

CITY OF FAIRFIELD, OHIO

Schedule of Expenditures of Federal Awards
And Other OMB Circular A-133 Reports

Year Ended December 31, 2005



**Auditor of State
Betty Montgomery**

City Council
City of Fairfield
5350 Pleasant Avenue
Fairfield, Ohio 45014

We have reviewed the *Independent Auditors' Report* of the City of Fairfield, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005, through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 31, 2006

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CITY OF FAIRFIELD, OHIO

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CITY OF FAIRFIELD

Schedule of Federal Awards Expenditures

Year Ended December 31, 2005

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Justice:</u>				
<i>Direct Grants</i>				
Bulletproof Vest Partnership Program	2003BUBX03016611	16.607	\$ 1,756	\$ -
Community Oriented Policing Services (COPS) in Schools	2002SHWX0051	16.710	50,000	50,000
Local Law Enforcement Block Grant	2004LBBX1515	16.592	<u>9,087</u>	<u>-</u>
Total U.S. Department of Justice			<u>60,843</u>	<u>50,000</u>
<u>U.S. Department of Homeland Security:</u>				
<i>Passed Through Ohio Public Safety:</i>				
Hazard Mitigation Grant	PDMCPJ05OH2003002	97.017	727,562	605,465
Snow Emergency Grant	FEMA3198EM01725970	97.036	82,855	-
Assistance to Firefighters Grant Program	EMW2004FG10072	97.044	<u>33,921</u>	<u>33,921</u>
Total U.S. Department of Homeland Security			<u>844,338</u>	<u>639,386</u>
<u>U.S. Department of Housing and Urban Development (HUD):</u>				
<i>Passed Through Butler County, Ohio:</i>				
Community Development Block Grants/Entitlement Grants	B-04-UC-39-0008	14.218	55,129	55,129
	B-05-UC-39-0008	14.218	<u>-</u>	<u>26,062</u>
Total U.S. Department of Housing and Urban Development			<u>55,129</u>	<u>81,191</u>
Total Federal Assistance			<u>\$ 960,310</u>	<u>\$ 770,577</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards has been prepared on the cash basis of accounting.

NOTE C - MATCHING REQUIREMENTS

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



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

To the Honorable Mayor and Members of the City Council
City of Fairfield, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, Ohio ("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 12, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated June 12, 2006.

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

Clark, Schaefer, Haskett & Co.

Middletown, Ohio
June 12, 2006



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

To the Honorable Mayor and Members of the City Council
City of Fairfield, Ohio:

Compliance

We have audited the compliance of City of Fairfield, Ohio ("City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control over Compliance

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

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

Schedule of Expenditures of Federal Awards

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 12, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the City of Fairfield, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Clark, Schaefer, Haskett & Co.

Middletown, Ohio
June 12, 2006

CITY OF FAIRFIELD, OHIO

Schedule of Findings and Questioned Costs

Year Ended December 31, 2005

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Reportable condition(s) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>CFDA 97.017 –Hazard Mitigation Grant</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

CITY OF FAIRFIELD, OHIO

Schedule of Prior Audit Findings

Year Ended December 31, 2005

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over compliance were reported in the prior year.

However, the prior audit included one material weakness in the internal control over financial reporting.

2004-1 Utility Department

This material weakness was related to a lack of segregation of duties, adjustments to customer accounts, timeliness of cash receipts, and cashing of personal checks from City funds. The City addressed the material weakness as follows:

Beginning in January 2006, the City implemented a lockbox operation which provides the direct deposit by a public depository of all payments mailed to the Fairfield Utility and Collection Office. After the funds are deposited directly into the City's bank account a data transmission file is sent and uploaded into the City's billing software.

The City is in the process of developing a specific and detailed written policy which will be incorporated into the City's Procedures and Policy Manual. The current procedure in effect since July of 2005 requires the approval of the Finance Director or the Public Utilities Director's approval for any credit adjustment in excess of \$100.00. Included with the adjustment form is documentation that the adjustment has been made on the account.

The Utility Billing & Collection Division of the City's Finance Department has implemented the following changes to improve control procedures over the processing of payments: Daily reconciliation of the cash register drawer has been implemented. All payment stub batches are verified daily with the corresponding posting journals. At month end, the deposit receipts for cash and checks are verified with the posting journals and entered onto an Excel Spreadsheet. Visa/MasterCard, BillPayer, Lockbox, and Web are also entered onto the Excel Spreadsheet and reconciled with the corresponding bank statements by the Accounting Division. Further review of the month end report is reviewed for completeness and accuracy by the Finance Director.

The City's issued Policy Number 3-18 "Handling of Cash Transactions" on April 1, 2004 which strictly prohibits the cashing of checks from daily receipts. Each employee who handles cash is required to acknowledge and sign the policy. This policy also requires the timely deposits of cash receipts on a daily basis.



City of Fairfield, Ohio

Comprehensive Annual Financial Report

For The Year Ended December 31, 2005

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CITY OF FAIRFIELD, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

Prepared By:
DEPARTMENT OF FINANCE
James A. Hanson, Director

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**INTRODUCTORY
SECTION**



June 30, 2006

The Honorable Ronald A. D'Epifanio, Mayor
Members of City Council
City of Fairfield
5350 Pleasant Avenue
Fairfield, Ohio 45014

The Comprehensive Annual Financial Report of the City of Fairfield, Ohio for the fiscal year ended December 31, 2005 is submitted herewith. The Department of Finance prepared the report. The responsibility for both the accuracy of the presented data and the completeness and the fairness of the presentation, including all disclosures, rests with the City of Fairfield, specifically with the Department of Finance. We believe that the enclosed data is accurate in all material respects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City. We further believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

This Comprehensive Annual Financial Report incorporates GASB Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Statement No. 34 was developed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information. This report represents and reflects upon the City's financial operations and condition to the City's residents, its elected officials, management personnel, financial institutions, City bondholders, rating agencies and all other parties interested in the financial affairs of the City.

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 Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditors' report.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal officials. The financial section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes to the Basic Financial Statements 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. The statistical section includes selected economic data, financial trend and demographic information, generally presented on a multi-year basis.

CITY OVERVIEW

Enjoyable in every sense of the word, the City of Fairfield is strategically positioned for successful residential and commercial development. The City is located in the southwest portion of Ohio in Butler County, approximately 15 miles north of downtown Cincinnati, Ohio. Surrounded by rolling hills, Fairfield is rich in resources that include a population and government dedicated to progress and opportunity.

Incorporated in 1955, the City of Fairfield is served by a City Council/City Manager form of government. The legislative body of Fairfield consists of a mayor and seven council members who are responsible for the legislative affairs of the City. Council also makes appointments to various statutory and advisory boards and appoints the City Manager, Law Director and Clerk of Council. As chief executive officer, the City Manager is responsible for enforcement of all laws and ordinances, the efficient delivery of services, and preparation of capital and operating budgets.

The City provides many of the municipal services normally associated with a municipality, including emergency services, street construction and maintenance, engineering, building and planning services, recreational facilities and activities and economic development.

In addition, water, sanitary sewer and solid waste collection and disposal are provided under an Enterprise Fund concept with user charges set by City Council to ensure adequate coverage of expenses and payments on outstanding debt.

ECONOMIC CONDITIONS AND OUTLOOK

The City of Fairfield's standards for services are considered excellent and its tax rates compare favorably to other area governments. Geographically, the City consists of approximately 20 square miles of residential neighborhoods, commercial and industrial developments. The City of Fairfield is located within minutes of four major interstates, I-75, I-71, I-74 and I-275.

Economic development and growth are the backbone of Fairfield. While many other communities are experiencing the loss of jobs, Fairfield has been fortunate to attract and retain desirable business and industries, which bring jobs into the City.

A number of employers continued on with expansion plans in 2005. Mercy Hospital completed doubling the size of its Mack Road campus. The \$54.6 million expansion project is expected to add 1,000 jobs. In addition, Jungle Jim's International Food Market and Pacific Industries are also making significant expansions at their facilities. During 2005, the Cincinnati Financial Corporation started construction on a parking garage and a third office tower. The 435,000 sq. ft. office tower will bring 550 new jobs to the City of Fairfield.

The City's Income Tax has remained stable over the last few years, and this trend is expected to gradually improve with the development of various commercial and industrial facilities in the City.

MAJOR INITIATIVES

The following were among the many diverse activities and/or programs to which both the elected officials and staff devoted their energies in 2005:

- 1) The City completed construction in May of 2005 on the new \$10 million **Community Arts Center**. The Center is to be located adjacent to Village Green Park, opposite the Lane Public Library; the Community Arts Center provides Fairfield residents a gathering facility unlike any in the region. The structure will include a 250-seat theatre, multipurpose room, a seniors' activity center, arts and crafts classrooms, an art gallery and a children's activity area.
- 2) The City finished the construction of the **Miami-Erie Canal Bike Path** project. This project is a cooperative venture between Fairfield, West Chester Township and Butler County MetroParks. The path begins at State Route 747 and Port Union Roads and proceeds west to the Fairfield corporation line.
- 3) The City received a \$2.58 million grant from the Federal Emergency Management Agency (FEMA) for the purchase and demolition of up to 23 homes located along Pleasant Run Creek. During 2004, appraisals were made on all the properties where the owner expressed an interest in participating in the voluntary program. During 2005, 18 homes have been acquired and demolished by the City.
- 4) At a cost of \$2 million, the Cities of Hamilton and Fairfield jointly constructed a new access road to **Joyce Park**. This project which provided turn lanes and a traffic signal, benefited from a \$1.6 million Issue II Grant from the Ohio Public Works Commission.
- 5) The City replaced two sharp curves on **Gray Road** at a cost of \$259,750. State Issue II funds in the amount of \$147,875 provided by the Ohio Public Works Commission covered much of the cost. In addition, to the curve improvements, additional turn lanes were added to Gray Road at Pleasant Avenue. As part of the \$277,502 project, new mast arm traffic signals were added.
- 6) In 2005, the City started construction on the new municipal facility for the Police Department and the Municipal Court. The construction of the new **Municipal Court and Police Services Building** is estimated to be \$11.3 million. The population growth and the changing nature of policing activities have outdated the existing facilities. The City awarded construction contracts in the spring of 2005 with an estimated completion of construction in the spring of 2006. The basic features of the 49,000 sq. ft building include a tower with stone relief of the elements of the City seal and a raised roofline over the courtroom. The building is a single-story brick structure with stone pieces and brick patterns to add to visual appeal.

FUTURE PROJECTS

Accomplishments and significant capital projects to look forward to in 2006 include the following:

- 1) In 2005, the firm of MSA finished the design of a new municipal facility for the Police Department and the Municipal Court. The construction of the new **Municipal Court and Police Services Building** is estimated to be \$11.3 million. The population growth and the changing nature of policing activities have outdated the existing facilities. The City will award construction contracts in the spring of 2005 with an estimated completion of construction in the summer of 2006. The basic features of the 49,000 sq. ft building include a tower with stone relief of the elements of the City seal and a raised roofline over the courtroom. The building is a single-story brick structure with stone pieces and brick patterns to add to visual appeal.
- 2) The City along with Butler County, the City of Hamilton and Fairfield Township will initiate construction engineering of the **Bypass State Route 4** project. This project consists of widening the bypass to five lanes from its southern terminus in the City of Fairfield to its northern terminus in Fairfield Township. Total estimated project cost is approximately \$25 million with half of the funding being provided under state and federal grants.
- 3) The Public Utilities Department will increase its production of raw water with the construction of a new well estimated to cost approximately \$600,000. In addition, the Public Utilities Department is continuing on \$3 million in improvements to the wastewater system. These improvements include rebuilding secondary clarifiers to increase hydraulic capacity of the plant, the construction of wet weather relief improvements, the construction of an administration building and the renovation of various lift stations throughout the system.
- 4) The City continues the renovation of the old library building into a **Municipal Building Annex** which will house the City's Income Tax and Information Technology Divisions of the Finance Department. The project is estimated to cost the City approximately \$550,000 when is fully completed.
- 5) The City of Fairfield has received \$759,000 in grant funding from the State of Ohio Department for the streetscape enhancement along State Route 4 on the southern end of the City. This project which is currently under construction will consist of decorative pavers, plantings, irrigation, modern lighting and entrance signage in the median along the road. The improvement would provide a gateway definition in accordance with the City's Route 4 corridor design and the City's Year 2010 Master Plan. The total project's cost is estimated at \$1.2 million.

INTERNAL ACCOUNTING AND BUDGETARY CONTROLS

We believe that the City's internal control structure adequately safeguarded assets and provided reasonable assurance of proper recording of financial transactions. It is further our intention to review these controls in depth on an ongoing basis for continued refinements and improvements.

Budgetary control is maintained at the fund level by the use of encumbrances for purchase order amounts to vendors. Open encumbrances are reported as reservations of the fund balance for the governmental fund types at December 31, 2005.

CASH MANAGEMENT

Excluding investments held by trustees, cash temporarily idle during the year 2005 was invested in State Treasury Asset Reserves or Repurchase Agreements (collateralized by U.S. Treasury Bills). As of year-end, State Treasury Asset Reserves (STAROhio) made up 21.5% of the City's total equity in pooled cash and investments, U.S. government securities 67.2%, certificates of deposits 2.1%, and deposits 9.2%. Yields on these investment instruments ranged from 1.50% to 4.75% the amount of interest earned during the year was \$1,375,004 as compared to \$543,041 earned in 2004.

DEBT ADMINISTRATION

The ratio of net debt to assessed valuation and net debt per capita is useful indications of the City of Fairfield's debt position to all interested parties. The data for the City of Fairfield as of December 31, 2005 was as follows:

2005 Population (Estimated)	<u>42,370</u>
Assessed Valuation	<u>\$985,786,601</u>
Total General Obligation (G.O.) Debt	\$29,250,000
Less Amount Available in Debt Service Fund	<u>414,831</u>
Net General Obligation Debt	<u>\$28,835,169</u>
Ratio of Net G.O. Debt to Assessed Valuation	2.93%
Debt per Capita	<u>\$693.28</u>

The City's total debt at the close of 2005 included the above mentioned \$28,835,169 in net General Obligation debt, \$25,000 in special assessment bonded debt and \$12,826,282 in enterprise debt. The City's General Obligation bonds continue to have an excellent rating, which they have carried for the past several years. In 2003, Moody's Investor's Service upgraded the City's bonds to carry an "Aa2" credit rating.

CITY INCOME TAX

The 1.5% locally levied tax applies to gross salaries, wages and other personal service compensation earned by residents, both in and out of the City and upon earnings of non-residents earned in the City. It also applies to net income of business organizations derived from business activities conducted in the City. In 2003, the citizens approved an income tax allocation designed to increase the City's fiscal flexibility. The tax rate remains unchanged at 1.5%, the new allocation credits 1.1% of the tax revenues into the General Fund, .2% into the Street Improvement Fund and .2% into the Capital Improvement Fund. The new allocation of income tax revenues was effective January 1, 2004.

Receipts from this tax are directly related to employment levels and the general economic conditions in the Cincinnati area. Collections and allocations for the past two years are as follows:

	2005	2004
Allocated to General Fund	\$15,538,390	\$14,725,397
Allocated to .2% Street Improvement Fund	2,802,839	2,751,333
Allocated to .2% Capital Improvement Fund	2,802,839	2,751,333
Gross Revenues	<u>\$21,144,068</u>	<u>\$20,228,063</u>

The shift in resource allocation enhances the City's ability to meet the changing needs of its maturing community. Initially, the additional resources in the General Fund will be used to pay the construction of a new Community Arts Center and the construction of the Municipal Court and Police Services Facility, as well as, the operation and maintenance of these buildings.

RISK MANAGEMENT

By statute and court decisions, Ohio retains only limited tort immunity for local government. In addition to potential tort liabilities, the City is liable for employees' Workers' Compensation claims, plus the risk of casualty loss to real and personal property owned by the City, and must provide faithful performance bonds for certain City officials. The City must also manage the risk of dental expense claims by employees eligible for health care coverage as a fringe benefit.

