u>	<u>38,935</u>	<u>80,010</u>
Total Expenditures	<u>114,977</u>	<u>118,945</u>	<u>38,935</u>	<u>80,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(77,677)	(81,645)	4,762	86,407
Fund Balance at Beginning of Year	77,677	77,677	77,677	0
Prior Year Encumbrances	<u>3,968</u>	<u>3,968</u>	<u>3,968</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,968</u>	<u>\$ 0</u>	<u>\$ 86,407</u>	<u>\$ 86,407</u>

CITY OF MOUNT VERNON, 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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 95,000	\$ 95,000	\$ 49,618	\$ (45,382)
Total Revenues	<u>95,000</u>	<u>95,000</u>	<u>49,618</u>	<u>(45,382)</u>
Expenditures:				
Transportation:				
Capital Outlay	<u>132,769</u>	<u>184,473</u>	<u>121,279</u>	<u>63,194</u>
Total Expenditures	<u>132,769</u>	<u>184,473</u>	<u>121,279</u>	<u>63,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,769)	(89,473)	(71,661)	17,812
Fund Balance at Beginning of Year	37,770	37,770	37,770	0
Prior Year Encumbrances	<u>51,703</u>	<u>51,703</u>	<u>51,703</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 51,704</u>	<u>\$ 0</u>	<u>\$ 17,812</u>	<u>\$ 17,812</u>

CITY OF MOUNT VERNON, 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, 2005***

	CEMETERY			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Municipal Income Taxes	\$ 169,336	\$ 169,336	\$ 198,847	\$ 29,511
Charges for Services	51,500	51,500	50,850	(650)
Investment Earnings	3,500	3,500	9,185	5,685
Total Revenues	<u>224,336</u>	<u>224,336</u>	<u>258,882</u>	<u>34,546</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	256,065	251,350	234,640	16,710
Travel and Transportation	300	350	317	33
Materials and Supplies	8,072	11,947	8,469	3,478
Contractual Services	25,300	34,793	30,032	4,761
Capital Outlay	3,211	2,411	1,842	569
Total Expenditures	<u>292,948</u>	<u>300,851</u>	<u>275,300</u>	<u>25,551</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,612)	(76,515)	(16,418)	60,097
Fund Balance at Beginning of Year	68,612	68,612	68,612	0
Prior Year Encumbrances	7,903	7,903	7,903	0
Fund Balance at End of Year	<u>\$ 7,903</u>	<u>\$ 0</u>	<u>\$ 60,097</u>	<u>\$ 60,097</u>

CITY OF MOUNT VERNON, 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, 2005**

	PARK DEVELOPMENT			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 5,000	\$ 5,000	\$ 4,531	\$ (469)
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>4,531</u>	<u>(469)</u>
Expenditures:				
Leisure Time Activities:				
Capital Outlay	88,375	88,375	0	88,375
Total Expenditures	<u>88,375</u>	<u>88,375</u>	<u>0</u>	<u>88,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(83,375)	(83,375)	4,531	87,906
Other Financing Sources (Uses):				
Transfers In	5,000	5,000	4,531	(469)
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>4,531</u>	<u>(469)</u>
Net Change in Fund Balance	(78,375)	(78,375)	9,062	87,437
Fund Balance at Beginning of Year	<u>78,375</u>	<u>78,375</u>	<u>78,375</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 87,437</u></u>	<u><u>\$ 87,437</u></u>

CITY OF MOUNT VERNON, 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, 2005**

COMMUNITY DEVELOPMENT BLOCK GRANT

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 575,000	\$ 1,597,532	\$ 726,182	\$ (871,350)
Investment Earnings	0	0	16	16
All Other Revenues	0	0	4,792	4,792
Total Revenues	<u>575,000</u>	<u>1,597,532</u>	<u>730,990</u>	<u>(866,542)</u>
Expenditures:				
Community Environment:				
Contractual Services	<u>585,445</u>	<u>1,620,252</u>	<u>746,022</u>	<u>874,230</u>
Total Expenditures	<u>585,445</u>	<u>1,620,252</u>	<u>746,022</u>	<u>874,230</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,445)	(22,720)	(15,032)	7,688
Fund Balance at Beginning of Year	10,445	10,445	10,445	0
Prior Year Encumbrances	<u>12,275</u>	<u>12,275</u>	<u>12,275</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 12,275</u>	<u>\$ 0</u>	<u>\$ 7,688</u>	<u>\$ 7,688</u>

CITY OF MOUNT VERNON, 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, 2005**

	PARKING			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 0	\$ 0	\$ 206	\$ 206
Licenses and Permits	0	0	975	975
Fines and Forfeitures	500	500	1,696	1,196
Total Revenues	500	500	2,877	2,377
Expenditures:				
Security of Persons and Property:				
Personal Services	0	322	320	2
Contractual Services	19,000	19,453	19,017	436
Total Expenditures	19,000	19,775	19,337	438
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,500)	(19,275)	(16,460)	2,815
Other Financing Sources (Uses):				
Transfers In	39,500	39,500	23,000	(16,500)
Total Other Financing Sources (Uses)	39,500	39,500	23,000	(16,500)
Net Change in Fund Balance	21,000	20,225	6,540	(13,685)
Fund Balance at Beginning of Year	3,802	3,802	3,802	0
Prior Year Encumbrances	775	775	775	0
Fund Balance at End of Year	\$ 25,577	\$ 24,802	\$ 11,117	\$ (13,685)

CITY OF MOUNT VERNON, 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, 2005**