INDEPENDENT AUDIT

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. The accounting firm of Clark, Schaefer and Hackett has completed an audit of the financial statements. Their opinion on the City's financial statements is included in the financial section of this Comprehensive Annual Financial Report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairfield for its Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2003. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

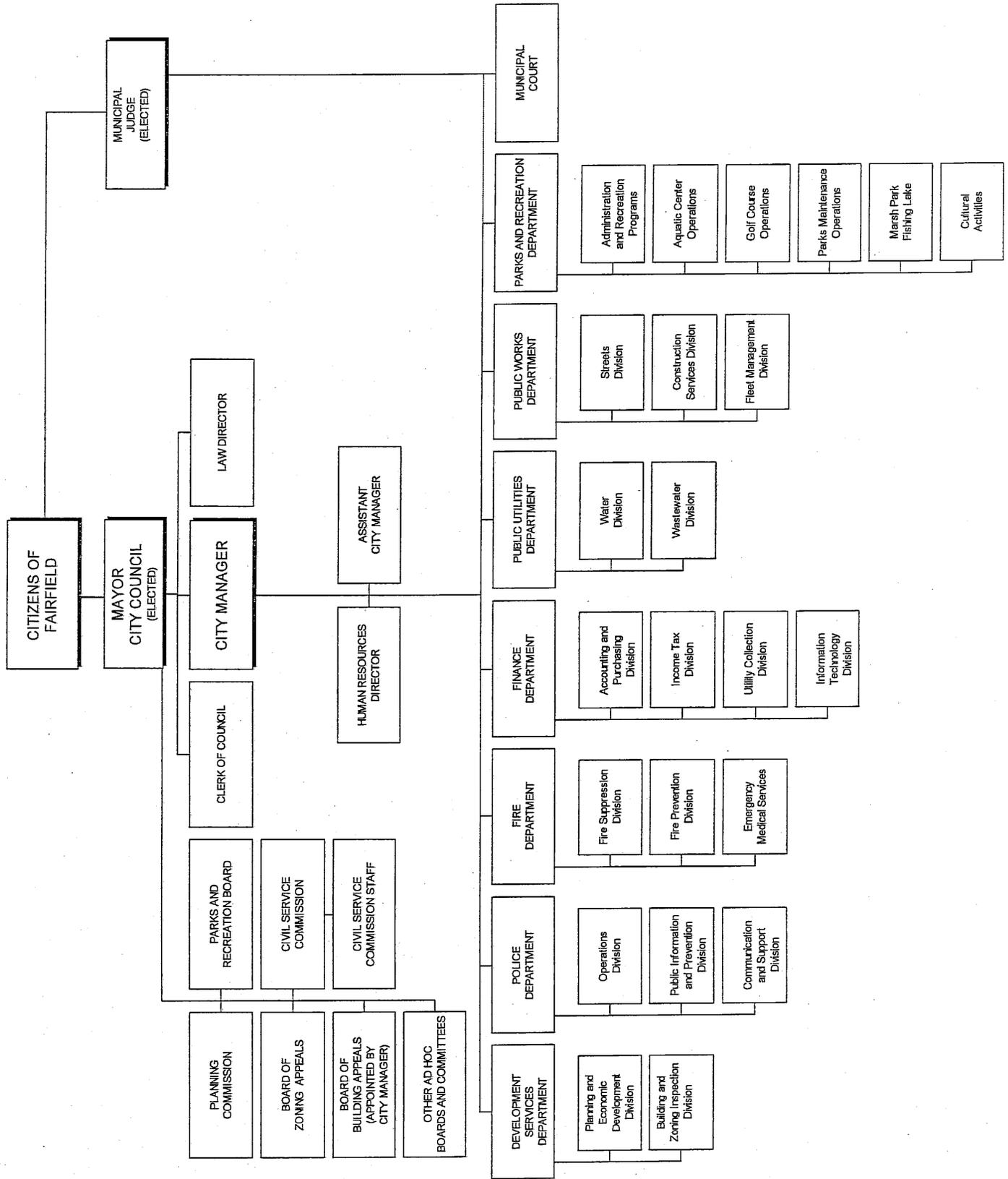
Preparation of this report could not have been accomplished without the professional, efficient and dedicated services of the entire staff of the Finance Department and the various department heads and employees who assisted and contributed to its preparation. Further appreciation is extended to the Mayor and City Council for their encouragement, assistance and approval. It is a sincere pleasure to be employed by a group of people who appreciate and respect principles of financial and budgetary restraint as prevails in the City of Fairfield.

Respectfully submitted,
CITY OF FAIRFIELD


Arthur E. Pizzano
City Manager


James A. Hanson
Director of Finance

CITY OF FAIRFIELD, OHIO, ORGANIZATIONAL CHART



**CITY OF FAIRFIELD
PUBLIC OFFICIALS**

MAYOR

Erick Cook

COUNCIL MEMBERS

Vice Mayor – Steve Miller

Jill Kinder
Marty Judd
Howard Dirksen

Mark Scharringhausen
Mitch Rhodus
Michael Snyder

APPOINTED OFFICIALS

City Manager
Assistant City Manager
Director of Human Resources
Director of Finance
Director of Law
Director of Public Works
Director of Parks and Recreation
Director of Public Utilities
Director of Development Services
Chief of Police
Chief of Fire
Clerk of Council

Arthur E. Pizzano
Dennis Stuckey
Kenneth McFarland
James A. Hanson
John H. Clemmons
David A. Bock
James Bell
Dwight Culbertson
Timothy Bachman
Michael Dickey
Donald Bennett
Dena Morsch

DEPARTMENT OF FINANCE

James A. Hanson, CPA
Tina Williams, CPA
Mary Hopton
Ben Warner
Michelle Farthing
Karen Broughton

Finance Director
Accounting Supervisor
Income Tax Administrator/Deputy Finance Director
Information Technology Manager
Utility Billing & Collection Manager
Payroll Administrator

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**FINANCIAL
SECTION**



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Fairfield, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, Ohio as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof 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 12, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 3-12 and 56-60, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Harknett & Co.

Middletown, Ohio
June 12, 2006

City of Fairfield

Management's Discussion and Analysis For The Year Ended December 31, 2005 (Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fairfield's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2005. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the transmittal letter and the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$472,964. Net assets of governmental activities increased \$499,489, net assets of business-type activities decreased by \$26,525.
- The general fund reported a fund balance of \$9,317,980.
- Business-type operations reflected operating loss of \$357,486.
- The City issued \$9 million in General Obligation Bond Anticipation Notes for the City's new Justice Center and \$4 million in General Obligation Bond Anticipation Notes for improvements to the wastewater treatment plant.
- The City had \$35,459,034 in expenses relating to governmental activities; program revenues offset \$7,853,434 of these expenses. General revenues of \$28,105,089 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Government-wide Financial Statements

The analysis of the City as a whole begins with the Government-wide Financial Statements. These reports provide information that will help the reader to determine if the City of Fairfield is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes to those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements need to take into account non-financial factors that also impact the City's financial well being. Some of these factors include the City's tax base and the condition of capital assets.

In the Government-wide Financial Statements, the City is divided into two kinds of activities.

- **Governmental Activities** - Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, building permits and interest finance most of these activities.
- **Business-Type Activities** - These services include water, sewer, waste collection utilities and the operation of recreation facilities. Service fees for these operations are charged based upon the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

Fund Financial Statements

The analysis of the City's major funds is presented later in the Management's Discussion and Analysis section. Fund financial statements provide detailed information about the City's major funds - not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Finance Director, with approval of council, to help control, manage and report money received for a particular purpose or to show that the City is meeting legal responsibilities for use of grants. The City's major funds are General, Fire Levy, .2% Street Improvement, .2% Capital Improvement, Downtown Development, Water Utility, Sewer Utility, Solid Waste Management and Recreation Facilities.

Governmental Funds - Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. 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.

Proprietary Funds - When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. Internal service funds are used to report activities that provide services to the City's other funds and departments.

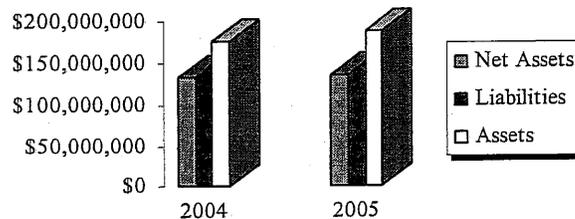
Fiduciary Funds - The City is the fiscal agent for the Municipal Court and Warranty Bonds. The City's fiduciary responsibility is reported in the Statement of Fiduciary Net Assets and Statement of Changes in Assets and Liabilities. We exclude these balances from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

The City as a Whole

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current Assets	\$37,464,152	\$40,031,370	\$15,685,455	\$17,134,537	\$53,149,607	\$57,165,907
Capital Assets, Net	71,107,267	77,775,672	51,966,743	51,965,970	123,074,010	129,741,642
Total Assets	108,571,419	117,807,042	67,652,198	69,100,507	176,223,617	186,907,549
Liabilities						
Long-Term Liabilities	17,387,603	16,628,083	16,548,222	15,328,428	33,935,825	31,956,511
Other Liabilities	6,878,754	16,374,408	1,991,122	4,685,750	8,869,876	21,060,158
Total Liabilities	24,266,357	33,002,491	18,539,344	20,014,178	42,805,701	53,016,669
Net Assets						
Invested in Capital						
Assets Net of Debt	55,787,920	54,410,081	34,493,502	34,091,302	90,281,422	88,501,383
Restricted	19,587,895	11,788,385	1,438,321	1,131,986	21,026,216	12,920,371
Unrestricted	8,929,247	18,606,085	13,181,031	13,863,041	22,110,278	32,469,126
Total Net Assets	\$84,305,062	\$84,804,551	\$49,112,854	\$49,086,329	\$133,417,916	\$133,890,880



Total net assets of the City as a whole increased \$472,964. Net assets of the City's governmental activities increased \$499,489, while the net assets of the City's business-type activities decreased \$26,525 from 2004. The largest portion of the City's net assets reflect its investment in capital assets, less any related debt to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens of the City. The City had an unrestricted net assets balance of \$32,469,126 that may be used to meet the government's ongoing obligations to citizens and creditors.

The increase in Capital Assets, net reflects the completion of the Community Arts Center project, the continuing construction of the City's new Justice Center and other various equipment improvements throughout the City.

Table 2 shows the changes in net assets at year-end and revenue and expense comparisons to 2004.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Program Revenues:						
Charges for Services	\$3,826,154	\$3,668,367	\$10,445,675	\$10,673,427	\$14,271,829	\$14,341,794
Operating Grants, Contributions	1,279,580	2,628,669	273,206	0	1,552,786	2,628,669
Capital Grants and Contributions	1,797,917	1,556,398	0	0	1,797,917	1,556,398
Total Program Revenues	6,903,651	7,853,434	10,718,881	10,673,427	17,622,532	18,526,861
General Revenue:						
Income Taxes	20,228,063	20,316,676	0	0	20,228,063	20,316,676
Property Taxes	5,958,198	4,954,867	0	0	5,958,198	4,954,867
Grants and Entitlements	2,728,213	2,263,680	0	0	2,728,213	2,263,680
Investment Earnings	380,569	946,699	162,472	428,305	543,041	1,375,004
Other	317,431	273,167	69,615	139,966	387,046	413,133
Total General Revenues	29,612,474	28,755,089	232,087	568,271	29,844,561	29,323,360
Total Revenues	36,516,125	36,608,523	10,950,968	11,241,698	47,467,093	47,850,221
Program Expenses:						
General Government	7,779,897	7,172,448	0	0	7,779,897	7,172,448
Public Safety	13,866,067	13,502,174	0	0	13,866,067	13,502,174
Leisure Time Activities	3,859,333	2,126,895	0	0	3,859,333	2,126,895
Community Development	1,113,666	1,043,526	0	0	1,113,666	1,043,526
Basic Utility Service	510,190	506,372	0	0	510,190	506,372
Transportation and Street Repair	5,154,191	10,240,547	0	0	5,154,191	10,240,547
Public Health and Welfare	25,278	25,007	0	0	25,278	25,007
Interest and Fiscal Charges	676,748	842,065	0	0	676,748	842,065
Water Utility	0	0	3,964,028	3,763,190	3,964,028	3,763,190
Sewer Utility	0	0	4,616,131	4,517,979	4,616,131	4,517,979
Solid Waste	0	0	1,728,745	1,751,984	1,728,745	1,751,984
Recreation	0	0	1,790,010	1,885,070	1,790,010	1,885,070
Total Program Expenses	32,985,370	35,459,034	12,098,914	11,918,223	45,084,284	47,377,257
Increase (Decrease) in Net Assets						
before Transfers	3,530,755	1,149,489	(1,147,946)	(676,525)	2,382,809	472,964
Transfers - Internal Activities	(650,000)	(650,000)	650,000	650,000	0	0
Change in Net Assets	2,880,755	499,489	(497,946)	(26,525)	2,382,809	472,964
Beginning Net Assets	81,424,307	84,305,062	49,610,800	49,112,854	131,035,107	133,417,916
Ending Net Assets	\$84,305,062	\$84,804,551	\$49,112,854	\$49,086,329	\$133,417,916	\$133,890,880

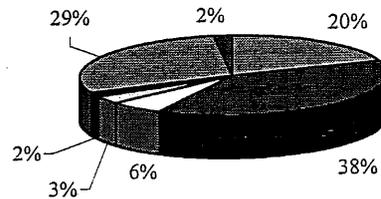
Governmental Activities

The City had an increase in Governmental Activities operating grants and contributions due to an increase in grant monies received by the City. The City also had an increase in investment earnings of \$566,130 from 2004 due to the City's continuing effort to get the best return on investment. The City saw a large increase in transportation expense due to the City's effort to continually improve street conditions within the City by increasing its maintenance and repairs of streets throughout 2005.

Council is active in promoting economic growth in Fairfield in 2005, as this economic growth does increase the earnings tax base as well. Fairfield has continued attracting employers to our city in the year 2005, thereby injecting the local economy with jobs and increasing the City's commercial tax base. The 1.50% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent more than 72% of the City's governmental activities general revenues. During 2005, when most communities were faced with budget cuts due to the economic downturn of the economy, the City's 2005 earnings tax revenues increased approximately .4% over 2004 tax revenues.

Governmental activities program expenses for 2005 were as follows:

<u>Program Expenses</u>	<u>Percent of Total</u>
General Government	20%
Public Safety	38%
Leisure Time Activities	6%
Community Development	3%
Basic Utility Service	2%
Transportation and Street Repair	29%
Interest and Fiscal Charges	2%
Total	100%



General Government includes legislative and executive as well as judicial expenses. The level of services provided to City residents continues to be very high. The City seeks to improve the quality and efficiency of existing services as well as consider additional services. Leaf and brush pickup, storm sewer projects, and aggressive street resurfacing program, amenities in the parks, and police and fire services all culminate into a full service city. Services in the City of Fairfield have increased over the years and this has been accomplished by the City Council and the City's work force.

Income Tax

This tax was originally levied in 1960, at a rate of 0.6%, to provide funds for street improvements, drainage improvements, and garbage collection. A 0.4% increase in 1966 was solely for the installation and operation of storm and sanitary sewers and the sewage disposal plant. A 0.5% increase in 1971, to the current 1.5% rate, was for the purpose of general operations, maintenance, and improvement of services.

The 1.5% locally levied tax applies to gross salaries, wages and other personal service compensation earned by residents, both in and out of the City and upon earnings of non-residents earned in the City. It also applies to net income of business organizations derived from business activities conducted in the City. In November of 1990, the citizens of Fairfield voted to change the distribution of the income taxes that allocated monies to the Sewer Funds. The 1.5% tax rate was subdivided into three components. The first 1.0% is used for operating expenses of the General Fund. Next, 0.3% is used for street construction, improvement and repair. Third, 0.2% of the tax is earmarked for capital improvements of a permanent nature.

In 2001, the City Council decided to begin an initiative to develop and revitalize the downtown area of Fairfield which consisted of constructing two new public buildings, a Community Arts Center and a Municipal Court and Polices Services Facility. In order to fund this major capital investment Council asked the voters to change the allocation of the Income Tax revenues. In November of 2002, the citizens of Fairfield approved the change which, beginning in January of 2004, the current tax rate allocates 1.1% for the operating expenses of the General Fund, 0.2% for street construction, improvement and repair and 0.2% for capital improvements of a permanent nature.

Business-Type Activities

The City's business-type activities include Water Utility, Sewer Utility, Solid Waste Management and Recreation Facilities operations.

Water – The City of Fairfield has been providing public water services to residents since 1958. The initial plant consisted of an ion exchange plant, with one train that could provide 750,000 gallons of water per day. A second train was constructed in 1965 provided a combined capacity of 1.5 million gallons of water per day.

For the next nearly twenty years, the City operated the ion exchange plant as its primary source of drinking water. But as the City grew, the supply was not sufficient to keep up with demand. As a result, the City entered into an agreement with the City of Hamilton to purchase supplemental water supplies, with more and more supplemental water required each year. In 1984, the City decided to become self-sufficient again for its water supply and initiated an expansion of the City's water plant. The expansion included construction of a separate wing providing treatment by lime/soda ash softening, as opposed to the existing process involving ion exchange treatment. This initial addition of the lime/soda ash plant consisted of a 4.5 MGD expansion. A second addition to the lime/soda ash plant was completed in 1990. Today, the plant has a combined capacity of 10.5 MGD day. This includes 1.5 MGD for the original ion exchange plant, and 4.5 MGD for each of the two phases of the lime/soda ash plant expansion.

The City is currently petitioning the state of Ohio to have the capacity of the lime/soda ash plant re-rated to a high capacity. Traditionally, engineering and design standards have been very conservative, with actual working capacities greatly exceeding design standards. Re-rating is a formal, regulatory process that allows the plant - with a few, low-capital intensive improvements - to be rated for increased capacity. The re-rating initiative was completed in 2003 and should increase the design capacity of the lime/soda ash plant from 9.0 to 13.5 million gallons per day. This should meet all potential demands for the City of Fairfield for the foreseeable future.

Today, the Fairfield Water Department serves nearly 11,400 residential and 900 commercial accounts. This represents a population base of nearly 47,000 people. This includes the operation of the treatment plant; five water elevated water towers and 180 miles of water mains in its distribution system. The City also maintains emergency connections with cities of Hamilton and Cincinnati for providing back-up water supplies in the event of an emergency.

Wastewater – The City of Fairfield has been operating a public wastewater collection and treatment system since 1965. The Wastewater Treatment Plant is located on Groh Lane and discharges treated water to the Great Miami River. The Wastewater Treatment Plant consists of conventional activated sludge treatment process, with a treatment capacity of 10.0 million gallons per day (MGD) and a hydraulic capacity of 15.0 MGD. The flows average approximately 4.7 MGD.

As part of the treatment process, water solids-laden sludge is produced. The sludge, called bio-solids, has been stabilized to destroy infectious organisms and is used as a soil conditioner for managed farming operations. The bio-solids improve soil matrixes by adding nutrients and water retention capacities. In addition, they help to add bulking characteristics that help to aerate the soil. The bio-solids disposal program is coordinated with area framers who are able to take advantage of the agronomic enriching characteristics.

In an effort to respond to increased flows induced during period of extended rainfall, the City embarked on an extensive sewer relief project to alleviate surcharging caused by stormwater entering the sanitary sewer system. The relief sewer system captures potential overflows and conveys excess flows to off-line storage facilities at the Wastewater Treatment Plant. The excess flows can then be metered into the Treatment Plant once storm conditions subside.

The sanitary sewer collection system includes nearly 180 miles of sanitary sewer main, and 4,000 manholes. It also includes thirteen (13) lift stations to elevate collected wastewater to a height that it can resume a normal flow by gravity.

Waste Collection – The City contract with Rumpke, a private organization, to provide waste removal and recycling services to residential customers in the City of Fairfield. In 2002, Council authorized a three-year contract with two renewable years with Rumpke for Fairfield residents' waste and recycling collection. According to that contract the current rate of \$8.95 per month for curbside service and \$4.90 per month for dumpster service is scheduled for annual increases which will result in the curbside rate to \$9.75 and the dumpster rate to be \$5.50 in the year 2006.

The City charges a portion of the waste collection contract back to the residential customers of the service while the City subsidizes the difference with an operating transfer from the General Fund. In 2002, City Council passed an ordinance that structured user charges at \$7.25 per month for curbside service and \$4.90 per month for dumpster service. Annual increases are scheduled through the year 2007 which will increase the rate to \$8.10 per month for curbside service to \$5.50 per month for dumpster service.

Recreation Facilities- The City of Fairfield acquired the Pleasant Run Country Club in 1978, with assistance through the Land and Water Conservation Fund grant program and immediately re-named the facility the Pleasant Run Golf Course. With its acquisition, the City added an 18-hole championship golf course, clubhouse facility and 4-lane/25 meter swimming pool to its recreational inventory.

In the late 1980's the City retained the services of Hurdzan Golf Course Architects to provide a master plan for a series of improvements at the Fairfield Golf Course, in order to make the course more playable, enjoyable and safer for the golfer. These improvements were implemented over a five-year period.

In the late 1980's the City acquired approximately 55 acres north of the golf course to construct a flood detention basin. As the community grew, the need for recreational opportunities increased. In an early 1990's recreational needs assessment study, the replacement of the swimming pool was rated as a top priority. The City retained the services of Brandstetter/Carroll Architects to begin the design work on a new aquatic facility for the community. In summer of 1997, the City opened the Fairfield Aquatic Center. The center housed an eight-lane/25 meter competitive pool, diving area, children's wading pool, 90-foot water slide, zero depth entry, three in-water play features, grass beach area, concession building, bath house, sand volleyball courts, grass beach, large sun deck, and two play structures.

As the community struggled with the maintenance of its flood detention projects an idea emerged to construct a 9-hole executive golf course within the detention basin adjacent to the existing 18-hole golf course. After researching the possible alternatives, the City again retained the services of Hurdzan Golf Course Architects to design of the 9-hole executive golf course. Since the City would be operating two golf courses, that were contiguous to each other but separate operations, it was necessary that both courses be easily recognizable but identifiable as separate golf courses. Therefore after careful study, the 18-hole golf course was re-named Fairfield Greens Golf Course/South Trace and the new golf course was named the Fairfield Greens Golf Course/North Trace.

The City's Funds

The City has five major governmental funds: the General Fund, Fire Levy Fund, .2% Street Improvement Fund, .2% Capital Improvement Fund and Downtown Development Fund. Assets of the general fund comprised \$13,716,836 (34%), the fire levy fund comprised \$4,259,203 (11%), the .2% street improvement fund comprised \$7,558,988 (19%), the .2% capital improvement fund comprised \$3,703,067 (9%) and the downtown development fund comprised \$5,732,345 (14%) of the total \$39,951,373 governmental funds assets.

General Fund: Fund balance at December 31, 2005 was \$9,317,980 an increase in fund balance of \$1,284,365 from 2004. The general fund had an increase in taxes revenue due to an increase in taxes available for advance from 2004 to 2005. The general fund also had an increase in intergovernmental revenue due to an increase in inheritance (estate) tax from 2004.

Fire Levy Fund: Fund balance at December 31, 2005 was (\$380) an increase in fund balance of \$185,079 from 2004. The fire levy fund had an increase in fund balance due to an increase in charges for services within the fund. The fund also had an increase in taxes revenue due to an increase in property taxes revenue received.

.2% Street Improvement Fund: Fund balance at December 31, 2005 was \$7,150,608 an increase in fund balance of \$33,327 from 2004. The .2% street improvement fund remained fairly consistent from 2004 to 2005.

.2% Capital Improvement Fund: Fund balance at December 31, 2005 was \$3,249,877 an increase in fund balance of \$192,501 from 2004. The .2% capital improvement fund had an increase in fund balance primarily due to an increase in taxes available for advance, an increase in investment earnings due to the City's continuing effort to increase investment income and an increase in intergovernmental revenue due to an increase in grant monies received by the City.

Downtown Development Fund: Fund balance at December 31, 2005 was (\$3,807,984) a decrease in fund balance of (\$7,591,258) from 2004. The downtown development fund saw a decrease in fund balance mainly due to the City's increase in capital outlay due to the continuation and completion of the Community Arts Center and the beginning and continuing construction of the City's new Justice Center (Municipal Court and Police Service Buildings).

General Fund Budgeting Highlights

The City's General Fund budget is formally adopted at the function level. Financial reports, which compare actual performance with the budget, are prepared monthly and presented to the Council so the Council is able to review the financial status and measure the effectiveness of the budgetary controls.

As the City completed the year, its General Fund balance reported an actual fund balance of \$8,014,077, on a Non-GAAP Budgetary Basis.

Capital Assets and Debt Administration

Capital Assets

**Table 3
Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Land	\$12,003,379	\$12,767,521	\$1,493,851	\$1,497,829	\$13,497,230	\$14,265,350
Construction in Progress	7,476,184	6,118,987	201,667	1,591,846	7,677,851	7,710,833
Buildings and Improvements	23,745,493	33,796,713	45,964,990	45,964,990	69,710,483	79,761,703
Equipment	11,039,456	11,748,691	2,328,657	2,591,665	13,368,113	14,340,356
Infrastructure	73,339,355	73,339,355	28,837,203	28,861,143	102,176,558	102,200,498
Accumulated Depreciation	(56,496,600)	(59,995,595)	(26,859,626)	(28,541,503)	(83,356,226)	(88,537,098)
Total Net Capital Assets	<u>\$71,107,267</u>	<u>\$77,775,672</u>	<u>\$51,966,742</u>	<u>\$51,965,970</u>	<u>\$123,074,009</u>	<u>\$129,741,642</u>

Increases in Capital Assets were the result of the City continued construction and completion of the Community Arts Center and the beginning of and continued construction of the new Justice Center.

See Note 5 to the notes to the basic financial statements for further details on the City's capital assets.

Debt

At year-end the City had \$14,300,000 in unvoted general obligation and special assessment bonds for Governmental Activities and \$14,801,282 in business-type long-term debt.

Table 4
Outstanding Debt at Year End

	<u>2004</u>	<u>2005</u>
Governmental Activities		
Justice Center Bond	\$150,000	\$100,000
Fire Station Bond	445,000	380,000
Community Arts Center Bond	7,215,000	6,925,000
Various Purpose Special Assessment Bonds with Governmental Commitment	50,000	25,000
Various Purpose General Obligation Bonds	<u>7,310,000</u>	<u>6,870,000</u>
Total	<u>\$15,170,000</u>	<u>\$14,300,000</u>
Business Type Activities		
OWDA Wastewater Improvement Loan	9,923,688	9,321,282
Various Purpose Recreation Bonds	2,060,000	1,975,000
Water Refunding Mortgage Revenue Bond	350,000	0
Water Refunding Mortgage Revenue Bond	<u>3,720,000</u>	<u>3,505,000</u>
Total	<u>\$16,053,688</u>	<u>\$14,801,282</u>

Special Assessment Street Improvement Bonds with governmental commitment will be paid with special assessment revenue.

The unvoted General Obligation Bonds for street improvement will be paid with municipal income tax revenue. The Various Purpose Improvement general obligation bonds and Community Arts Center Bonds will be paid with property tax revenues via transfers from the General Fund.

See Note 8 to the notes to the basic financial statements for further details on the City's long-term debt.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers and 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 any questions about this report or need additional financial information, contact the Finance Director, City of Fairfield, 5350 Pleasant Avenue, Fairfield, Ohio 45014.

City of Fairfield
Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$28,397,583	\$14,784,713	\$43,182,296
Restricted Cash and Investments	0	1,131,986	1,131,986
Receivables:			
Taxes	9,685,248	0	9,685,248
Accounts	15,736	846,408	862,144
Interest	215,423	52,724	268,147
Intergovernmental	1,690,474	0	1,690,474
Special Assessments	26,906	0	26,906
Deferred Bond Issuance Costs	0	64,540	64,540
Inventory	0	254,166	254,166
Nondepreciable Capital Assets	18,886,508	3,089,675	21,976,183
Depreciable Capital Assets, Net	58,889,164	48,876,295	107,765,459
Total Assets	117,807,042	69,100,507	186,907,549
Liabilities:			
Accounts Payable	915,665	261,091	1,176,756
Accrued Wages and Benefits	1,019,180	162,945	1,182,125
Accrued Interest Payable	199,879	75,653	275,532
Unearned Revenue	5,227,526	0	5,227,526
Other Liabilities	0	123,923	123,923
Claims Payable	12,158	0	12,158
Due to Other Governments	0	62,138	62,138
Bond Anticipated Notes Payable	9,000,000	4,000,000	13,000,000
Long-Term Liabilities:			
Due Within One Year	962,622	941,966	1,904,588
Due In More Than One Year	15,665,461	14,386,462	30,051,923
Total Liabilities	33,002,491	20,014,178	53,016,669
Net Assets:			
Invested in Capital Assets, Net of Related Debt	54,410,081	34,091,302	88,501,383
Restricted for:			
Special Revenue	3,053,858	0	3,053,858
Debt Service	1,480,891	0	1,480,891
Capital Projects	7,253,636	0	7,253,636
Other Purposes	0	1,131,986	1,131,986
Unrestricted	18,606,085	13,863,041	32,469,126
Total Net Assets	\$84,804,551	\$49,086,329	\$133,890,880

See accompanying notes to the basic financial statements.

City of Fairfield
Statement of Activities
For the Fiscal Year Ended December 31, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$7,172,448	\$1,174,030	\$0	\$0
Public Safety	13,502,174	1,463,507	2,160,344	0
Leisure Time Activities	2,126,895	474,215	0	0
Community Development	1,043,526	65,027	18,710	899,467
Basic Utility Service	506,372	491,588	215,862	357,247
Transportation and Street Repair	10,240,547	0	233,753	299,684
Public Health and Welfare	25,007	0	0	0
Interest and Fiscal Charges	842,065	0	0	0
Total Governmental Activities	35,459,034	3,668,367	2,628,669	1,556,398
Business-Type Activities:				
Water Utility	3,763,190	3,509,115	0	0
Sewer Utility	4,517,979	4,170,483	0	0
Solid Waste	1,751,984	1,460,257	0	0
Recreation	1,885,070	1,533,572	0	0
Total Business-Type Activities	11,918,223	10,673,427	0	0
Totals	\$47,377,257	\$14,341,794	\$2,628,669	\$1,556,398

General Revenues:
Income Taxes
Property Taxes Levied for:
 General Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Other Revenues
Transfers-Internal Activities

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$5,998,418)	\$0	(\$5,998,418)
(9,878,323)	0	(9,878,323)
(1,652,680)	0	(1,652,680)
(60,322)	0	(60,322)
558,325	0	558,325
(9,707,110)	0	(9,707,110)
(25,007)	0	(25,007)
(842,065)	0	(842,065)
<u>(27,605,600)</u>	<u>0</u>	<u>(27,605,600)</u>
0	(254,075)	(254,075)
0	(347,496)	(347,496)
0	(291,727)	(291,727)
0	(351,498)	(351,498)
<u>0</u>	<u>(1,244,796)</u>	<u>(1,244,796)</u>
<u>(\$27,605,600)</u>	<u>(\$1,244,796)</u>	<u>(\$28,850,396)</u>
20,316,676	0	20,316,676
4,954,867	0	4,954,867
2,263,680	0	2,263,680
946,699	428,305	1,375,004
273,167	139,966	413,133
(650,000)	650,000	0
<u>28,105,089</u>	<u>1,218,271</u>	<u>29,323,360</u>
499,489	(26,525)	472,964
<u>84,305,062</u>	<u>49,112,854</u>	<u>133,417,916</u>
<u>\$84,804,551</u>	<u>\$49,086,329</u>	<u>\$133,890,880</u>

City of Fairfield
Balance Sheet
Governmental Funds
December 31, 2005

	General	Fire Levy	.2% Street Improvement	.2% Capital Improvement
Assets:				
Equity in Pooled Cash and Investments	\$8,638,841	\$237,204	\$6,863,585	\$3,062,093
Receivables:				
Taxes	4,636,282	3,816,882	616,042	616,042
Accounts	15,736	0	0	0
Interest	67,176	0	79,361	24,932
Intergovernmental	358,801	205,117	0	0
Special Assessments	0	0	0	0
Total Assets	13,716,836	4,259,203	7,558,988	3,703,067
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	208,335	28,007	32,215	110,604
Accrued Wages and Benefits	725,278	209,577	0	0
Compensated Absences	20,561	0	0	0
Deferred Revenue	3,444,682	4,021,999	376,165	342,586
Bond Anticipated Notes Payable	0	0	0	0
Total Liabilities	4,398,856	4,259,583	408,380	453,190
Fund Balances:				
Reserved for Encumbrances	43,987	0	918,676	1,011,016
Unreserved, Undesignated, Reported in:				
General Fund	9,273,993	0	0	0
Special Revenue Funds	0	(380)	0	0
Debt Service Funds	0	0	0	0
Capital Projects Funds	0	0	6,231,932	2,238,861
Total Fund Balances	9,317,980	(380)	7,150,608	3,249,877
Total Liabilities and Fund Balances	\$13,716,836	\$4,259,203	\$7,558,988	\$3,703,067

See accompanying notes to the basic financial statements.

<u>Downtown Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$5,689,713	\$3,826,150	\$28,317,586
0	0	9,685,248
0	0	15,736
42,632	1,322	215,423
0	1,126,556	1,690,474
0	26,906	26,906
<u>5,732,345</u>	<u>4,980,934</u>	<u>39,951,373</u>
511,135	25,117	915,413
0	64,990	999,845
0	0	20,561
29,194	780,071	8,994,697
9,000,000	0	9,000,000
<u>9,540,329</u>	<u>870,178</u>	<u>19,930,516</u>
4,106,329	756,548	6,836,556
0	0	9,273,993
0	2,063,367	2,062,987
0	1,652,542	1,652,542
(7,914,313)	(361,701)	194,779
<u>(3,807,984)</u>	<u>4,110,756</u>	<u>20,020,857</u>
<u>\$5,732,345</u>	<u>\$4,980,934</u>	<u>\$39,951,373</u>

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City of Fairfield
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 December 31, 2005

Total Governmental Fund Balance		\$20,020,857
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		77,775,672
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income Taxes	2,058,830	
Delinquent Property Taxes	575,897	
Interest	134,404	
Intergovernmental	971,134	
Other	<u>26,906</u>	
		3,767,171
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(24,498)
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(199,879)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,169,181)</u>	
		(2,169,181)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(14,365,591)</u>
Net Assets of Governmental Activities		<u><u>\$84,804,551</u></u>

See accompanying notes to the basic financial statements.

City of Fairfield
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2005

	General	Fire Levy	.2% Street Improvement	.2% Capital Improvement
Revenues:				
Taxes	\$16,570,098	\$3,785,716	\$2,802,839	\$2,802,839
Fines, Licenses & Permits	1,360,949	5,825	0	0
Charges for Services	686,577	887,152	0	0
Investment Earnings	244,969	0	152,459	70,243
Intergovernmental	2,531,658	499,154	259,720	80,095
Special Assessments	18,695	0	0	0
Other Revenues	270,671	21,659	122,376	0
Total Revenues	21,683,617	5,199,506	3,337,394	2,953,177
Expenditures:				
Current:				
General Government	6,257,504	0	0	0
Public Safety	7,966,906	4,991,317	0	0
Leisure Time Activities	1,887,376	0	0	0
Community Development	1,107,022	0	0	0
Basic Utility Service	506,372	0	0	0
Transportation and Street Repair	253,572	0	2,853,892	1,529,344
Public Health and Welfare	25,007	0	0	0
Capital Outlay	67,518	23,210	32,215	110,604
Debt Service:				
Principal Retirement	83,756	0	0	0
Interest and Fiscal Charges	5,514	0	0	0
Total Expenditures	18,160,547	5,014,527	2,886,107	1,639,948
Excess of Revenues Over (Under) Expenditures	3,523,070	184,979	451,287	1,313,229
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	11,295	100	0	3,900
Transfers In	0	0	0	0
Transfers (Out)	(2,250,000)	0	(417,960)	(1,124,628)
Total Other Financing Sources (Uses)	(2,238,705)	100	(417,960)	(1,120,728)
Net Change in Fund Balance	1,284,365	185,079	33,327	192,501
Fund Balance Beginning of Year	8,033,615	(185,459)	7,117,281	3,057,376
Fund Balance End of Year	\$9,317,980	(\$380)	\$7,150,608	\$3,249,877

See accompanying notes to the basic financial statements.