	LAW ENFORCEMENT TRUST			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Fines and Forfeitures	\$ 705	\$ 705	\$ 705	\$ 0
Total Revenues	<u>705</u>	<u>705</u>	<u>705</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Contractual Services	<u>556</u>	<u>556</u>	<u>556</u>	<u>0</u>
Total Expenditures	<u>556</u>	<u>556</u>	<u>556</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	149	149	149	0
Fund Balance at Beginning of Year	<u>4,944</u>	<u>4,944</u>	<u>4,944</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,093</u>	<u>\$ 5,093</u>	<u>\$ 5,093</u>	<u>\$ 0</u>

CITY OF MOUNT VERNON, 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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 1,075	\$ 1,075	\$ 1,075	\$ 0
Total Revenues	<u>1,075</u>	<u>1,075</u>	<u>1,075</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Contractual Services	<u>247</u>	<u>247</u>	<u>247</u>	<u>0</u>
Total Expenditures	<u>247</u>	<u>247</u>	<u>247</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	828	828	828	0
Fund Balance at Beginning of Year	<u>244</u>	<u>244</u>	<u>244</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,072</u>	<u>\$ 1,072</u>	<u>\$ 1,072</u>	<u>\$ 0</u>

CITY OF MOUNT VERNON, 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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PERMISSIVE LICENSE REGISTRATION				
Revenues:				
Intergovernmental Revenues	\$ 100,000	\$ 100,000	\$ 103,336	\$ 3,336
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>103,336</u>	<u>3,336</u>
Expenditures:				
Transportation:				
Materials and Supplies	112,123	137,365	122,256	15,109
Contractual Services	<u>45,000</u>	<u>50,515</u>	<u>24,172</u>	<u>26,343</u>
Total Expenditures	<u>157,123</u>	<u>187,880</u>	<u>146,428</u>	<u>41,452</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,123)	(87,880)	(43,092)	44,788
Fund Balance at Beginning of Year	57,123	57,123	57,123	0
Prior Year Encumbrances	<u>30,757</u>	<u>30,757</u>	<u>30,757</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 30,757</u>	<u>\$ 0</u>	<u>\$ 44,788</u>	<u>\$ 44,788</u>

CITY OF MOUNT VERNON, 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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 15,000	\$ 15,000	\$ 16,923	\$ 1,923
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>16,923</u>	<u>1,923</u>
Expenditures:				
General Government:				
Contractual Services	<u>15,000</u>	<u>15,000</u>	<u>14,878</u>	<u>122</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>14,878</u>	<u>122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	2,045	2,045
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>\$ 0</u>	<u>\$ 2,045</u>	<u>\$ 2,045</u>

CITY OF MOUNT VERNON, 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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DUI - ENFORCEMENT AND EDUCATION				
Revenues:				
Fines and Forfeitures	\$ 2,000	\$ 2,000	\$ 2,071	\$ 71
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>2,071</u>	<u>71</u>
Expenditures:				
General Government:				
Contractual Services	<u>31,285</u>	<u>31,285</u>	<u>0</u>	<u>31,285</u>
Total Expenditures	<u>31,285</u>	<u>31,285</u>	<u>0</u>	<u>31,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,285)	(29,285)	2,071	31,356
Fund Balance at Beginning of Year	<u>29,285</u>	<u>29,285</u>	<u>29,285</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,356</u>	<u>\$ 31,356</u>

CITY OF MOUNT VERNON, 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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 45,000	\$ 45,000	\$ 48,415	\$ 3,415
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>48,415</u>	<u>3,415</u>
Expenditures:				
General Government:				
Contractual Services	<u>91,238</u>	<u>101,023</u>	<u>84,852</u>	<u>16,171</u>
Total Expenditures	<u>91,238</u>	<u>101,023</u>	<u>84,852</u>	<u>16,171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,238)	(56,023)	(36,437)	19,586
Fund Balance at Beginning of Year	46,238	46,238	46,238	0
Prior Year Encumbrances	<u>9,785</u>	<u>9,785</u>	<u>9,785</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,785</u>	<u>\$ 0</u>	<u>\$ 19,586</u>	<u>\$ 19,586</u>

CITY OF MOUNT VERNON, 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, 2005**

PROBATION SERVICES				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 5,000	\$ 5,000	\$ 8,400	\$ 3,400
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>8,400</u>	<u>3,400</u>
Expenditures:				
General Government:				
Materials and Supplies	9,865	10,865	4,023	6,842
Total Expenditures	<u>9,865</u>	<u>10,865</u>	<u>4,023</u>	<u>6,842</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,865)	(5,865)	4,377	10,242
Fund Balance at Beginning of Year	4,865	4,865	4,865	0
Prior Year Encumbrances	1,000	1,000	1,000	0
Fund Balance at End of Year	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 10,242</u>	<u>\$ 10,242</u>

CITY OF MOUNT VERNON, 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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 1,541	\$ 1,541	\$ 0
Total Revenues	<u>0</u>	<u>1,541</u>	<u>1,541</u>	<u>0</u>
Expenditures:				
General Government:				
Personal Services	0	726	726	0
Materials and Supplies	0	815	815	0
Total Expenditures	<u>0</u>	<u>1,541</u>	<u>1,541</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF MOUNT VERNON, 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, 2005**