<u>Downtown Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$0	\$0	\$25,961,492
0	608,111	1,974,885
0	0	1,573,729
227,489	120,149	815,309
0	3,397,291	6,767,918
0	42,353	61,048
0	22,155	436,861
<u>227,489</u>	<u>4,190,059</u>	<u>37,591,242</u>
0	193,824	6,451,328
0	0	12,958,223
0	0	1,887,376
0	0	1,107,022
0	0	506,372
0	3,271,823	7,908,631
0	0	25,007
8,818,747	1,174,091	10,226,385
0	870,000	953,756
0	636,672	642,186
<u>8,818,747</u>	<u>6,146,410</u>	<u>42,666,286</u>
<u>(8,591,258)</u>	<u>(1,956,351)</u>	<u>(5,075,044)</u>
0	2,000	17,295
1,000,000	2,092,588	3,092,588
0	(85,000)	(3,877,588)
<u>1,000,000</u>	<u>2,009,588</u>	<u>(767,705)</u>
(7,591,258)	53,237	(5,842,749)
<u>3,783,274</u>	<u>4,057,519</u>	<u>25,863,606</u>
<u>(\$3,807,984)</u>	<u>\$4,110,756</u>	<u>\$20,020,857</u>

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City of Fairfield
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2005

Net Change in Fund Balance - Total Governmental Funds (\$5,842,749)

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

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	10,595,566	
Depreciation Expense	<u>(3,847,232)</u>	6,748,334

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (79,929)

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

Income Taxes	(703,778)	
Interest	131,390	
Intergovernmental	(318,884)	
Other	<u>(28,813)</u>	(920,085)

Repayment of bond and capital lease principal is an expenditure
 in the governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 953,756

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (199,879)

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 governmental funds.

Compensated Absences	<u>(170,384)</u>	(170,384)
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The internal service fund used by management to charge back costs
 to individual funds is not reported in the district-wide statement of
 activities. Governmental fund expenditures and the related internal
 service fund revenues are eliminated. The net revenue (expense) of
 the internal service fund is allocated among the governmental activities. 10,425

Change in Net Assets of Governmental Activities \$499,489

See accompanying notes to the basic financial statements.

City of Fairfield
Statement of Net Assets
Proprietary Funds
December 31, 2005

Business-Type Activities -Enterprise Funds

	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities
Current Assets:				
Equity in Pooled Cash and Investments	\$8,783,176	\$5,825,661	\$22,002	\$153,874
Restricted Cash and Investments	1,131,986	0	0	0
Receivables:				
Accounts	299,626	408,874	137,908	0
Interest	38,209	14,515	0	0
Deferred Bond Issuance Costs	64,540	0	0	0
Inventory	215,490	0	0	38,676
Total Current Assets	10,533,027	6,249,050	159,910	192,550
Noncurrent Assets:				
Nondepreciable Capital Assets	764,605	1,818,070	0	507,000
Depreciable Capital Assets, Net	16,273,597	28,338,893	0	4,263,805
Total Noncurrent Assets	17,038,202	30,156,963	0	4,770,805
Total Assets	27,571,229	36,406,013	159,910	4,963,355
Liabilities:				
Current Liabilities:				
Accounts Payable	104,238	144,511	1,117	11,225
Accrued Wages and Benefits	63,758	67,801	709	30,677
Accrued Interest Payable	13,991	54,667	0	6,995
Other Liabilities	123,923	0	0	0
Claims Payable	0	0	0	0
Due to Other Governments	0	62,138	0	0
Bond Anticipated Notes Payable	0	4,000,000	0	0
Long-Term Liabilities Due Within One Year	225,000	626,966	0	90,000
Total Current Liabilities	530,910	4,956,083	1,826	138,897
Long-Term Liabilities:				
Compensated Absences	239,540	179,179	584	107,843
Bonds, Notes & Loans Payable	3,280,000	8,694,316	0	1,885,000
Total Noncurrent Liabilities	3,519,540	8,873,495	584	1,992,843
Total Liabilities	4,050,450	13,829,578	2,410	2,131,740
Net Assets:				
Invested in Capital Assets, Net of Related Debt	13,468,662	17,826,835	0	2,795,805
Restricted for:				
Other Purposes	1,131,986	0	0	0
Unrestricted	8,920,131	4,749,600	157,500	35,810
Total Net Assets	\$23,520,779	\$22,576,435	\$157,500	\$2,831,615

See accompanying notes to the basic financial statements.

Total Business-Type Activities	Governmental Activities- Internal Service Fund
\$14,784,713	\$79,997
1,131,986	0
846,408	0
52,724	0
64,540	0
254,166	0
<u>17,134,537</u>	<u>79,997</u>
3,089,675	0
<u>48,876,295</u>	<u>0</u>
51,965,970	0
<u>69,100,507</u>	<u>79,997</u>
261,091	252
162,945	19,335
75,653	0
123,923	0
0	12,158
62,138	0
4,000,000	0
941,966	0
<u>5,627,716</u>	<u>31,745</u>
527,146	72,750
<u>13,859,316</u>	<u>0</u>
14,386,462	72,750
<u>20,014,178</u>	<u>104,495</u>
34,091,302	0
1,131,986	0
<u>13,863,041</u>	<u>(24,498)</u>
<u>\$49,086,329</u>	<u>(\$24,498)</u>

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

	Business-Type Activities -Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities
Operating Revenues:				
Fines, Licenses & Permits	\$88,327	\$173,302	\$0	\$0
Charges for Services	3,420,788	3,997,181	1,460,257	1,533,572
Other Revenues	94,375	39,479	1,306	4,806
Total Operating Revenues	3,603,490	4,209,962	1,461,563	1,538,378
Operating Expenses:				
Personal Services	1,533,212	1,827,722	10,919	864,011
Contractual Services	971,190	790,173	1,740,869	454,806
Materials and Supplies	485,607	433,205	196	283,580
Depreciation	561,167	1,022,216	0	192,006
Total Operating Expenses	3,551,176	4,073,316	1,751,984	1,794,403
Operating Income (Loss)	52,314	136,646	(290,421)	(256,025)
Non-Operating Revenues (Expenses):				
Investment Earnings	263,859	162,970	0	1,476
Interest (Expense)	(214,114)	(446,863)	0	(90,667)
Gain (Loss) on Disposal of Capital Assets	2,100	2,200	0	0
Total Non-Operating Revenues (Expenses)	51,845	(281,693)	0	(89,191)
Income (Loss) Before Contributions and Transfers	104,159	(145,047)	(290,421)	(345,216)
Transfers In	0	0	350,000	300,000
Change in Net Assets	104,159	(145,047)	59,579	(45,216)
Net Assets Beginning of Year	23,416,620	22,721,482	97,921	2,876,831
Net Assets End of Year	\$23,520,779	\$22,576,435	\$157,500	\$2,831,615

See accompanying notes to the basic financial statements.

Total Business-Type Activities	Governmental Activities- Internal Service Fund
\$261,629	\$0
10,411,798	3,181,689
139,966	440
<u>10,813,393</u>	<u>3,182,129</u>
4,235,864	426,805
3,957,038	2,585,302
1,202,588	296,102
1,775,389	0
<u>11,170,879</u>	<u>3,308,209</u>
<u>(357,486)</u>	<u>(126,080)</u>
428,305	1,505
(751,644)	0
4,300	0
<u>(319,039)</u>	<u>1,505</u>
(676,525)	(124,575)
650,000	135,000
(26,525)	10,425
<u>49,112,854</u>	<u>(34,923)</u>
<u>\$49,086,329</u>	<u>(\$24,498)</u>

City of Fairfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2005

	Business-Type Activities -Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities
Cash Flows from Operating Activities:				
Cash Received from Customers	\$3,568,180	\$4,286,143	\$1,411,368	\$1,538,378
Cash Payments to Employees	(1,512,379)	(1,785,009)	(19,570)	(847,058)
Cash Payments to Suppliers	(1,491,419)	(1,215,252)	(1,739,948)	(718,348)
Net Cash Provided (Used) by Operating Activities	564,382	1,285,882	(348,150)	(27,028)
Cash Flows from Noncapital Financing Activities:				
Payments from Other Funds	0	0	350,000	300,000
Net Cash Provided (Used) by Noncapital Financing Activities	0	0	350,000	300,000
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions	(108,126)	(1,621,767)	0	(44,723)
Debt Proceeds	0	4,000,000	0	0
Debt Principal Payments	(565,000)	(2,102,406)	0	(85,000)
Debt Interest Payments	(200,838)	(397,096)	0	(90,968)
Net Cash Provided (Used) by Capital and Related Financing Activities	(873,964)	(121,269)	0	(220,691)
Cash Flows from Investing Activities:				
Earnings on Investments	254,633	160,826	0	1,476
Net Cash Provided (Used) by Cash Flows from Investing Activities	254,633	160,826	0	1,476
Net Increase (Decrease) in Cash and Cash Equivalents	(54,949)	1,325,439	1,850	53,757
Cash and Cash Equivalents Beginning of Year	9,970,111	4,500,222	20,152	100,117
Cash and Cash Equivalents End of Year	9,915,162	5,825,661	22,002	153,874
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	52,314	136,646	(290,421)	(256,025)
Adjustments:				
Depreciation	561,167	1,022,216	0	192,006
Changes in Assets & Liabilities:				
(Increase) Decrease in Receivables	(32,985)	76,181	(50,195)	0
(Increase) Decrease in Inventory	(126,416)	0	0	10,193
Increase (Decrease) in Payables	99,017	8,126	1,117	9,845
Increase (Decrease) in Accrued Liabilities	11,285	42,713	(8,651)	16,953
Net Cash Provided (Used) by Operating Activities	\$564,382	\$1,285,882	(\$348,150)	(\$27,028)

See accompanying notes to the basic financial statements.

Total Business-Type Activities	Governmental Activities- Internal Service Fund
\$10,804,069	\$3,182,129
(4,164,016)	(420,820)
(5,164,967)	(2,880,213)
<u>1,475,086</u>	<u>(118,904)</u>
<u>650,000</u>	<u>135,000</u>
<u>650,000</u>	<u>135,000</u>
(1,774,616)	0
4,000,000	0
(2,752,406)	0
(688,902)	0
<u>(1,215,924)</u>	<u>0</u>
<u>416,935</u>	<u>1,505</u>
<u>416,935</u>	<u>1,505</u>
1,326,097	17,601
<u>14,590,602</u>	<u>62,396</u>
<u>15,916,699</u>	<u>79,997</u>
(357,486)	(126,080)
1,775,389	0
(6,999)	0
(116,223)	0
118,105	(271)
<u>62,300</u>	<u>7,447</u>
<u>\$1,475,086</u>	<u>(\$118,904)</u>

City of Fairfield
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2005

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$78,988</u>
Total Assets	<u><u>\$78,988</u></u>
Liabilities:	
Other Liabilities	<u>78,988</u>
Total Liabilities	<u><u>\$78,988</u></u>

See accompanying notes to the basic financial statements.

City of Fairfield

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Fairfield, Ohio (the "City") operates as a Home Rule City in accordance with Article XVIII of the Ohio Constitution under a City Manager-Council form of government.

Among the activities and services as authorized by the City of Fairfield's charter are public safety/municipal court, recreation, sanitation, health and social services, public improvements, planning and zoning, highway and streets and general administrative services. Each of these services is under direct control of the City Manager-Council form of government, which appropriates for and finances the operation of service. Each is, therefore, included as part of the financial reporting entity.

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

Basis of Presentation

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

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

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

Fund Financial Statements

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

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

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

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

Fund Accounting

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

Governmental Funds

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

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

Fire Levy Special Revenue Fund – This special revenue fund accounts for expenditures of property tax revenues and other resources in the operation of the City's Fire Department.

.2% Street Improvement Capital Projects Fund - This capital projects fund accounts for the construction and repair of the City's streets. Financing has been derived from three-tenths of the City's income tax.

.2% Capital Improvement Capital Projects Fund – This capital projects fund accounts for the acquisition, construction, or the debt service thereupon, of assets with a useful life of five (5) years or more. Financing has been derived from two-tenths of the City's income tax.

Downtown Development Capital Projects Fund - This capital projects fund accounts for expenditures of resources to construct major improvements to the City's downtown area.

The other governmental funds of the City account for grants and other resources that are generally restricted to use for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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 following are the City's major enterprise funds:

Water Utility Fund - The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

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

Solid Waste Management Fund - This fund accounts for the waste collection operations.

Recreation Facilities Fund – This fund accounts for operations of the City's golf course, swimming pool and other recreational facilities, revenues from which come from customers, based on a rate authorized by the Parks Commission.

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds reports on a self-insured health care operations and for the cost of maintaining the City's equipment and automotive fleet.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: agency funds, pension trust funds, investment trust funds and private-purpose trust funds. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's two agency funds are warranty bonds (used to account for warranty bonds collected) and Municipal Courts (used to account for funds collected by the court until such time as the funds can be distributed to individuals, private organizations, other governmental units and/or other funds). Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City currently has no trust funds.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

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

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Equity in Pooled Cash and Investments

To improve cash management the City's cash and investments are pooled. Monies for all funds, except cash and investments held in segregated accounts, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

For purposes of the statement of cash flows and for presentation on the statement of net assets/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during the fiscal year. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for at fiscal year end.

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during 2005 amounted to \$1,375,004.

Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of the proprietary funds are expensed when used.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective proprietary funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The City will capitalize capital assets with a cost of \$1,000 or more, depending on the Asset Class.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20-50 years	20-50 years
Equipment	5-10 years	5-10 years
Infrastructure	10-50 years	10-50 years

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Compensated absences are reported in governmental funds only if they have matured. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

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

Net Assets

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

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

Operating Revenues and Expenses

The City, in its proprietary funds, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide 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.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities.

Estimates

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

Restricted Assets

Restricted assets are those assets required by the bond agreements and trust indentures to be used for payment of revenue bond principal and interest and additional funds provided by management for future bond requirements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the City into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2005, \$4,271,833 of the City's bank balance of \$4,671,833 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of December 31, 2005, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Freddie Mac	\$4,615,648	0.33
Federal Home Loan Bank	22,357,195	0.79
Fannie Mae	3,192,934	0.55
Federal Farm Credit Bank	1,081,064	0.88
STAROhio	<u>10,000,000</u>	0.00
Total Fair Value	<u>\$41,246,841</u>	
Portfolio Weighted Average Maturity		0.53

Interest rate risk - In accordance with the investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years, unless matched to a specified obligation or debt of the City.

Credit Risk - It is the City's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The City's investments in Freddie Mac, Federal Home Loan Bank, Fannie Mae and Federal Farm Credit Bank were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investors Service. Investments in STAROhio were rated AAAM by Standard & Pools.

Concentration of credit risk – The City’s investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 11% of the City’s investments in Freddie Mac, 54% in Federal Home Loan Bank, 8% in Fannie Mae and 3% in Federal Farm Credit Bank and 24% in STAROhio.

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 investments or collateral securities that are in the possession of an outside party. All of the City’s securities are either insured and registered in the name of the City or at least registered in the name of the City.

3. RECEIVABLES

Receivables at year end, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments and accounts receivable.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Special assessments expected to be collected in more than one year amounts to approximately \$26,906 in the Special Assessment Fund.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes were levied after October 1, 2004, on the value as of December 31, 2004. Collections were made in 2005. Tangible personal property assessments are 25 percent of true value.

The assessed values of real and tangible personal property upon which current year property tax receipts were based are as follows:

Real Property	\$860,513,110
Public Utility	28,395,480
Tangible Personal Property	<u>96,878,011</u>
Total Valuation	<u>\$985,786,601</u>

Real property taxes are payable annually or semi-annually. The first payment is due January 20 with the remainder payable by June 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of year end for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at year end, nor were they levied to finance current year operations. The receivable is therefore offset by deferred revenue.

Income Taxes

The City levies a 1.5% income tax on substantially all income earned within the City. If an individual pays income taxes to another municipality, a credit of up to one-half percent is allowed. Additional increases in the income tax rate require voter approval.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

4. RISK MANAGEMENT

Description

The City carries insurance to cover general liability risks, fire protection, police professional liability, automotive fleet and errors and omissions for public officials. The City has established an Employees Benefit Fund to account for the cost of the City's self-insured dental care claims and the payment of insurance premiums for medical benefits. A third party administrator who furnishes claims review and processing administers the program. City Funds are charged a premium based on the number of employees participating in the Dental and Health Benefits Plan. The "premium" payments are accounted for as an expenditure in the paying fund and as a revenue in an internal service fund.

For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claim Liabilities

The City records an estimated liability for health claims against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported on historical experience.

Unpaid Claim Liabilities

The following figures represent the changes in medical and dental claims liabilities for the City from January 1, 2004 to December 31, 2005:

Claims Liability, 1/1/04	\$1,523
Claims net of changes in estimates	2,565,854
Payments	<u>(2,556,158)</u>
Claims Liability, 12/31/04	11,219
Claims net of changes in estimates	2,577,573
Payments	<u>(2,576,634)</u>
Claims Liability, 12/31/05	<u>\$12,158</u>

5. CAPITAL ASSETS

Capital asset activity for the current year end was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$12,003,379	\$764,142	\$0	\$12,767,521
Construction in Progress	7,476,184	8,694,023	10,051,220	6,118,987
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	23,745,493	10,051,220	0	33,796,713
Equipment	11,039,456	1,137,401	428,166	11,748,691
Infrastructure	<u>73,339,355</u>	<u>0</u>	<u>0</u>	<u>73,339,355</u>
Totals at Historical Cost	<u>127,603,867</u>	<u>20,646,786</u>	<u>10,479,386</u>	<u>137,771,267</u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,951,134	855,034	0	11,806,168
Equipment	7,531,436	1,066,115	348,237	8,249,314
Infrastructure	<u>38,014,030</u>	<u>1,926,083</u>	<u>0</u>	<u>39,940,113</u>
Total Accumulated Depreciation	<u>\$56,496,600</u>	<u>\$3,847,232</u>	<u>\$348,237</u>	<u>\$59,995,595</u>
Governmental Activities Capital Assets, Net	<u><u>\$71,107,267</u></u>	<u><u>\$16,799,554</u></u>	<u><u>\$10,131,149</u></u>	<u><u>\$77,775,672</u></u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,493,851	\$3,978	\$0	\$1,497,829
Construction in Progress	201,667	1,390,179	0	1,591,846
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	45,964,990	0	0	45,964,990
Equipment	2,328,657	358,756	95,748	2,591,665
Infrastructure	28,837,203	23,940	0	28,861,143
Totals at Historical Cost	<u>78,826,368</u>	<u>1,776,853</u>	<u>95,748</u>	<u>80,507,473</u>
Less Accumulated Depreciation:				
Buildings and Improvements	15,375,535	960,593	0	16,336,128
Equipment	1,677,755	226,423	93,512	1,810,666
Infrastructure	9,806,336	588,373	0	10,394,709
Total Accumulated Depreciation	<u>\$26,859,626</u>	<u>\$1,775,389</u>	<u>\$93,512</u>	<u>\$28,541,503</u>
Business-Type Activities Capital Assets, Net	<u><u>\$51,966,742</u></u>	<u><u>\$1,464</u></u>	<u><u>\$2,236</u></u>	<u><u>\$51,965,970</u></u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$392,669
Public Safety	565,401
Leisure Time Activities	524,726
Transportation and Street Repair	2,325,103
Community Development	39,333
Total Depreciation Expense	<u><u>\$3,847,232</u></u>

6. COMPENSATED ABSENCES

Accumulated Unpaid Vacation

Vacation is accumulated based upon length of service at rates from 3.1 hours to 7.7 hours bi-weekly (80 hours) pay period for full time City employees. Vacation accumulation may not exceed three years. Any excess is eliminated from the employee's accumulated balance. In the case of death, termination, or retirement an employee (or his estate) is paid for his unused vacation to a maximum of the three year accrual.

Accumulated Unpaid Sick Leave

All full time City employees are credited with 96 sick hours at the beginning of each year. Sick leave accumulation may not exceed 960 hours. An excess over the 960 maximum is paid to the employee. In the case of death, termination, or retirement an employee, depending on length of service with the City, is paid for his unused sick leave up to a maximum of 960 hours.

7. NOTES PAYABLE

A summary of the note transactions for the current year end are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
Downtown Development Fund:				
3.45% Justice Center Bond Anticipation Note	\$0	\$9,000,000	\$0	\$9,000,000
Enterprise Fund:				
2.10% Sewer Expansion	1,500,000	0	(1,500,000)	0
4.00% Sewer Expansion	<u>0</u>	<u>4,000,000</u>	<u>0</u>	<u>4,000,000</u>
 Total Notes Payable	 <u>\$1,500,000</u>	 <u>\$13,000,000</u>	 <u>(\$1,500,000)</u>	 <u>\$13,000,000</u>

All of the notes are bond anticipation notes, are backed by the full faith and credit of the City, and mature within one year. The note liability is reflected in the fund which received the proceeds.

8. LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the City during the current year, follows:

		<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
<u>General Obligation Bonds</u>						
Justice Center	7.00%	\$150,000	\$0	(\$50,000)	\$100,000	\$50,000
Fire Station	6.90%	445,000	0	(65,000)	380,000	65,000
Various Purpose - 1999	4.40%	3,525,000	0	(185,000)	3,340,000	190,000
Various Purpose - 2002	4.34%	3,785,000	0	(255,000)	3,530,000	255,000
Community Arts Center	2.00-4.20%	7,215,000	0	(290,000)	6,925,000	295,000
Total General Obligation Bonds		<u>15,120,000</u>	<u>0</u>	<u>(845,000)</u>	<u>14,275,000</u>	<u>855,000</u>
<u>Special Assessment Bonds</u>						
Woodbridge Road	7.625%	50,000	0	(25,000)	25,000	25,000
Capital Lease		149,347	0	(83,756)	65,591	65,591
Total Long-Term Liabilities Bonds and Lease		15,319,347	0	(953,756)	14,365,591	945,591
Compensated Absences		2,068,256	216,221	(21,985)	2,262,492	17,031
Total Governmental Activities		<u>\$17,387,603</u>	<u>\$216,221</u>	<u>(\$975,741)</u>	<u>\$16,628,083</u>	<u>\$962,622</u>

Business Type Activities

<u>Loans</u>						
OWDA Wastewater Improvement	3.79-4.12%	\$9,923,688	\$0	(\$602,406)	\$9,321,282	\$626,966
<u>General Obligation Bonds</u>						
Various Purpose Recreation	4.34%	2,060,000	0	(85,000)	1,975,000	90,000
<u>Mortgage Revenue Bonds</u>						
Water Refunding	3.00-6.20%	350,000	0	(350,000)	0	0
Water Refunding	3.76-5.05%	3,720,000	0	(215,000)	3,505,000	225,000
Total Mortgage Revenue Bonds		4,070,000	0	(565,000)	3,505,000	225,000
Compensated Absences		494,534	42,797	(10,185)	527,146	0
Total Business-Type Activities		<u>\$16,548,222</u>	<u>\$42,797</u>	<u>(\$1,262,591)</u>	<u>\$15,328,428</u>	<u>\$941,966</u>

Principal and interest requirements to retire the City's long-term obligations outstanding at year end are as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
	2006	\$945,000	\$663,046	\$25,000
2007	980,000	626,811	0	0
2008	965,000	589,081	0	0
2009	1,000,000	552,746	0	0
2010	1,045,000	514,366	0	0
2011-2015	5,420,000	1,939,553	0	0
2016-2020	4,240,000	841,295	0	0
2021-2023	1,655,000	118,144	0	0
Total	<u>\$16,250,000</u>	<u>\$5,845,042</u>	<u>\$25,000</u>	<u>\$1,906</u>

Year Ending December 31	Mortgage Revenue Bonds		OWDA Loan	
	Principal	Interest	Principal	Interest
	2006	\$225,000	\$169,610	\$626,966
2007	235,000	159,598	652,529	344,191
2008	245,000	149,022	679,134	317,585
2009	255,000	137,874	706,823	289,894
2010	265,000	126,018	735,643	261,075
2011-2015	1,550,000	424,408	4,153,379	830,217
2016-2019	730,000	55,805	1,766,808	91,241
Total	<u>\$3,505,000</u>	<u>\$1,222,335</u>	<u>\$9,321,282</u>	<u>\$2,503,956</u>

The special assessment bonds are backed by the full faith and credit of the City and are repaid from the resources of the debt service fund. The City levies an assessment against the effected property owners.

9. DEFEASANCE OF BONDS

Mortgage Revenue Bonds

In prior years, the City defeased certain Mortgage Revenue Bonds by the deposit of Treasury Bonds and Notes with Trustees in an amount sufficient to meet principal and interest payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On December 31, 2005, \$190,000 of the outstanding Mortgage Revenue Bonds is considered defeased.

Special Assessment Bonds

The Special Assessment Fund purchased special assessment sidewalk bonds issued by the City. The value of the bonds at December 31, 2005 was \$77,529. The transaction has been eliminated for the financial statement purposes by removing any proceeds from the issuance of debt from the operating statement and the investment.

10. INDUSTRIAL AND ECONOMIC DEVELOPMENT REVENUE BONDS

The City issued \$55,712,748 in industrial and economic development revenue bonds for various projects between the years 1973 through 1990. In February of 2000, the City issued \$6,625,000 in industrial development revenue bonds. As of December 31, 2005 \$3,500,000 was outstanding. The bonds are not a liability nor are the proceeds of the issues assets of the City and, accordingly, they are not reflected on the City's financial records. Debt service on these issues is payable solely from the revenues of the Company and/or individual for whom the debt was issued.

11. SERVICE AGREEMENTS

The City has entered into a service agreement for paramedic services.

Minimum future payments as of December 31, 2005 are:

<u>Year</u>	<u>Paramedic</u>
2006	<u>Services</u>
	\$565,317

12. CAPITAL LEASE

During 2001, the City entered into a capital lease for telephone equipment.

The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", and have been recorded on the government-wide statements. The leased assets have been capitalized for the amount of the present value of the minimum lease payments at the inception of the lease. The following is a schedule of the future long-term minimum lease payments required under the capital lease, and the present value of the minimum lease payments is as follows:

Year Ending <u>December 31</u> 2006	<u>\$66,952</u>
Total minimum lease payments	66,952
Less: Amount representing interest	<u>(1,361)</u>
Present value of minimum lease payments	<u>\$65,591</u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No.13 are as follows:

Equipment	\$446,348
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13. PENSION PLANS

Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642.

Members have a choice of three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a 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 member invests both member and employer contributions (employer contributions vest over five years at 20 percent 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. 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 benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustment to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The current year employer contribution rate was 13.55% of covered payroll; 9.55% was the portion paid for pension. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2005, 2004 and 2003 were \$1,413,818, \$1,345,013, and \$1,256,006, respectively. The full amount has been contributed for 2004 and 2003 and the full amount has been contributed for 2005.

Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24% for firefighters. Contributions are authorized by State statute. The City's required contributions to the OP&F for the years ending December 31, 2005, 2004 and 2003 were \$797,769 for police \$368,535 for fire, \$742,092 for police, \$348,558 for fire, and \$720,971 for police and \$325,599 for fire, respectively. The full amount has been contributed for 2004 and 2003 and 70% for police and 73% for fire has been contributed for 2005.

14. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides retirement, disability, survivor, and postretirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The current year employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rates plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) healthcare costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The City's actual contributions for the current year, which were used to fund postemployment benefits were \$417,359. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability 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, OPERS 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.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund’s board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during the current year. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for the current year that were used to fund postemployment benefits were \$316,714 for police and \$119,037 for fire. The OP&F’s total health care expenses for the year ended December 31, 2004, (the latest information available) were \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

15. CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at year end:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Commitment Remaining</u>
Municipal Court & Police Services Building	\$5,970,924	\$4,164,090
Hydraulic Improvements & Settling Tank Improvements	427,081	365,213
Municipal Building Annex	139,973	313,156
Traffic Signal Upgrades	0	282,654
Office Building Complex - Wastewater	<u>125,954</u>	<u>251,046</u>
Totals	<u>\$6,663,932</u>	<u>\$5,376,159</u>

16. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2005, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$0	\$2,250,000
.2% Street Improvement	0	417,960
.2% Capital Improvement	0	1,124,628
Downtown Development	1,000,000	0
Recreation Facilities	300,000	0
Solid Waste Management	350,000	0
Internal Service Fund	135,000	0
Other Governmental Funds	<u>2,092,588</u>	<u>85,000</u>
Total All Funds	<u>\$3,877,588</u>	<u>\$3,877,588</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; 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.

17. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$16,325,000	\$16,325,000	\$17,000,207	\$675,207
Licenses & Permits	362,050	362,050	345,951	(16,099)
Intergovernmental	2,747,044	2,747,044	2,534,361	(212,683)
Charges for Services	631,000	631,000	704,440	73,440
Fines and Forfeitures	890,000	890,000	1,052,580	162,580
Special Assessments	24,000	24,000	18,695	(5,305)
Investment Earnings	300,000	300,000	244,855	(55,145)
Other Revenues	577,824	577,824	270,841	(306,983)
Total Revenues	21,856,918	21,856,918	22,171,930	315,012
Expenditures:				
Current:				
General Government	7,350,007	7,493,104	6,921,556	571,548
Public Safety	8,587,811	8,609,861	7,924,036	685,825
Leisure Time Activities	1,943,164	2,006,080	1,888,159	117,921
Community Development	1,193,627	1,190,327	1,105,541	84,786
Basic Utility Service	493,000	480,860	480,429	431
Public Health & Welfare Services	30,000	30,000	25,007	4,993
Capital Outlay	208,688	420,723	351,918	68,805
Total Expenditures	19,806,297	20,230,955	18,696,646	1,534,309
Excess of Revenues Over (Under) Expenditures	2,050,621	1,625,963	3,475,284	1,849,321
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	10,000	10,000	11,295	1,295
Transfers (Out)	(2,000,000)	(2,250,000)	(2,250,000)	0
Total Other Financing Sources (Uses)	(1,990,000)	(2,240,000)	(2,238,705)	1,295
Net Change in Fund Balance	60,621	(614,037)	1,236,579	1,850,616
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,777,498	6,777,498	6,777,498	0
Fund Balance End of Year	\$6,838,119	\$6,163,461	\$8,014,077	\$1,850,616

See accompanying notes to the required supplementary information.

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2005

	Fire Levy Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,900,000	\$3,900,000	\$3,785,716	(\$114,284)
Licenses & Permits	7,500	7,500	5,825	(1,675)
Intergovernmental	421,500	421,500	499,154	77,654
Charges for Services	600,000	750,000	887,152	137,152
Investment Earnings	5,000	5,000	359	(4,641)
Other Revenues	2,500	2,500	22,452	19,952
Total Revenues	4,936,500	5,086,500	5,200,658	114,158
Expenditures:				
Current:				
Public Safety	4,723,698	5,061,867	4,959,877	101,990
Capital Outlay	5,000	24,750	24,634	116
Total Expenditures	4,728,698	5,086,617	4,984,511	102,106
Excess of Revenues Over (Under) Expenditures	207,802	(117)	216,147	216,264
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	500	500	100	(400)
Total Other Financing Sources (Uses)	500	500	100	(400)
Net Change in Fund Balance	208,302	383	216,247	215,864
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	8,470	8,470	8,470	0
Fund Balance End of Year	\$216,772	\$8,853	\$224,717	\$215,864

See accompanying notes to the required supplementary information.

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1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund level for all funds. The Finance Director, with the approval of the City Manager and respective Department Heads, has been authorized to allocate appropriations to the function and object level within each fund. Council must approve any revisions that alter total fund appropriations.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the year.

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

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and fire levy fund.

Net Change in Fund Balance

	<u>General</u>	<u>Fire Levy</u>
GAAP Basis	\$1,284,365	\$185,079
Net Adjustment for Revenue Accruals	488,313	1,152
Net Adjustment for Expenditure Accruals	(283,777)	43,655
Encumbrances	<u>(252,322)</u>	<u>(13,639)</u>
Budget Basis	<u>\$1,236,579</u>	<u>\$216,247</u>

**COMBINING STATEMENTS
AND INDIVIDUAL
FUND SCHEDULES**

NONMAJOR 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 – To account for 92.5% of the City's share of state gasoline taxes and motor vehicle license fees. State law requires that such monies be spent on street construction and maintenance.

State Highway Improvement - To account for the remaining 7.5% of the City's share of state gasoline taxes and motor vehicle license fees. State law requires that such monies be spent on state highways construction and improvements.

County Motor Vehicle Registration - To account for the City's share of motor vehicle registration fees. State law requires that such monies be spent on street construction and maintenance of certain specified roads.

Tax Recreation - To account for monies received from residential building permits specifically collected for the purpose of providing funds for recreational activities and facilities.

Law Enforcement - To account for monies received from the proceeds of the City's law enforcement activities, which participate with federal agencies in the arrest, and seizure of assets.

Municipal Motor Vehicle Registration - To account for the City's share of motor vehicle registration fees authorized by the City. State law requires that such monies be spent on street construction, operation and maintenance of City roads.

Law Enforcement and Education - To account for monies received from court fines imposed for drivers convicted of driving under the influence of drugs and alcohol. Monies generated under this fund shall be used for enforcement and education of the public of such dangers.

Drug and Alcohol Treatment - To account for monies received from court fines imposed for drivers convicted of driving under the influence of drugs and alcohol. Monies generated under this fund shall be used for treatment of chemically dependent drivers..

Local Law Enforcement - To account for monies received from the federal government under the Community Development Block Grant program for the renovation of public facilities.

Probation Services - To account for monies received from court fines. Monies generated under this fund shall be used for probation services provided by the Court.

Court Computer - To account for monies received from court fines. Monies generated under this fund shall be used for computer related expenses of the Court.

Special Projects - To account for monies received from court fines. Monies generated under this fund shall be used for special projects of the Court system.

Mediation Services - To account for monies received from court fines. Monies generated under this fund shall be used for mediation services of the Court system.