	POLICE PENSION			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property Taxes	\$ 78,600	\$ 78,600	\$ 86,038	\$ 7,438
Municipal Income Taxes	45,793	45,793	49,712	3,919
Intergovernmental Revenues	8,000	8,000	7,641	(359)
All Other Revenues	0	0	182	182
Total Revenues	<u>132,393</u>	<u>132,393</u>	<u>143,573</u>	<u>11,180</u>
Expenditures:				
Security of Persons and Property				
Personal Services	271,017	320,017	273,912	46,105
General Government:				
Contractual Services	2,200	2,700	2,431	269
Total Expenditures	<u>273,217</u>	<u>322,717</u>	<u>276,343</u>	<u>46,374</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,824)	(190,324)	(132,770)	57,554
Other Financing Sources (Uses):				
Transfers In	107,500	107,500	95,000	(12,500)
Total Other Financing Sources (Uses)	<u>107,500</u>	<u>107,500</u>	<u>95,000</u>	<u>(12,500)</u>
Net Change in Fund Balance	(33,324)	(82,824)	(37,770)	45,054
Fund Balance at Beginning of Year	33,324	33,324	33,324	0
Prior Year Encumbrances	49,500	49,500	49,500	0
Fund Balance at End of Year	<u>\$ 49,500</u>	<u>\$ 0</u>	<u>\$ 45,054</u>	<u>\$ 45,054</u>

CITY OF MOUNT VERNON, 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, 2005**

	FIRE PENSION			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property Taxes	\$ 78,600	\$ 78,600	\$ 86,038	\$ 7,438
Municipal Income Taxes	45,793	45,793	49,712	3,919
Intergovernmental Revenues	8,000	8,000	7,641	(359)
Total Revenues	<u>132,393</u>	<u>132,393</u>	<u>143,391</u>	<u>10,998</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	352,972	428,672	428,622	50
Contractual Services	2,200	2,700	2,431	269
Total Expenditures	<u>355,172</u>	<u>431,372</u>	<u>431,053</u>	<u>319</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(222,779)	(298,979)	(287,662)	11,317
Other Financing Sources (Uses):				
Transfers In	177,500	177,500	250,000	72,500
Total Other Financing Sources (Uses)	<u>177,500</u>	<u>177,500</u>	<u>250,000</u>	<u>72,500</u>
Net Change in Fund Balance	(45,279)	(121,479)	(37,662)	83,817
Fund Balance at Beginning of Year	45,279	45,279	45,279	0
Prior Year Encumbrances	76,200	76,200	76,200	0
Fund Balance at End of Year	<u>\$ 76,200</u>	<u>\$ 0</u>	<u>\$ 83,817</u>	<u>\$ 83,817</u>

CITY OF MOUNT VERNON, 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, 2005**

	MAUSOLEUM			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 175	\$ 175	\$ 0	\$ (175)
Investment Earnings	25	25	123	98
Total Revenues	<u>200</u>	<u>200</u>	<u>123</u>	<u>(77)</u>
Expenditures:				
Public Health and Welfare Services:				
Contractual Services	<u>4,272</u>	<u>4,272</u>	<u>0</u>	<u>4,272</u>
Total Expenditures	<u>4,272</u>	<u>4,272</u>	<u>0</u>	<u>4,272</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,072)	(4,072)	123	4,195
Fund Balance at Beginning of Year	<u>4,072</u>	<u>4,072</u>	<u>4,072</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,195</u>	<u>\$ 4,195</u>

CITY OF MOUNT VERNON, 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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 2,400	\$ 2,400	\$ 1,940	\$ (460)
Investment Earnings	100	100	159	59
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>2,099</u>	<u>(401)</u>
Expenditures:				
Leisure Time Activities				
Materials and Supplies	63,872	63,872	528	63,344
Contractual Services	3,000	3,000	345	2,655
Total Expenditures	<u>66,872</u>	<u>66,872</u>	<u>873</u>	<u>65,999</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,372)	(64,372)	1,226	65,598
Fund Balance at Beginning of Year	<u>64,372</u>	<u>64,372</u>	<u>64,372</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,598</u>	<u>\$ 65,598</u>

CITY OF MOUNT VERNON, 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, 2005**

TIF DISTRICT-COSHOCTON ROAD				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 531,500	\$ 581,390	\$ 566,671	\$ (14,719)
Intergovernmental Revenues	58,500	58,500	63,220	4,720
All Other Revenues	0	0	10,000	10,000
Total Revenues	<u>590,000</u>	<u>639,890</u>	<u>639,891</u>	<u>1</u>
Expenditures:				
Transportation:				
Street:				
Contractual Services	177,000	187,000	171,762	15,238
Capital Outlay	249,215	249,215	472	248,743
Total Expenditures	<u>426,215</u>	<u>436,215</u>	<u>172,234</u>	<u>263,981</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	163,785	203,675	467,657	263,982
Other Financing Sources (Uses):				
Transfers Out	(295,000)	(334,890)	(296,355)	38,535
Total Other Financing Sources (Uses)	<u>(295,000)</u>	<u>(334,890)</u>	<u>(296,355)</u>	<u>38,535</u>
Net Change in Fund Balance	(131,215)	(131,215)	171,302	302,517
Fund Balance at Beginning of Year	131,215	131,215	131,215	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 302,517</u>	<u>\$ 302,517</u>

CITY OF MOUNT VERNON, 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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 55,000	\$ 55,000	\$ 57,600	\$ 2,600
Total Revenues	<u>55,000</u>	<u>55,000</u>	<u>57,600</u>	<u>2,600</u>
Expenditures:				
General Government:				
Contractual Services	91,411	91,712	27,951	63,761
Materials and Supplies	<u>5,000</u>	<u>5,000</u>	<u>1,729</u>	<u>3,271</u>
Total Expenditures	<u>96,411</u>	<u>96,712</u>	<u>29,680</u>	<u>67,032</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,411)	(41,712)	27,920	69,632
Fund Balance at Beginning of Year	41,411	41,411	41,411	0
Prior Year Encumbrances	<u>301</u>	<u>301</u>	<u>301</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 301</u>	<u>\$ 0</u>	<u>\$ 69,632</u>	<u>\$ 69,632</u>