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

General Bond Retirement - To accumulate monies for the payment of long-term and short-term debt issued without a vote of the people. Transfers from the .2% Capital Improvements and .3% Street Improvement Funds support this fund.

Special Assessment - To account for payment of bonds issued for improvements deemed to benefit specific properties against which assessments are levied.

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

Flood Protection - To account for the construction of a flood protection project, which provides protection from stormwater runoff. Financing is derived from grants from the federal government, the state government and the issuance of notes.

State Issue II - To account for projects financed through the State of Ohio Public Works Commission. Financing is derived from grants from the state government and local share participation.

Internal Service Funds: The Internal Service Funds are established to account for goods and services furnished by a designated agency to other departments within the same government unit on a cost reimbursement basis.

Employees' Benefits - To account for the cost of the City's self-insured health care operations.

Municipal Garage - To account for the cost of maintaining the City's equipment and automotive fleet.

City of Fairfield
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$2,035,033	\$1,652,542	\$138,575	\$3,826,150
Receivables:				
Interest	0	1,322	0	1,322
Intergovernmental	864,416	0	262,140	1,126,556
Special Assessments	0	26,906	0	26,906
Total Assets	2,899,449	1,680,770	400,715	4,980,934
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	24,550	0	567	25,117
Accrued Wages and Benefits	64,990	0	0	64,990
Deferred Revenue	724,275	28,228	27,568	780,071
Total Liabilities	813,815	28,228	28,135	870,178
Fund Balances:				
Reserved for Encumbrances	22,267	0	734,281	756,548
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	2,063,367	0	0	2,063,367
Debt Service Funds	0	1,652,542	0	1,652,542
Capital Projects Funds	0	0	(361,701)	(361,701)
Total Fund Balances	2,085,634	1,652,542	372,580	4,110,756
Total Liabilities and Fund Balances	\$2,899,449	\$1,680,770	\$400,715	\$4,980,934

City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Fines, Licenses & Permits	\$608,111	\$0	\$0	\$608,111
Investment Earnings	40,378	72,724	7,047	120,149
Intergovernmental	2,077,910	0	1,319,381	3,397,291
Special Assessments	0	42,353	0	42,353
Other Revenues	15,808	0	6,347	22,155
Total Revenues	2,742,207	115,077	1,332,775	4,190,059
Expenditures:				
Current:				
General Government	193,824	0	0	193,824
Transportation and Street Repair	2,914,576	0	357,247	3,271,823
Capital Outlay	100,252	0	1,073,839	1,174,091
Debt Service:				
Principal Retirement	0	870,000	0	870,000
Interest and Fiscal Charges	0	636,672	0	636,672
Total Expenditures	3,208,652	1,506,672	1,431,086	6,146,410
Excess of Revenues Over (Under) Expenditures	(466,445)	(1,391,595)	(98,311)	(1,956,351)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,000	0	0	2,000
Transfers In	550,000	1,542,588	0	2,092,588
Transfers (Out)	0	(85,000)	0	(85,000)
Total Other Financing Sources (Uses)	552,000	1,457,588	0	2,009,588
Net Change in Fund Balance	85,555	65,993	(98,311)	53,237
Fund Balance Beginning of Year	2,000,079	1,586,549	470,891	4,057,519
Fund Balance End of Year	\$2,085,634	\$1,652,542	\$372,580	\$4,110,756

City of Fairfield
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	Street Construction, Maintenance and Repair	State Highway Improvement	County Motor Vehicle Registration	Tax Recreation
Assets:				
Equity in Pooled Cash and Investments	\$97,523	\$26,467	\$184,061	\$255,692
Receivables:				
Intergovernmental	656,032	53,192	0	0
Total Assets	753,555	79,659	184,061	255,692
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	24,152	0	0	0
Accrued Wages and Benefits	43,152	4,362	0	0
Deferred Revenue	550,350	44,623	0	0
Total Liabilities	617,654	48,985	0	0
Fund Balances:				
Reserved for Encumbrances	0	0	3,248	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	135,901	30,674	180,813	255,692
Total Fund Balances	135,901	30,674	184,061	255,692
Total Liabilities and Fund Balances	\$753,555	\$79,659	\$184,061	\$255,692

Law Enforcement	Municipal Motor Vehicle Registration	Law Enforcement and Education	Drug and Alcohol Treatment	Local Law Enforcement	Probation Services	Court Computer
\$6,283	\$19,563	\$92,196	\$100,606	\$7,853	\$601,334	\$323,024
0	155,192	0	0	0	0	0
6,283	174,755	92,196	100,606	7,853	601,334	323,024
0	0	0	0	0	398	0
0	11,604	0	0	0	5,872	0
0	129,302	0	0	0	0	0
0	140,906	0	0	0	6,270	0
0	0	0	0	0	746	0
6,283	33,849	92,196	100,606	7,853	594,318	323,024
6,283	33,849	92,196	100,606	7,853	595,064	323,024
\$6,283	\$174,755	\$92,196	\$100,606	\$7,853	\$601,334	\$323,024

(Continued)

City of Fairfield
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2005

	Special Projects	Mediation Services	Total Nonmajor Special Revenue Funds
Assets:			
Equity in Pooled Cash and Investments	\$218,471	\$101,960	\$2,035,033
Receivables:			
Intergovernmental	0	0	864,416
Total Assets	218,471	101,960	2,899,449
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	0	0	24,550
Accrued Wages and Benefits	0	0	64,990
Deferred Revenue	0	0	724,275
Total Liabilities	0	0	813,815
Fund Balances:			
Reserved for Encumbrances	0	18,273	22,267
Unreserved, Undesignated, Reported in: Special Revenue Funds	218,471	83,687	2,063,367
Total Fund Balances	218,471	101,960	2,085,634
Total Liabilities and Fund Balances	\$218,471	\$101,960	\$2,899,449

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City of Fairfield
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended December 31, 2005

	Street Construction, Maintenance and Repair	State Highway Improvement	County Motor Vehicle Registration	Tax Recreation
Revenues:				
Fines, Licenses & Permits	\$0	\$0	\$0	\$13,800
Investment Earnings	0	0	11,034	0
Intergovernmental	1,625,437	130,549	4,620	6,643
Other Revenues	15,808	0	0	0
Total Revenues	1,641,245	130,549	15,654	20,443
Expenditures:				
Current:				
General Government	0	0	0	0
Transportation and Street Repair	2,142,408	118,307	349,529	0
Capital Outlay	7,021	0	0	6,600
Total Expenditures	2,149,429	118,307	349,529	6,600
Excess of Revenues Over (Under) Expenditures	(508,184)	12,242	(333,875)	13,843
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,000	0	0	0
Transfers In	550,000	0	0	0
Total Other Financing Sources (Uses)	552,000	0	0	0
Net Change in Fund Balance	43,816	12,242	(333,875)	13,843
Fund Balance Beginning of Year	92,085	18,432	517,936	241,849
Fund Balance End of Year	\$135,901	\$30,674	\$184,061	\$255,692

Law Enforcement	Municipal Motor Vehicle Registration	Law Enforcement and Education	Drug and Alcohol Treatment	Local Law Enforcement	Probation Services	Court Computer
\$2,643	\$0	\$7,918	\$18,115	\$0	\$328,232	\$111,725
0	1,942	217	1,476	0	12,881	6,440
0	310,661	0	0	0	0	0
0	0	0	0	0	0	0
2,643	312,603	8,135	19,591	0	341,113	118,165
0	0	0	3,820	0	170,648	15,200
1,061	303,271	0	0	0	0	0
0	0	4,700	0	7,389	0	2,434
1,061	303,271	4,700	3,820	7,389	170,648	17,634
1,582	9,332	3,435	15,771	(7,389)	170,465	100,531
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
1,582	9,332	3,435	15,771	(7,389)	170,465	100,531
4,701	24,517	88,761	84,835	15,242	424,599	222,493
\$6,283	\$33,849	\$92,196	\$100,606	\$7,853	\$595,064	\$323,024

(Continued)

City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended December 31, 2005

	Special Projects	Mediation Services	Total Nonmajor Special Revenue Funds
Revenues:			
Fines, Licenses & Permits	\$66,843	\$58,835	\$608,111
Investment Earnings	3,958	2,430	40,378
Intergovernmental	0	0	2,077,910
Other Revenues	0	0	15,808
Total Revenues	70,801	61,265	2,742,207
Expenditures:			
Current:			
General Government	4,156	0	193,824
Transportation and Street Repair	0	0	2,914,576
Capital Outlay	0	72,108	100,252
Total Expenditures	4,156	72,108	3,208,652
Excess of Revenues Over (Under) Expenditures	66,645	(10,843)	(466,445)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	0	0	2,000
Transfers In	0	0	550,000
Total Other Financing Sources (Uses)	0	0	552,000
Net Change in Fund Balance	66,645	(10,843)	85,555
Fund Balance Beginning of Year	151,826	112,803	2,000,079
Fund Balance End of Year	\$218,471	\$101,960	\$2,085,634

City of Fairfield
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 December 31, 2005

	General Bond Retirement	Special Assessment	Total Nonmajor Debt Service Funds
Assets:			
Equity in Pooled Cash and Investments	\$414,831	\$1,237,711	\$1,652,542
Receivables:			
Interest	0	1,322	1,322
Special Assessments	0	26,906	26,906
Total Assets	<u>414,831</u>	<u>1,265,939</u>	<u>1,680,770</u>
Liabilities and Fund Balances:			
Liabilities:			
Deferred Revenue	0	28,228	28,228
Total Liabilities	<u>0</u>	<u>28,228</u>	<u>28,228</u>
Fund Balances:			
Unreserved, Undesignated, Reported in: Debt Service Funds	414,831	1,237,711	1,652,542
Total Fund Balances	<u>414,831</u>	<u>1,237,711</u>	<u>1,652,542</u>
Total Liabilities and Fund Balances	<u>\$414,831</u>	<u>\$1,265,939</u>	<u>\$1,680,770</u>

City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Fiscal Year Ended December 31, 2005

	General Bond Retirement	Special Assessment	Total Nonmajor Debt Service Funds
Revenues:			
Investment Earnings	\$11,809	\$60,915	\$72,724
Special Assessments	0	42,353	42,353
Total Revenues	<u>11,809</u>	<u>103,268</u>	<u>115,077</u>
Expenditures:			
Current:			
Debt Service:			
Principal Retirement	845,000	25,000	870,000
Interest and Fiscal Charges	621,762	14,910	636,672
Total Expenditures	<u>1,466,762</u>	<u>39,910</u>	<u>1,506,672</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,454,953)</u>	<u>63,358</u>	<u>(1,391,595)</u>
Other Financing Sources (Uses):			
Transfers In	1,542,588	0	1,542,588
Transfers (Out)	(85,000)	0	(85,000)
Total Other Financing Sources (Uses)	<u>1,457,588</u>	<u>0</u>	<u>1,457,588</u>
Net Change in Fund Balance	2,635	63,358	65,993
Fund Balance Beginning of Year	<u>412,196</u>	<u>1,174,353</u>	<u>1,586,549</u>
Fund Balance End of Year	<u>\$414,831</u>	<u>\$1,237,711</u>	<u>\$1,652,542</u>

City of Fairfield
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 December 31, 2005

	Flood Protection	State Issue II	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Investments	\$138,575	\$0	\$138,575
Receivables:			
Intergovernmental	18,710	243,430	262,140
Total Assets	<u>157,285</u>	<u>243,430</u>	<u>400,715</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	567	0	567
Deferred Revenue	0	27,568	27,568
Total Liabilities	<u>567</u>	<u>27,568</u>	<u>28,135</u>
Fund Balances:			
Reserved for Encumbrances	490,951	243,330	734,281
Unreserved, Undesignated, Reported in: Capital Projects Funds	<u>(334,233)</u>	<u>(27,468)</u>	<u>(361,701)</u>
Total Fund Balances	<u>156,718</u>	<u>215,862</u>	<u>372,580</u>
Total Liabilities and Fund Balances	<u>\$157,285</u>	<u>\$243,430</u>	<u>\$400,715</u>

City of Fairfield
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended December 31, 2005

	Flood Protection	State Issue II	Total Nonmajor Capital Projects Funds
Revenues:			
Investment Earnings	\$7,047	\$0	\$7,047
Intergovernmental	746,272	573,109	1,319,381
Other Revenues	6,347	0	6,347
Total Revenues	<u>759,666</u>	<u>573,109</u>	<u>1,332,775</u>
Expenditures:			
Current:			
Transportation and Street Repair	0	357,247	357,247
Capital Outlay	<u>1,073,839</u>	<u>0</u>	<u>1,073,839</u>
Total Expenditures	<u>1,073,839</u>	<u>357,247</u>	<u>1,431,086</u>
Net Change in Fund Balance	(314,173)	215,862	(98,311)
Fund Balance Beginning of Year	<u>470,891</u>	<u>0</u>	<u>470,891</u>
Fund Balance End of Year	<u>\$156,718</u>	<u>\$215,862</u>	<u>\$372,580</u>

City of Fairfield
Combining Statement of Net Assets
Nonmajor Internal Service Funds
December 31, 2005

	Employees' Benefits	Municipal Garage	Total Internal Service Funds
Current Assets:			
Equity in Pooled Cash and Investments	\$68,574	\$11,423	\$79,997
Total Assets	68,574	11,423	79,997
Liabilities:			
Current Liabilities:			
Accounts Payable	0	252	252
Accrued Wages and Benefits	0	19,335	19,335
Claims Payable	12,158	0	12,158
Total Current Liabilities	12,158	19,587	31,745
Long-Term Liabilities:			
Compensated Absences	0	72,750	72,750
Total Noncurrent Liabilities	0	72,750	72,750
Total Liabilities	12,158	92,337	104,495
Net Assets:			
Unrestricted	56,416	(80,914)	(24,498)
Total Net Assets	\$56,416	(\$80,914)	(\$24,498)

City of Fairfield
 Combining Statement of Revenues, Expenses
 and Changes in Fund Net Assets
 Nonmajor Internal Service Funds
 For the Fiscal Year Ended December 31, 2005

	Employees' Benefits	Municipal Garage	Total Internal Service Funds
Operating Revenues:			
Charges for Services	\$2,586,689	\$595,000	\$3,181,689
Other Revenues	0	440	440
Total Operating Revenues	2,586,689	595,440	3,182,129
Operating Expenses:			
Personal Services	0	426,805	426,805
Contractual Services	2,578,512	6,790	2,585,302
Materials and Supplies	0	296,102	296,102
Total Operating Expenses	2,578,512	729,697	3,308,209
Operating Income (Loss)	8,177	(134,257)	(126,080)
Non-Operating Revenues (Expenses):			
Investment Earnings	1,505	0	1,505
Total Non-Operating Revenues (Expenses)	1,505	0	1,505
Income (Loss) Before Contributions and Transfers	9,682	(134,257)	(124,575)
Transfers In	0	135,000	135,000
Change in Net Assets	9,682	743	10,425
Net Assets Beginning of Year	46,734	(81,657)	(34,923)
Net Assets End of Year	\$56,416	(\$80,914)	(\$24,498)

City of Fairfield
Combining Statement of Cash Flows
Nonmajor Internal Service Funds
For the Fiscal Year Ended December 31, 2005

	Employees' Benefits	Municipal Garage	Total Internal Service Funds
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,586,689	\$595,440	\$3,182,129
Cash Payments to Employees	0	(420,820)	(420,820)
Cash Payments to Suppliers	(2,577,573)	(302,640)	(2,880,213)
Net Cash Provided (Used) by Operating Activities	<u>9,116</u>	<u>(128,020)</u>	<u>(118,904)</u>
Cash Flows from Noncapital Financing Activities:			
Payments from Other Funds	0	135,000	135,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>135,000</u>	<u>135,000</u>
Cash Flows from Investing Activities:			
Earnings on Investments	1,505	0	1,505
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>1,505</u>	<u>0</u>	<u>1,505</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,621	6,980	17,601
Cash and Cash Equivalents Beginning of Year	<u>57,953</u>	<u>4,443</u>	<u>62,396</u>
Cash and Cash Equivalents End of Year	<u><u>68,574</u></u>	<u><u>11,423</u></u>	<u><u>79,997</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	8,177	(134,257)	(126,080)
Changes in Assets & Liabilities:			
Increase (Decrease) in Payables	939	(1,210)	(271)
Increase (Decrease) in Accrued Liabilities	0	7,447	7,447
Net Cash Provided (Used) by Operating Activities	<u><u>\$9,116</u></u>	<u><u>(\$128,020)</u></u>	<u><u>(\$118,904)</u></u>

City of Fairfield
Statement of Changes In Assets and Liabilities
Agency Funds
For the Fiscal Year Ended December 31, 2005

Municipal
Court

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Equity in Pooled Cash and Investments	\$32,694	\$920,180	\$896,460	\$56,414
Total Assets	32,694	920,180	896,460	56,414
Liabilities:				
Due to Other Governments	32,694	920,180	896,460	56,414
Total Liabilities	\$32,694	\$920,180	\$896,460	\$56,414

Warranty
Bonds

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Equity in Pooled Cash and Investments	\$22,553	\$55	\$34	\$22,574
Total Assets	22,553	55	34	22,574
Liabilities:				
Due to Others	22,553	55	34	22,574
Total Liabilities	\$22,553	\$55	\$34	\$22,574

Total All Agency Funds

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Equity in Pooled Cash and Investments	\$55,247	\$920,235	\$896,494	\$78,988
Total Assets	55,247	920,235	896,494	78,988
Liabilities:				
Other Liabilities	55,247	920,235	896,494	78,988
Total Liabilities	\$55,247	\$920,235	\$896,494	\$78,988

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Street Construction, Maintenance and Repair Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$1,300,000	\$1,425,000	\$1,601,478	\$176,478
Investment Earnings	500	500	0	(500)
Other Revenues	2,100	52,100	15,807	(36,293)
Total Revenues	<u>1,302,600</u>	<u>1,477,600</u>	<u>1,617,285</u>	<u>139,685</u>
Expenditures:				
Current:				
Transportation & Street Repair	2,151,232	2,269,754	2,146,293	123,461
Capital Outlay	4,000	7,022	7,021	1
Total Expenditures	<u>2,155,232</u>	<u>2,276,776</u>	<u>2,153,314</u>	<u>123,462</u>
Excess of Revenues Over (Under) Expenditures	<u>(852,632)</u>	<u>(799,176)</u>	<u>(536,029)</u>	<u>263,147</u>
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	0	0	2,000	2,000
Transfers In	750,000	750,000	550,000	(200,000)
Total Other Financing Sources (Uses)	<u>750,000</u>	<u>750,000</u>	<u>552,000</u>	<u>(198,000)</u>
Net Change in Fund Balance	(102,632)	(49,176)	15,971	65,147
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>69,154</u>	<u>69,154</u>	<u>69,154</u>	<u>0</u>
Fund Balance End of Year	<u><u>(\$33,478)</u></u>	<u><u>\$19,978</u></u>	<u><u>\$85,125</u></u>	<u><u>\$65,147</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	State Highway Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$105,000	\$105,000	\$129,849	\$24,849
Investment Earnings	250	250	0	(250)
Total Revenues	105,250	105,250	129,849	24,599
Expenditures:				
Current:				
Transportation & Street Repair	115,000	115,000	113,945	1,055
Total Expenditures	115,000	115,000	113,945	1,055
Net Change in Fund Balance	(9,750)	(9,750)	15,904	25,654
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	10,562	10,562	10,562	0
Fund Balance End of Year	\$812	\$812	\$26,466	\$25,654

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	County Motor Vehicle Registration Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$200,000	\$200,000	\$4,620	(\$195,380)
Investment Earnings	2,500	2,500	11,034	8,534
Total Revenues	<u>202,500</u>	<u>202,500</u>	<u>15,654</u>	<u>(186,846)</u>
Expenditures:				
Current:				
Transportation & Street Repair	1,000	1,000	0	1,000
Capital Outlay	<u>323,461</u>	<u>359,501</u>	<u>352,777</u>	<u>6,724</u>
Total Expenditures	<u>324,461</u>	<u>360,501</u>	<u>352,777</u>	<u>7,724</u>
Net Change in Fund Balance	(121,961)	(158,001)	(337,123)	(179,122)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>517,936</u>	<u>517,936</u>	<u>517,936</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$395,975</u></u>	<u><u>\$359,935</u></u>	<u><u>\$180,813</u></u>	<u><u>(\$179,122)</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Tax Recreation Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Licenses & Permits	\$15,000	\$15,000	\$13,800	(\$1,200)
Investment Earnings	2,500	2,500	6,643	4,143
Total Revenues	17,500	17,500	20,443	2,943
Expenditures:				
Capital Outlay	6,600	6,600	6,600	0
Total Expenditures	6,600	6,600	6,600	0
Net Change in Fund Balance	10,900	10,900	13,843	2,943
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	241,850	241,850	241,850	0
Fund Balance End of Year	\$252,750	\$252,750	\$255,693	\$2,943

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Law Enforcement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$15,000	\$15,000	\$2,643	(\$12,357)
Investment Earnings	250	250	0	(250)
Total Revenues	<u>15,250</u>	<u>15,250</u>	<u>2,643</u>	<u>(12,607)</u>
Expenditures:				
Current:				
Public Safety	0	1,062	1,061	1
Capital Outlay	<u>4,100</u>	<u>4,100</u>	<u>0</u>	<u>4,100</u>
Total Expenditures	<u>4,100</u>	<u>5,162</u>	<u>1,061</u>	<u>4,101</u>
Net Change in Fund Balance	11,150	10,088	1,582	(16,708)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>4,701</u>	<u>4,701</u>	<u>4,701</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$15,851</u></u>	<u><u>\$14,789</u></u>	<u><u>\$6,283</u></u>	<u><u>(\$16,708)</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Municipal Motor Vehicle Registration Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$340,000	\$340,000	\$308,514	(\$31,486)
Investment Earnings	250	250	1,942	1,692
Total Revenues	340,250	340,250	310,456	(29,794)
Expenditures:				
Current:				
Transportation & Street Repair	330,000	330,000	291,667	38,333
Total Expenditures	330,000	330,000	291,667	38,333
Net Change in Fund Balance	10,250	10,250	18,789	8,539
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	774	774	774	0
Fund Balance End of Year	\$11,024	\$11,024	\$19,563	\$8,539

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Law Enforcement and Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$10,000	\$10,000	\$7,918	(\$2,082)
Investment Earnings	250	250	217	(33)
Total Revenues	<u>10,250</u>	<u>10,250</u>	<u>8,135</u>	<u>(2,115)</u>
Expenditures:				
Capital Outlay	0	5,200	4,700	500
Total Expenditures	<u>0</u>	<u>5,200</u>	<u>4,700</u>	<u>500</u>
Net Change in Fund Balance	10,250	5,050	3,435	(1,615)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>88,761</u>	<u>88,761</u>	<u>88,761</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$99,011</u></u>	<u><u>\$93,811</u></u>	<u><u>\$92,196</u></u>	<u><u>(\$1,615)</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Drug and Alcohol Treatment Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$20,000	\$20,000	\$18,115	(\$1,885)
Investment Earnings	1,500	1,500	1,476	(24)
Total Revenues	21,500	21,500	19,591	(1,909)
Expenditures:				
Current:				
General Government	20,000	20,000	3,820	16,180
Total Expenditures	20,000	20,000	3,820	16,180
Net Change in Fund Balance	1,500	1,500	15,771	14,271
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	84,834	84,834	84,834	0
Fund Balance End of Year	\$86,334	\$86,334	\$100,605	\$14,271

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Local Law Enforcement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$15,000	\$15,000	\$9,087	(\$5,913)
Investment Earnings	100	100	0	(100)
Total Revenues	15,100	15,100	9,087	(6,013)
Expenditures:				
Capital Outlay	7,726	7,726	7,389	337
Total Expenditures	7,726	7,726	7,389	337
Net Change in Fund Balance	7,374	7,374	1,698	(5,676)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,155	6,155	6,155	0
Fund Balance End of Year	\$13,529	\$13,529	\$7,853	(\$5,676)

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Probation Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$195,000	\$195,000	\$328,232	\$133,232
Investment Earnings	1,500	1,500	12,881	11,381
Total Revenues	<u>196,500</u>	<u>196,500</u>	<u>341,113</u>	<u>144,613</u>
Expenditures:				
Current:				
General Government	184,484	184,484	168,751	15,733
Total Expenditures	<u>184,484</u>	<u>184,484</u>	<u>168,751</u>	<u>15,733</u>
Net Change in Fund Balance	12,016	12,016	172,362	160,346
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>427,829</u>	<u>427,829</u>	<u>427,829</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$439,845</u></u>	<u><u>\$439,845</u></u>	<u><u>\$600,191</u></u>	<u><u>\$160,346</u></u>

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2005

	Court Computer Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$75,000	\$75,000	\$111,725	\$36,725
Investment Earnings	1,500	1,500	6,440	4,940
Total Revenues	<u>76,500</u>	<u>76,500</u>	<u>118,165</u>	<u>41,665</u>
Expenditures:				
Current:				
General Government	35,000	35,000	15,200	19,800
Capital Outlay	10,000	10,000	2,433	7,567
Total Expenditures	<u>45,000</u>	<u>45,000</u>	<u>17,633</u>	<u>27,367</u>
Net Change in Fund Balance	31,500	31,500	100,532	69,032
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>222,493</u>	<u>222,493</u>	<u>222,493</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$253,993</u></u>	<u><u>\$253,993</u></u>	<u><u>\$323,025</u></u>	<u><u>\$69,032</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Special Projects Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$42,000	\$42,000	\$66,843	\$24,843
Investment Earnings	1,000	1,000	3,958	2,958
Total Revenues	<u>43,000</u>	<u>43,000</u>	<u>70,801</u>	<u>27,801</u>
Expenditures:				
Current:				
General Government	45,000	45,000	4,156	40,844
Capital Outlay	5,000	5,000	0	5,000
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>4,156</u>	<u>45,844</u>
Net Change in Fund Balance	(7,000)	(7,000)	66,645	73,645
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>151,827</u>	<u>151,827</u>	<u>151,827</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$144,827</u></u>	<u><u>\$144,827</u></u>	<u><u>\$218,472</u></u>	<u><u>\$73,645</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Mediation Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$85,000	\$85,000	\$58,835	(\$26,165)
Investment Earnings	0	0	2,430	2,430
Total Revenues	<u>85,000</u>	<u>85,000</u>	<u>61,265</u>	<u>(23,735)</u>
Expenditures:				
Current:				
General Government	20,000	20,000	1,796	18,204
Capital Outlay	95,801	95,801	95,802	(1)
Total Expenditures	<u>115,801</u>	<u>115,801</u>	<u>97,598</u>	<u>18,203</u>
Net Change in Fund Balance	(30,801)	(30,801)	(36,333)	(5,532)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>120,019</u>	<u>120,019</u>	<u>120,019</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$89,218</u></u>	<u><u>\$89,218</u></u>	<u><u>\$83,686</u></u>	<u><u>(\$5,532)</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	General Bond Retirement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$5,000	\$5,000	\$11,809	\$6,809
Total Revenues	5,000	5,000	11,809	6,809
Expenditures:				
Debt Service:				
Principal Retirement	930,000	930,000	930,000	0
Interest and Fiscal Charges	620,400	630,400	621,762	8,638
Total Expenditures	1,550,400	1,560,400	1,551,762	8,638
Excess of Revenues Over (Under) Expenditures	(1,545,400)	(1,555,400)	(1,539,953)	15,447
Other financing sources (uses):				
Transfers In	1,550,000	1,550,000	1,542,588	(7,412)
Total Other Financing Sources (Uses)	1,550,000	1,550,000	1,542,588	(7,412)
Net Change in Fund Balance	4,600	(5,400)	2,635	8,035
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	412,194	412,194	412,194	0
Fund Balance End of Year	\$416,794	\$406,794	\$414,829	\$8,035

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Special Assessment Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Special Assessments	\$60,000	\$60,000	\$68,777	\$8,777
Investment Earnings	15,000	15,000	62,362	47,362
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>131,139</u>	<u>56,139</u>
Expenditures:				
Debt Service:				
Principal Retirement	300,000	300,000	51,424	248,576
Interest and Fiscal Charges	26,900	26,900	14,910	11,990
Total Expenditures	<u>326,900</u>	<u>326,900</u>	<u>66,334</u>	<u>260,566</u>
Net Change in Fund Balance	(251,900)	(251,900)	64,805	316,705
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>1,176,570</u>	<u>1,176,570</u>	<u>1,176,570</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$924,670</u></u>	<u><u>\$924,670</u></u>	<u><u>\$1,241,375</u></u>	<u><u>\$316,705</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	.2% Street Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,800,000	\$2,800,000	\$2,855,953	\$55,953
Intergovernmental	0	0	259,720	259,720
Investment Earnings	100,000	100,000	140,217	40,217
Other Revenues	51,000	51,000	122,376	71,376
Total Revenues	<u>2,951,000</u>	<u>2,951,000</u>	<u>3,378,266</u>	<u>427,266</u>
Expenditures:				
Current:				
General Government	75,000	75,000	68,571	6,429
Capital Outlay	1,179,930	4,111,339	3,871,671	239,668
Total Expenditures	<u>1,254,930</u>	<u>4,186,339</u>	<u>3,940,242</u>	<u>246,097</u>
Excess of Revenues Over (Under) Expenditures	<u>1,696,070</u>	<u>(1,235,339)</u>	<u>(561,976)</u>	<u>673,363</u>
Other financing sources (uses):				
Transfers (Out)	(425,000)	(425,000)	(417,960)	7,040
Total Other Financing Sources (Uses)	<u>(425,000)</u>	<u>(425,000)</u>	<u>(417,960)</u>	<u>7,040</u>
Net Change in Fund Balance	1,271,070	(1,660,339)	(979,936)	680,403
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>6,929,447</u>	<u>6,929,447</u>	<u>6,929,447</u>	<u>0</u>
Fund Balance End of Year	<u>\$8,200,517</u>	<u>\$5,269,108</u>	<u>\$5,949,511</u>	<u>\$680,403</u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	.2% Capital Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,800,000	\$2,800,000	\$2,855,953	\$55,953
Intergovernmental	0	0	80,095	80,095
Investment Earnings	50,000	50,000	70,157	20,157
Other Revenues	250	250	0	(250)
Total Revenues	2,850,250	2,850,250	3,006,205	155,955
Expenditures:				
Current:				
General Government	75,000	75,000	68,571	6,429
Capital Outlay	780,174	2,746,286	2,673,861	72,425
Total Expenditures	855,174	2,821,286	2,742,432	78,854
Excess of Revenues Over (Under) Expenditures	1,995,076	28,964	263,773	234,809
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	0	0	3,900	3,900
Transfers (Out)	(1,150,000)	(1,150,000)	(1,124,628)	25,372
Total Other Financing Sources (Uses)	(1,150,000)	(1,150,000)	(1,120,728)	29,272
Net Change in Fund Balance	845,076	(1,121,036)	(856,955)	264,081
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,816,044	2,816,044	2,816,044	0
Fund Balance End of Year	\$3,661,120	\$1,695,008	\$1,959,089	\$264,081

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	Flood Protection Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$500,000	\$1,250,000	\$727,562	(\$522,438)
Investment Earnings	10,000	10,000	7,047	(2,953)
Other Revenues	1,000	1,000	6,347	5,347
Total Revenues	<u>511,000</u>	<u>1,261,000</u>	<u>740,956</u>	<u>(520,044)</u>
Expenditures:				
Capital Outlay	1,332,694	1,629,055	1,566,009	63,046
Total Expenditures	<u>1,332,694</u>	<u>1,629,055</u>	<u>1,566,009</u>	<u>63,046</u>
Net Change in Fund Balance	(821,694)	(368,055)	(825,053)	(456,998)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>472,111</u>	<u>472,111</u>	<u>472,111</u>	<u>0</u>
Fund Balance End of Year	<u><u>(\$349,583)</u></u>	<u><u>\$104,056</u></u>	<u><u>(\$352,942)</u></u>	<u><u>(\$456,998)</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2005

	State Issue II Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$425,000	\$602,500	\$357,247	(\$245,253)
Total Revenues	425,000	602,500	357,247	(245,253)
Expenditures:				
Capital Outlay	257,654	600,728	600,577	151
Total Expenditures	257,654	600,728	600,577	151
Net Change in Fund Balance	167,346	1,772	(243,330)	(245,102)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	<u>\$167,346</u>	<u>\$1,772</u>	<u>(\$243,330)</u>	<u>(\$245,102)</u>

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2005

	Downtown Development Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$125,000	\$125,000	\$230,082	\$105,082
Other Revenues	5,000	5,000	0	(5,000)
Total Revenues	130,000	130,000	230,082	100,082
Expenditures:				
Capital Outlay	3,401,055	13,761,815	13,412,310	349,505
Total Expenditures	3,401,055	13,761,815	13,412,310	349,505
Excess of Revenues Over (Under) Expenditures	(3,271,055)	(13,631,815)	(13,182,228)	449,587
Other financing sources (uses):				
Debt Proceeds	0	9,000,000	9,000,000	0
Transfers In	1,000,000	1,000,000	1,000,000	0
Total Other Financing Sources (Uses)	1,000,000	10,000,000	10,000,000	0
Net Change in Fund Balance	(2,271,055)	(3,631,815)	(3,182,228)	449,587
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,284,165	4,284,165	4,284,165	0
Fund Balance End of Year	\$2,013,110	\$652,350	\$1,101,937	\$449,587

**STATISTICAL
SECTION**

City of Fairfield

Table 1

General Government Expenditures by Function (1)

Last Ten Fiscal Years

Year	General Government	Public Safety	Utility Services	Streets and Transportation	Health and Welfare	Community Environment	Leisure Activities	Capital Outlay	Debt Service	Total
1996	\$2,946,686	\$6,475,432	\$297,127	\$1,627,710	\$28,234	\$640,091	\$599,065	\$1,283,407	\$0	\$13,897,752
1997	3,125,637	6,756,615	317,791	1,644,462	29,147	679,001	707,720	711,956	0	13,972,329
1998	3,053,126	7,144,615	338,654	1,732,903	27,822	807,002	772,473	931,944	0	14,808,539
1999	3,449,168	8,200,367	342,155	1,998,534	27,521	955,929	788,275	1,112,977	0	16,874,926
2000	4,217,147	9,158,689	402,185	1,980,761	27,315	915,681	842,935	1,136,400	0	18,681,113
2001	5,081,666	10,104,904	401,395	2,280,900	26,731	886,016	994,972	1,715,975	0	21,492,559
2002	5,473,818	11,069,946	521,909	2,145,890	25,576	923,767	1,091,691	1,213,956	89,269	22,555,822
2003	5,969,544	11,855,307	481,265	2,305,703	25,809	1,051,642	1,219,328	553,150	104,148	23,565,896
2004	6,036,322	12,344,876	509,030	2,411,402	25,278	1,033,798	1,314,111	763,861	89,269	24,527,947
2005	6,451,328	12,958,223	506,372	3,168,148	25,007	1,107,022	1,887,376	190,980	89,270	26,383,726

Source: City of Fairfield Finance Department.