CITY OF MOUNT VERNON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Fund
For the Year Ended December 31, 2005**

	PERPETUAL CARE			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
All Other Revenues	\$ 5,000	\$ 5,000	\$ 10,365	\$ 5,365
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>10,365</u>	<u>5,365</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,000	5,000	10,365	5,365
Fund Balance at Beginning of Year	<u>303,066</u>	<u>303,066</u>	<u>303,066</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 308,066</u>	<u>\$ 308,066</u>	<u>\$ 313,431</u>	<u>\$ 5,365</u>

Fiduciary Funds

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

Agency Funds

Insurance Trust Fund

To account for insurance funds on deposit to insure the clean up of damaged property.

Bonds and Inspection Fee Trust Fund

To account for funds on deposit as required by City ordinance for subdivision construction.

Municipal Court Fund

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

CITY OF MOUNT VERNON, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2005***

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
<u>Insurance Trust Fund</u>				
Assets:				
Cash and Cash Equivalents	\$4,800	\$9,073	(\$9,073)	\$4,800
Total Assets	<u>\$4,800</u>	<u>\$9,073</u>	<u>(\$9,073)</u>	<u>\$4,800</u>
Liabilities:				
Due to Others	\$4,800	\$9,073	(\$9,073)	\$4,800
Total Liabilities	<u>\$4,800</u>	<u>\$9,073</u>	<u>(\$9,073)</u>	<u>\$4,800</u>
<u>Bonds and Inspection Fee Trust Fund</u>				
Assets:				
Cash	\$6,751	\$20,500	(\$5,500)	\$21,751
Total Assets	<u>\$6,751</u>	<u>\$20,500</u>	<u>(\$5,500)</u>	<u>\$21,751</u>
Liabilities:				
Due to Others	\$6,751	\$20,500	(\$5,500)	\$21,751
Total Liabilities	<u>\$6,751</u>	<u>\$20,500</u>	<u>(\$5,500)</u>	<u>\$21,751</u>
<u>Municipal Court Fund</u>				
Assets:				
Cash and Cash Equivalents	\$48,992	\$903,216	(\$886,249)	\$65,959
Total Assets	<u>\$48,992</u>	<u>\$903,216</u>	<u>(\$886,249)</u>	<u>\$65,959</u>
Liabilities:				
Intergovernmental Payable	\$22,354	\$385,497	(\$382,575)	\$25,276
Due to Others	26,638	517,719	(503,674)	40,683
Total Liabilities	<u>\$48,992</u>	<u>\$903,216</u>	<u>(\$886,249)</u>	<u>\$65,959</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$60,543	\$932,789	(\$900,822)	\$92,510
Total Assets	<u>\$60,543</u>	<u>\$932,789</u>	<u>(\$900,822)</u>	<u>\$92,510</u>
Liabilities:				
Intergovernmental Payables	\$22,354	\$385,497	(\$382,575)	\$25,276
Due to Others	38,189	547,292	(518,247)	67,234
Total Liabilities	<u>\$60,543</u>	<u>\$932,789</u>	<u>(\$900,822)</u>	<u>\$92,510</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF MOUNT VERNON, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2005***

<u>Capital Assets</u>	
Land	\$9,512,270
Construction In Progress	111,015
Buildings	6,458,001
Improvements Other than Buildings	544,774
Infrastructure	30,573,017
Machinery and Equipment	4,901,290
Total Capital Assets	<u>\$52,100,367</u>
<u>Investment in Capital Assets</u>	
General Fund	\$5,402,841
Special Revenue Funds	323,537
Capital Projects Fund	41,377,733
Proprietary Funds	84,846
Contributions	15,058
Federal Grants	597,067
State Grants	4,299,285
Total Investment in Capital Assets	<u>\$52,100,367</u>

CITY OF MOUNT VERNON, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2005**

Function and Activity	Land	Construction In Progress	Buildings	Improvements Other than Buildings
<u>General Government:</u>				
Administration	\$109,375	\$0	\$1,158,167	\$7,752
City Council	0	0	3,990	0
Mayor	0	0	0	0
City Auditor	0	0	0	0
Law Director	0	0	0	0
Income Tax	0	0	0	0
Municipal Court	0	0	12,995	0
Civil Service	0	0	0	0
Safety and Service	0	0	0	0
Engineer	0	0	0	0
Public Lands and Buildings	0	28,289	1,048,747	3,143
Total	109,375	28,289	2,223,899	10,895
<u>Security of Persons and Property:</u>				
Police	0	0	255,058	0
Fire	809,550	0	2,614,705	4,056
Total	809,550	0	2,869,763	4,056
<u>Transportation:</u>				
Street	7,657,238	63,926	119,855	20,437
<u>Leisure Time Activities:</u>				
Parks and Recreation	888,072	18,800	1,159,293	420,127
<u>Public Health and Welfare:</u>				
Cemetery	48,035	0	85,191	89,259
Total Capital Assets	\$9,512,270	\$111,015	\$6,458,001	\$544,774