(1) - The expenditures are those recorded in the General and Special Revenue Funds.

City of Fairfield

Table 2

General Revenues by Source (1)
Last Ten Fiscal Years

Year	Taxes	Fines, Licenses and Permits	Intergovernmental Revenues	Charges for Services	Investment Earnings	Miscellaneous	Total
1996	\$12,875,361	\$1,153,610	\$69,134	\$495,151	\$494,608	\$227,047	\$15,314,911
1997	14,572,328	1,095,450	105,307	393,699	644,603	144,758	16,956,145
1998	15,660,623	1,149,584	396,983	325,553	667,378	332,261	18,532,382
1999	17,702,391	1,149,910	256,518	443,094	562,344	136,589	20,250,846
2000	13,915,918	1,197,181	4,873,342	406,752	599,214	280,112	21,272,519
2001	16,191,177	1,402,165	4,842,838	450,036	533,198	691,327	24,110,741
2002	16,583,301	1,461,243	5,012,637	610,245	322,288	332,530	24,322,244
2003	17,200,542	1,596,105	4,509,694	645,196	169,051	197,221	24,317,809
2004	20,717,405	2,858,235	2,727,711	851,781	102,641	239,357	27,497,130
2005	20,355,814	1,974,885	5,108,722	1,573,729	285,347	326,833	29,625,330

Source: City of Fairfield Finance Department.

(1) - The revenues are those recorded in the General and Special Revenue Funds.

City of Fairfield

Table 3

Billing and Collection of Special Assessments
Last Ten Fiscal Years

Year	Assessments Billed	Assessments Collected	Uncollected Amount	Assessments Collected as a Percent of Assessments Billed
1996	\$174,090	\$169,142	\$4,948	97.16%
1997	186,398	180,717	5,681	96.95%
1998	208,999	188,127	20,872	90.01%
1999	195,340	202,191	(6,851)	103.51%
2000	188,119	186,351	1,768	99.06%
2001	185,219	174,797	10,422	94.37%
2002	87,991	160,275	(72,284)	182.15%
2003	61,638	53,988	7,650	87.59%
2004	80,549	76,098	4,451	94.47%
2005	167,737	161,327	6,410	96.18%

Source: County Auditor's Office, Butler County.

City of Fairfield

Table 4

Collection of Property Taxes
Real and Public Utility Property Taxes Only
Last Ten Fiscal Years

Year of Collection	Current Taxes Due	Current Taxes Collected	Ratio of Collection To Amt. Due	Delinquent Taxes Collected	Total Taxes Collected	Percentage of Total Collected
1996	\$2,282,324	\$2,226,136	97.5%	\$54,268	\$2,280,404	99.9%
1997	2,311,387	2,265,159	98.0%	45,366	2,310,525	100.0%
1998	2,343,575	2,323,993	99.2%	65,441	2,389,434	102.0%
1999	2,403,795	2,391,493	99.5%	69,951	2,461,444	102.4%
2000	2,565,713	2,481,304	96.7%	45,275	2,526,579	98.5%
2001	4,424,612	4,213,486	95.2%	114,510	4,327,996	97.8%
2002	5,027,858	4,451,961	88.5%	130,067	4,582,028	91.1%
2003	4,701,032	4,723,070	100.5%	147,215	4,870,285	103.6%
2004	4,831,100	4,618,793	95.6%	133,406	4,752,199	98.4%
2005	4,761,737	4,632,520	97.3%	98,853	4,731,373	99.4%

Source: County Auditor's Office, Butler County.

City of Fairfield

Table 5

Collection of Property Taxes
Tangible Personal Property Taxes Only
Last Ten Fiscal Years

Year of Collection	Current Taxes Due	Current Taxes Collected	Ratio of Collection To Amt Due	Delinquent Taxes Collected	Total Taxes Collected	Percentage of Total Collected
1996	\$374,594	\$313,007	83.56%	\$4,233	\$317,240	84.69%
1997	405,962	351,716	86.64%	17,340	369,056	90.91%
1998	512,636	483,803	94.38%	43,246	527,049	102.81%
1999	394,314	360,681	91.47%	17,607	378,288	95.94%
2000	375,711	361,805	96.30%	14,976	376,781	100.28%
2001	515,543	550,546	106.79%	32,682	583,228	113.13%
2002	572,688	554,503	96.82%	79,851	634,354	110.77%
2003	531,422	542,056	102.00%	32,758	574,814	108.17%
2004	548,130	505,740	92.27%	36,034	541,774	98.84%
2005	575,455	472,030	82.03%	81,815	553,846	96.24%

Source: County Auditor's Office, Butler County.

City of Fairfield
 Table 6
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Year of Collection	Real Property		Public Utility		Personal Property		Total	
	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual
1996	\$561,373,670	\$1,603,924,771	\$39,486,450	\$44,870,966	\$65,005,551	\$260,022,204	\$665,865,671	\$1,908,817,941
1997	599,229,360	1,712,083,886	38,503,940	43,754,477	82,509,703	330,038,812	720,243,003	2,085,877,175
1998	617,858,990	1,765,311,400	37,236,850	42,314,602	89,418,897	357,675,588	744,514,737	2,165,301,590
1999	631,172,270	1,803,349,343	37,098,140	42,156,977	88,625,751	354,503,004	756,896,161	2,200,009,324
2000	698,696,370	1,996,275,343	37,139,060	42,203,477	94,392,458	377,569,832	830,227,888	2,416,048,652
2001	713,313,820	2,038,039,486	33,922,640	38,548,454	86,791,735	347,166,940	834,028,195	2,423,754,880
2002	726,716,790	2,076,333,686	26,214,800	29,789,545	96,412,084	385,648,336	849,343,674	2,491,771,567
2003	842,270,440	2,406,486,971	26,456,830	30,064,580	89,464,979	357,859,916	958,192,249	2,794,411,467
2004	855,233,590	2,443,524,543	26,640,650	30,273,466	92,277,743	369,109,892	974,151,983	2,842,907,901
2005	860,513,110	2,458,608,885	28,395,480	32,267,591	96,878,011	387,512,044	985,786,601	2,878,388,520

Source: County Auditor's Office, Butler County.

- Note: (1) - Real property taxes collected in a calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year.
 (2) - Public utility property taxes collected in a 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.
 (3) - Tangible personal property collected in a calendar year are levied in the same calendar year, on assessed values during and at the close of the most recent fiscal year of the taxpayer (ending on or before March 31 of said calendar year) at tax rates determined in the preceding year.

City of Fairfield

Table 7

Property Tax Rates - Direct and Overlapping Governments

Last Ten Fiscal Years

Year of Collection	Tax Rates Per \$1,000 of Assessed Valuation			Total
	County Levy	School Levy	Vocational School Levy	
1996	8.44	55.16	1.93	70.07
1997	8.45	53.56	1.93	68.48
1998	8.45	53.56	1.93	68.48
1999	8.44	54.16	1.93	69.07
2000	8.45	54.46	1.93	69.38
2001	8.45	54.23	1.93	70.55
2002	8.75	54.11	1.93	70.73
2003	8.75	53.82	1.93	70.44
2004	8.74	53.82	1.93	70.43
2005	8.74	58.66	1.93	75.27

Source: County Auditor's Office, Butler County.

City of Fairfield

Table 8

Ratio of Net General Obligation Debt
to Assessed Value and Net General Obligation Debt Per Capita
Last Ten Fiscal Years

Year of Debt	Population	Assessed Value	Net G.O. Debt	Ratio of G.O. Debt to Assessed Value	G.O. Debt Per Capita
1996	41,345	\$665,865,671	\$2,677,142	0.40%	\$64.75
1997	41,551	720,243,003	3,037,444	0.42%	73.10
1998	41,759	744,514,737	3,740,193	0.50%	89.57
1999	41,968	756,896,161	6,096,616	0.81%	145.27
2000	42,097	830,227,888	5,580,076	0.67%	132.55
2001	43,149	834,028,195	9,281,783	1.11%	215.11
2002	43,365	849,343,674	8,478,368	1.00%	195.51
2003	44,449	958,192,249	17,652,938	1.84%	397.15
2004	41,981	974,151,983	18,267,804	1.88%	444.96
2005	42,370	985,786,601	29,250,000	2.97%	693.28

Note: (1) - General Obligation Debt, Bonds and Notes.

(2) - Assessed Value from County Auditor's Office, Butler County.

City of Fairfield

Table 9

Computation of Net Direct and Overlapping Debt

December 31, 2005

	Net Debt Outstanding	Percentage Applicable to City of Fairfield	Amount Applicable to City of Fairfield
Direct:			
City of Fairfield	\$29,250,000	100.00%	\$29,250,000
Overlapping:			
Butler County	74,780,000	13.37%	\$9,998,086
Fairfield City School District	36,585,655	72.10%	\$26,378,257
Lakota City School District	158,757,026	0.50%	\$793,785
Northwest Local School District	21,715,000	0.02%	\$4,343
Butler County Technology & Career Center	195,000	15.28%	\$29,796
Total Overlapping:	292,032,681		37,204,267
Total Direct and Overlapping	\$321,282,681		\$66,454,267

Source: Ohio Municipal Advisory Council

City of Fairfield

Table 10

Ratio of Annual Debt Service Expenditures for General
Obligation Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year Ended	General Obligation Debt Service Payments (1)		Total	Total General Expenditures (2)	Ratio of Debt Service to Total General Expenditures
	Principal	Interest			
1996	\$435,000	\$188,914	\$623,914	\$13,897,752	4.49%
1997	435,000	153,795	588,795	13,972,329	4.21%
1998	440,000	118,478	558,478	14,808,539	3.77%
1999	240,000	119,098	359,098	16,874,926	2.13%
2000	250,000	289,385	539,385	18,681,113	2.89%
2001	260,000	440,050	700,050	21,492,559	3.26%
2002	500,000	498,893	998,893	22,555,822	4.43%
2003	515,000	612,041	1,127,041	23,565,896	4.78%
2004	810,000	739,188	1,549,188	24,527,947	6.32%
2005	845,000	621,762	1,466,762	26,383,726	5.56%

Source: City of Fairfield Finance Department.

(1) - For General Obligation Debt, Bonds and Notes payable from ad valorem and taxes only.

(2) - The expenditures are those recorded in the General and Special Revenue Funds.

City of Fairfield
 Table 11
 Computation of Legal Debt Margin
 December 31, 2005

Total of all City Debt Outstanding	<u>\$42,101,282</u>
Total Debt subject to 10.5% and 5.5% Debt Limitation	<u>\$14,275,000</u>
Less Applicable Debt Service Fund	<u>414,831</u>
Net Indebtedness subject to 10.5% and 5.5% Debt Limitation	<u>\$13,860,169</u>
Assessed Valuation of the City (2001 for 2002 Collection)	<u>\$985,786,601</u>
10.5% of Assessed Valuation (Maximum Voted Debt Allowed)	<u>\$103,507,593</u>
Total Debt Outstanding subject to 10.5% Debt Limitation	<u>13,860,169</u>
Legal 10.5% Margin	<u>\$89,647,424</u>
5.5% of Assessed Valuation (Maximum Unvoted Debt Allowed)	<u>\$54,218,263</u>
Total Debt Outstanding Subject to 5.5% Debt Limitation	<u>13,860,169</u>
Legal 5.5% Margin	<u>\$40,358,094</u>

Note: (1) - Direct Debt Limitation Based on Section 133, The Uniform Bond Act of the Ohio Revised Code.
 (2) - Assessed Value from the County Auditor's Office, Butler County.

City of Fairfield
Table 12
Schedule of Revenue Bond Coverage - Water and Sewer Systems
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenues Available for Debt Service	DEBT SERVICE REQUIREMENTS			Coverage
				Principal	Interest	Total	
1996	\$7,560,062	\$3,894,321	\$3,665,741	\$303,156	\$223,431	\$526,587	6.96
1997	8,123,524	4,257,045	3,866,479	677,871	550,386	1,228,257	3.15
1998	8,677,259	4,247,638	4,429,621	883,140	860,089	1,743,229	2.54
1999	8,693,111	4,363,763	4,329,348	1,085,744	874,269	1,960,013	2.21
2000	8,049,986	4,529,552	3,520,434	1,394,322	899,019	2,293,341	1.54
2001	7,856,752	5,122,850	2,733,902	1,345,107	887,108	2,232,215	1.22
2002	7,756,376	5,673,657	2,082,719	1,510,091	801,839	2,311,930	0.90
2003	7,622,154	5,948,590	1,673,564	1,170,327	692,786	1,863,113	0.90
2004	8,116,061	6,344,692	1,771,369	1,113,808	646,922	1,760,730	0.99
2005	8,244,581	6,041,109	2,203,472	1,252,406	627,014	1,879,420	0.85

Source: City of Fairfield Finance Department.

(1) - Gross revenue includes operating and non-operating revenues.

(2) - Operating expenses include all expenses except interest and depreciation.

City of Fairfield

Table 13

Property Values, Financial Institution Deposits
and Building Permit Values
Last Ten Fiscal Years

Fiscal Year Ended	IN MILLIONS		
	Property Values (1)	Financial Institutions Deposits (2)	Building Permit Values (3)
1996	\$1,908.8	\$783.3	\$92.1
1997	2,085.9	815.4	57.2
1998	2,165.3	864.1	81.3
1999	2,200.1	913.2	77.9
2000	2,416.0	923.6	24.6
2001	2,423.8	1,136.9	32.9
2002	2,491.8	1,257.1	28.6
2003	2,794.4	1,355.7	31.7
2004	2,842.9	1,466.7	31.7
2005	2,878.4	3,053.2	64.9

Source: (1) - County Auditor's Office, Butler County.

(2) - Federal Reserve Bank of Cleveland.

(3) - City of Fairfield Building Inspection Division.

City of Fairfield

Table 14

Ten Largest Taxpayers

December 31, 2005

TAXPAYER	ASSESSED VALUATION	PERCENTAGE
1. Cincinnati Gas & Electric Company	\$21,331,980	2.02%
2. CFC Investment Company	16,913,280	1.60%
3. Sam Boyrnel Trustee	9,720,740	0.92%
4. Ohio Casualty Insurance	7,733,750	0.73%
5. Fath-Village Park Apartments	5,709,930	0.54%
6. Alliance TP Portfolio LTD	5,540,810	0.53%
7. TGM Carnelot, Inc.	5,260,550	0.50%
8. Teacher Retirement System	5,105,830	0.48%
9. Cincinnati-Oxford Assn.	4,917,700	0.47%
10. Meijer Stores LTD PRT	4,689,620	0.44%
Total	\$86,924,190	8.24%
Total Assessed Value	\$1,054,561,831	

Source: County Auditor's Office, Butler County.

City of Fairfield
 Table 15
 Demographic Statistics
 December 31, 2005

Year	Fairfield Population (1)	% Change During the Period	Butler County Population	% Change During the Period
1960	9,734		199,076	
1970	14,680	50.81%	266,207	33.72%
1980	30,777	109.65%	258,787	(2.79%)
1990	39,729	29.09%	291,479	12.63%
1991	40,326	1.50%	299,808	2.86%
1992	40,528	0.50%	305,690	1.96%
1993	40,730	0.50%	311,907	2.03%
1994	40,934	0.50%	315,927	1.29%
1995	41,139	0.50%	319,603	1.16%
1996	41,344	0.50%	323,519	1.23%
1997	41,551	0.50%	327,081	1.10%
1998	41,759	0.50%	330,428	1.02%
1999	41,968	0.50%	331,065	0.19%
2000	42,097	0.31%	332,807	0.53%
2001	43,149	2.50%	338,573	1.73%
2002	43,365	0.50%	340,543	0.58%
2003	44,449	0.25%	341,112	0.17%
2004	41,981	-0.56%	346,560	1.60%
2005	42,370	0.71%	349,220	0.77%

Source: City of Fairfield Planning Department.
 OKI Regional Planning Authority.

(1) - 1980, 1990 and 2000 Population figures taken from the Federal Census Data.

City of Fairfield

Table 16

Miscellaneous Statistics

December 31, 2005

Date of Incorporation	1955
Form of Government	Council/City Manager
Area	20.5 square miles
Lane Miles of Streets	390
Number of Street Lights	1,525
Number of Traffic Lights	53
Fire Protection:	
Number of Stations	3
Number of Firemen and Officers	21
Number of Part-Time Firemen	44
Number of Paramedic Units - Full-time	3
Police Protection:	
Number of Stations	1
Number of Police Officers	60
Public Utility Department:	
Number of Customers	13,297
Average Daily Consumption of Water	5,600,000
Miles of Water Lines	172
Miles of Sewer Lines	175
Recreation and Cultural:	
Number of Parks	15
Number of Libraries	1
Number of Holdings	174,113
Employees:	
Classified Services	214
Exempt	54

Source: City of Fairfield Finance Department



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF FAIRFIELD

BUTLER 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 15, 2006**