CITY OF MOUNT VERNON, OHIO

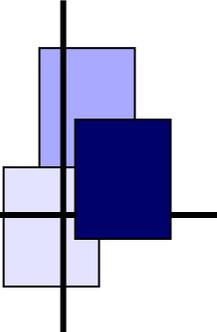
<u>Infrastructure</u>	<u>Machinery and Equipment</u>	<u>Total</u>
\$0	\$0	\$1,275,294
0	11,240	15,230
0	3,380	3,380
0	87,142	87,142
0	24,491	24,491
0	15,216	15,216
0	223,805	236,800
0	1,543	1,543
0	56,512	56,512
0	405,607	405,607
0	97,190	1,177,369
<u>0</u>	<u>926,126</u>	<u>3,298,584</u>
0	671,026	926,084
0	1,832,557	5,260,868
<u>0</u>	<u>2,503,583</u>	<u>6,186,952</u>
<u>30,573,017</u>	<u>980,274</u>	<u>39,414,747</u>
<u>0</u>	<u>333,737</u>	<u>2,820,029</u>
<u>0</u>	<u>157,570</u>	<u>380,055</u>
<u>\$30,573,017</u>	<u>\$4,901,290</u>	<u>\$52,100,367</u>

CITY OF MOUNT VERNON, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2005***

Function and Activity	Restated December 31, 2004	Additions	Deletions	December 31, 2005
<u>General Government:</u>				
Administration	\$1,275,294	\$0	\$0	\$1,275,294
City Council	15,230	0	0	15,230
Mayor	2,161	1,219	0	3,380
City Auditor	87,142	0	0	87,142
Law Director	29,766	1,492	(6,767)	24,491
Income Tax	15,216	0	0	15,216
Municipal Court	235,206	1,594	0	236,800
Civil Service	1,543	0	0	1,543
Safety and Service	55,293	1,219	0	56,512
Engineer	401,467	9,500	(5,360)	405,607
Public Lands and Buildings	1,146,361	31,008	0	1,177,369
Total	3,264,679	46,032	(12,127)	3,298,584
<u>Security of Persons and Property:</u>				
Police	951,316	55,866	(81,098)	926,084
Fire	5,201,839	84,359	(25,330)	5,260,868
Total	6,153,155	140,225	(106,428)	6,186,952
<u>Transportation:</u>				
Street	37,474,271	2,188,140	(247,664)	39,414,747
<u>Leisure Time Activities:</u>				
Parks and Recreation	2,821,524	0	(1,495)	2,820,029
<u>Public Health and Welfare:</u>				
Cemetery	380,055	0	0	380,055
Total Capital Assets	\$50,093,684	\$2,374,397	(\$367,714)	\$52,100,367

Statistical Section





STATISTICAL TABLES

THE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE CITY.

CITY OF MOUNT VERNON, OHIO

**GENERAL FUND EXPENDITURES BY FUNCTION
LAST TEN YEARS**

Year	Security of Persons and Property	Public Health and Welfare	Leisure Time Activities	Community Environment	Trans- portation	General Government	Capital Outlay	Debt Service	Total
1996	\$2,427,691	\$192,696	\$258,487	\$24,590	\$122,725	\$1,994,580	\$169,034	\$27,875	\$5,217,678
1997	2,572,669	188,363	283,896	23,614	76,254	2,198,836 *	124,809	27,875	5,496,316
1998	2,686,857	230,957	304,307	22,345	56,043	2,411,408	177,728	27,875	5,917,520
1999	2,786,548	233,959	301,104	23,986	65,337	2,905,006	373,524	27,875	6,717,339
2000 a	3,319,250	235,312	343,284	25,168	62,485	3,091,945	0	27,874	7,105,318
2001 a	3,431,595	258,552	311,714	23,320	66,076	3,158,428	0	27,875	7,277,560
2002 a	3,708,140	274,656	376,607	23,712	47,594	3,458,060	0	27,875	7,916,644
2003 a	3,703,136	286,950	323,467	21,184	90,479	3,688,524	0	27,875	8,141,615
2004 a	3,759,970	286,922	269,296	13,013	30,559	3,520,489	0	27,875	7,908,124
2005 a	4,036,033	311,868	286,417	14,947	26,558	3,881,528	0	27,875	8,585,226

* 1997 Includes Other Expenditures

a Capital Outlay is reported as part of each individual function.

Source: Mount Vernon City Auditor

CITY OF MOUNT VERNON, OHIO

**GENERAL FUND REVENUES BY SOURCE
LAST TEN YEARS**

Year	Tax Revenues	Inter-Governmental Revenues	Charges for Services	Licenses and Permits	Investment Earnings	Fines and Forfeitures	All Other Revenues	Total
1996	\$4,842,514	\$855,294	\$49,522	\$252,530	\$444,799	\$162,971	\$128,751	\$6,736,381
1997	5,423,778	818,170	43,618	247,298	541,575	172,019	73,181	7,319,639
1998	5,708,650	916,301	49,376	244,308	522,895	170,003	149,156	7,760,689
1999	5,637,207	840,998	153,162	245,069	351,739	153,143	83,365	7,464,683
2000	5,980,396	1,162,416	191,240	201,556	329,032	191,521	145,391	8,201,552
2001	6,197,984	867,136	157,343	333,894	229,855	217,162	71,756	8,075,130
2002	6,318,380	765,583	247,986	26,274	163,717	557,192	28,064	8,107,196
2003	6,351,447	641,083	243,644	17,900	88,001	556,760	41,197	7,940,032
2004	6,749,545	896,728	292,447	1,999	98,445	576,915	16,054	8,632,133
2005	7,559,999	1,034,874	596,537	31,100	204,258	585,559	49,640	10,061,967

a Reclassification of court costs from Licenses and Permits to Fines and Forfeitures and Reclassification of rental income from All Other Revenue to Charges for Services.

Source: Mount Vernon City Auditor

CITY OF MOUNT VERNON, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN YEARS**

Collection Year	Total Tax Levy (1)	Current Tax Collections (1)	Delinquent Tax Collections	Total Tax Collections (1)	Percent of Total Tax Collections To Tax Levy
1996	\$6,383,487	\$5,475,218	\$216,883	\$5,692,101	89.17%
1997	7,988,152	6,585,125	176,187	6,761,312	84.64%
1998	7,860,692	6,544,003	234,581	6,778,584	86.23%
1999	7,976,909	6,746,147	267,693	7,013,840	87.93%
2000	8,514,834	7,137,114	260,369	7,397,483	86.88%
2001	8,674,755	7,227,375	253,717	7,481,092	86.24%
2002	8,484,483	7,192,116	304,253	7,496,369	88.35%
2003	9,532,764	8,087,587	435,128	8,522,715	89.40%
2004	9,958,320	8,398,655	472,730	8,871,385	89.09%
2005	10,097,640	8,556,597	451,580	9,008,177	89.21%

(1) Neither net tax levy nor collections include state reimbursements for property tax reductions of Rollback, 2.5% reduction or Homestead exemption

Source: Knox County Auditor

CITY OF MOUNT VERNON, OHIO

**ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS**

Tax Year	Real Property (1)		Tangible Personal Property (2)		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1996	\$139,825,320	\$399,500,914	\$65,661,320	\$231,981,147	\$205,486,640	\$631,482,061	32.54%
1997	140,425,920	401,216,914	73,889,229	266,431,730	214,315,149	667,648,644	32.10%
1998	144,456,903	412,734,009	82,024,998	297,688,660	226,481,901	710,422,669	31.88%
1999	167,620,327	478,915,221	84,346,665	308,947,142	251,966,992	787,862,363	31.98%
2000	172,726,940	493,540,019	104,332,879	389,960,565	277,059,819	883,500,584	31.36%
2001	174,059,290	497,344,385	73,597,841	273,986,671	247,657,131	771,331,056	32.11%
2002	201,833,110	576,701,461	81,942,483	307,484,181	283,775,593	884,185,642	32.09%
2003	206,637,170	590,391,914	78,414,319	293,519,211	285,051,489	883,911,125	32.25%
2004	210,085,080	600,243,086	77,324,357	288,087,486	287,409,437	888,330,572	32.35%
2005	225,642,430	644,662,853	70,842,750	262,228,458	296,485,180	906,891,311	32.69%

The current assessed valuation is computed at approximately the following percentages of estimated true value:

Real Property-35%, Public Utility Personal Property-88%, and Tangible Personal Property-25%

(1) Includes Public Utility Real Property

(2) Includes Public Utility Personal Property and Tangibles

Source: Knox County Auditor

CITY OF MOUNT VERNON, OHIO

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

Collection Year	City of Mount Vernon			Total City	Mount Vernon*			Knox County	Special Taxing Districts	Total
	General Fund	Police Pension	Fire Pension		Knox County	School District	Career Center**			
1996	2.60	0.30	0.30	3.20	40.59	*	8.70	0.80	53.29 *	
1997	2.60	0.30	0.30	3.20	6.40	**	8.70	0.80	6.40 **	
1998	2.60	0.30	0.30	3.20	39.87	*	8.70	0.80	52.57 *	
1999	2.60	0.30	0.30	3.20	6.40	**	8.70	0.80	6.40 **	
2000	2.60	0.30	0.30	3.20	39.87	*	8.70	0.80	52.57 *	
2001	2.60	0.30	0.30	3.20	6.40	**	8.70	0.80	6.40 **	
2002	2.60	0.30	0.30	3.20	37.54	*	8.70	0.80	50.24 *	
2003	2.60	0.30	0.30	3.20	6.40	**	8.70	0.80	6.40 **	
2004	2.60	0.30	0.30	3.20	36.74	*	8.70	0.80	49.44 *	
2005	2.60	0.30	0.30	3.20	6.40	**	8.70	0.70	6.40 **	
	2.60	0.30	0.30	3.20	36.64	*	9.70	0.70	49.24 *	
	2.60	0.30	0.30	3.20	6.40	**	9.70	0.70	6.40 **	
	2.60	0.30	0.30	3.20	35.43	*	9.70	0.65	49.03 *	
	2.60	0.30	0.30	3.20	6.40	**	9.70	0.65	6.40 **	
	2.60	0.30	0.30	3.20	35.38	*	9.70	0.58	48.93 *	
	2.60	0.30	0.30	3.20	6.40	**	9.70	0.58	6.40 **	
	2.60	0.30	0.30	3.20	35.29	*	9.70	0.54	48.77 *	
	2.60	0.30	0.30	3.20	6.40	**	9.70	0.54	6.40 **	
	2.60	0.30	0.30	3.20	34.00	*	9.70	0.54	47.44 *	
	2.60	0.30	0.30	3.20	6.40	**	9.70	0.54	6.40 **	

Source: Knox County Auditor
Knox County Treasurer

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2005**

	Total Debt	Unvoted Debt
Net Assessed Valuation	\$296,485,180	\$296,485,180
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	31,130,944	16,306,685
Applicable City Debt Outstanding (2)	218,395	218,395
Less: Applicable Debt Service Fund Amounts	0	0
Net Indebtedness Subject to Limitation	218,395	218,395
	Legal Debt Margin	\$16,088,290

(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 Only
Enterprise Debt is Not Considered in the Computation of the Legal Debt Margin

The General Obligation Bond for the Highway Project is not considered in the computation of the Legal Debt Margin because it is supported by Tax Increment Financing.

CITY OF MOUNT VERNON, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS**

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of	
						Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1996	14,504	\$205,486,640	\$240,000	\$203,592	\$36,408	0.02%	\$2.51
1997	14,504	214,315,149	200,000	159,245	40,755	0.02%	2.81
1998	14,504	226,481,901	160,000	115,058	44,942	0.02%	3.10
1999	14,504	251,966,992	120,000	71,093	48,907	0.02%	3.37
2000	15,256	277,059,819	80,000	37,143	42,857	0.02%	2.81
2001	15,256	247,657,131	40,000	40,213	0	0.00%	0.00
2002	15,256	283,775,593	0	0	0	0.00%	0.00
2003	15,256	285,051,489	243,030	0	243,030	0.09%	15.93
2004	15,256	287,409,437	230,095	2	230,093	0.08%	15.08
2005	15,256	296,485,180	218,395	0	218,395	0.07%	14.32

(1) Source: U.S. Bureau of Census, Federal 1990 Census (1995-1999); Federal 2000 Census (2000-2004)

(2) Source: Knox County Auditor

(3) Includes all general obligation bonded debt supported by property taxes
The General Obligation Bond for the Highway Project is not considered in this computation because it is supported by Tax Increment Financing.

CITY OF MOUNT VERNON, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN YEARS**

<u>Year</u>	<u>Debt Service on General Tax Supported Debt</u>	<u>Debt Service on Self Supporting Debt</u>	<u>Total Bonded Debt Service</u>	<u>General Fund Expenditures (1)</u>	<u>Ratio of Tax Supported Debt Service to General Fund Expenditures</u>
1996	\$56,449	\$111,156	\$167,605	\$5,217,678	1.08%
1997	54,100	110,298	164,398	5,496,316	0.98%
1998	51,750	468,763	520,513	5,917,520	0.87%
1999	49,400	750,914	800,314	6,717,339	0.74%
2000	47,050	746,806	793,856	7,105,318	0.66%
2001	44,700	742,008	786,708	7,277,560	0.61%
2002	42,350	701,654	744,004	7,916,644	0.53%
2003	18,345	1,296,531	1,314,876	8,141,615	0.23%
2004	18,521	1,297,990	1,316,511	7,908,124	0.23%
2005	18,440	1,300,364	1,318,804	8,585,226	0.21%

(1) Excludes transfers-out

CITY OF MOUNT VERNON, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING
GOVERNMENTAL DEBT
DECEMBER 31, 2005**

Jurisdiction (1)	Net Debt Outstanding	Percentage Applicable to City of Mount Vernon	Amount Applicable to City of Mount Vernon
Direct			
City of Mount Vernon	\$218,395	100.00%	\$218,395
Overlapping Subdivisions			
Mount Vernon School District	7,900,000	51.94%	4,103,260
Knox County	10,830,577	25.51%	2,762,880
		Subtotal	6,866,140
		Total	\$7,084,535

(1) Knox County Career Center has no outstanding debt supported by a tax levy.

Source: Knox County Auditor and Fiscal Officers of Subdivision

CITY OF MOUNT VERNON, OHIO

**REVENUE BOND COVERAGE - WATER AND SEWER MORTGAGE BONDS (1)
LAST TEN YEARS**

<u>Year</u>	<u>Gross Revenues (2)</u>	<u>Direct Operating Expenses (3)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirement (4)</u>	<u>Coverage</u>
1996	\$3,852,079	\$2,679,096	\$1,172,983	\$313,205	3.75
1997	3,917,152	2,465,050	1,452,102	239,380	6.07
1998	4,142,566	2,316,424	1,826,142	239,730	7.62
1999	4,547,036	2,812,248	1,734,788	801,924	2.16
2000	4,669,162	3,349,298	1,319,864	874,577	1.51
2001	4,996,082	2,982,564	2,013,518	873,862	2.30
2002	5,250,629	3,472,650	1,777,979	872,133	2.04
2003 a	2,654,396	1,644,435	1,009,961	634,103	1.59
2004 a	3,009,192	1,621,464	1,387,728	637,078	2.18
2005 a	2,878,252	1,698,652	1,179,600	634,158	1.86

a Includes only Water Fund because the Sewer Mortgage Revenue Bond was defeased in 2003.

(1) The Sewer Mortgage Revenue Bonds were issued in 1992, in the amount of \$2,800,000. The Water Mortgage Revenue Bonds were issued in 1999, in the amount of \$8,370,000.

(2) Gross revenues include operating revenues less proceeds from notes

(3) Direct operating expenses include operating expenses less depreciation

(4) Annual debt service requirements include principal and interest on revenue bonds only
It does not include the general obligation bonds reported in the Water and Sewer Funds

CITY OF MOUNT VERNON, OHIO

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>	<u>City of Mount Vernon Population</u>	<u>Knox County Population</u>	<u>Unemployment Rate Knox County Area</u>	<u>Per Capita Income Knox County Area</u>	<u>School Enrollment Mount Vernon Area Only</u>
1996	14,504	47,473	5.10%	\$10,688	4,127
1997	14,504	47,473	4.50%	10,688	4,021
1998	14,504	47,473	5.50%	10,688	4,126
1999	14,504	47,473	4.20%	10,688	4,169
2000	15,256	54,500	3.80%	17,695	4,162
2001	15,256	54,500	3.90%	17,695	4,194
2002	15,256	54,500	4.60%	17,695	4,263
2003	15,256	54,500	5.80%	17,695	4,297
2004	15,256	54,500	4.60%	17,695	4,217
2005	15,256	54,500	5.20%	17,695	4,069

Sources: U.S. Bureau of Census of Population - Federal 1990 Census (1996-1999), Federal 2000 Census (2000-2005) and Department of Job and Family Services, Ohio Data Users Center, and Mount Vernon School District, Board of Education

CITY OF MOUNT VERNON, OHIO

**PROPERTY VALUE AND CONSTRUCTION PERMITS
LAST TEN YEARS**

Year	Residential (1)		Commercial (1)	
	Number of Permits	Property Value	Number of Permits	Property Value
1996	116	\$5,468,084	132	\$8,487,434
1997	131	6,594,204	126	2,710,931
1998	129	6,031,144	130	3,961,681
1999	122	7,909,815	69	20,734,949
2000	122	3,720,320	81	4,399,818
2001	156	4,825,705	58	17,281,307
2002	137	6,251,354	69	6,863,237
2003	92	12,190,189	121	4,615,758
2004	65	4,882,400	158	19,651,507
2005	63	6,998,873	155	16,866,536

(1) Source: City of Mount Vernon Engineering Department

CITY OF MOUNT VERNON, OHIO

**PRINCIPAL TAXPAYERS (REAL PROPERTY TAX)
DECEMBER 31, 2005**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1	American Electric Power	Utility	\$4,792,780	2.12%
2	Cooper Cameron Corporation	Manufacturing	3,354,690	1.49%
3	Glimcher Holdings, L/P	Real Estate	2,887,230	1.28%
4	Ariel Corporation	Manufacturing	2,157,850	0.96%
5	Sprint	Utility	1,986,700	0.88%
6	Weyerhaeuser Company	Manufacturing	1,950,650	0.86%
7	Jeld-Wen, Inc.	Manufacturing	1,604,420	0.71%
8	TRW Automotive, Inc	Manufacturing	1,255,340	0.56%
9	Wal-Mart Stores Inc.	Retail	1,231,220	0.55%
10	First Knox National Bank	Financial	1,093,820	0.48%
	Sub-Total		22,314,700	9.89%
	All Others		203,327,730	90.11%
	Total		<u>\$225,642,430</u>	<u>100.00%</u>

Based on valuation of property taxes levied in 2005

Source: Knox County, Ohio: County Auditor - Land and Buildings

CITY OF MOUNT VERNON, OHIO

**PRINCIPAL EMPLOYERS
DECEMBER 31, 2005**

	Employer	Type of Business	Number of Employees		
			Full-Time	Part-Time	Total
1	Rolls Royce	Manufacturing	950	0	950
2	Knox Community Hospital	Medical Care	*	*	550
3	Knox County	Government	475	60	535
4	Kelsey-Hayes	Manufacturing	500	0	500
5	Mount Vernon Nazarene College	Education	312	144	456
6	Ariel Corporation	Manufacturing	443	2	445
7	Board of Education (City)	Education	283	153	436
8	Jeld-Wen, Inc.	Manufacturing	250	25	275
9	Wal-Mart	Retail	151	49	200
10	Breon, Inc.	Restaurant	26	123	149

* Data not available

Source: Mount Vernon City Income Tax and Each Employer's Personnel Department

CITY OF MOUNT VERNON, OHIO

MISCELLANEOUS STATISTICS

DECEMBER 31, 2005

Date of Incorporation	1830	Water System:	
Form of Government	Mayor/Council	Number of Purification Plants	1
Area (square miles)	9.2	Miles of Water Mains	63
Facilities and Services:		Number of Fire Hydrants	484
Miles of Streets	82	Number of Service Connections	6,307
Number of Street Lights	1,470	Average Daily Consumption (gallons)	2,252,603
(per Ohio Power Company)		Maximum Daily Capacity	7,000,000
		of Plant (gallons)	
Police Services:		Sewerage System:	
Number of Stations	1	Number of Treatment Plants	1
Number of Police Personnel		Miles of Sanitary Sewers	62
and Officers	32	Miles of Storm Sewers	14
Number of Patrol Units	6	Number of Service Connections	6,536
Number of Law Violations:		Average Daily Treatment (gallons)	3,524,293
Criminal /Juvenile Citations		Maximum Daily Capacity	
and Charges	1,334	of Treatment (gallons)	5,000,000
Traffic Citations Issued	2,274		
Fire/Emergency Medical Services:		Parking Facilities:	
Number of Stations	2	Off-Street Parking Garages	1
Number of Officers and		Parking Levels	3
Fire Personnel	32	Parking Spaces	124
Number of Calls Answered	4,003	Average Daily Cars Parked	111
Number of Inspections	325	Parking Spaces	47
		On-Street Parking Meters	0
		Off-Street Surface Parking Lot	2
		*	
Recreation and Culture:		Education:	
Number of Parks	8	Elementary Schools	7
Park Area (acres)	176.58	Elementary School Students	2,679
Number of Ball Fields:		Elementary School Instructors	217
Lighted	6	Secondary Schools	2
Unlighted	5	Secondary School Students	1,390
Number of Tennis Courts:		Secondary School Instructors	81
Lighted	8	Colleges	1
Unlighted	2	College Students	2,455
Building Permits Issued in 2005:	218	Number of Libraries	1
Number of Cemeteries	1	(Operated by Knox County)	
Cemetery Area (acres)	49.5	Number of Hospitals	1
		Number of Patient Beds	115
		Number of Bassinets	10

* Total School District data provided by the Mount Vernon School District



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CITY OF MOUNT VERNON

KNOX 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 1, 2006**