



City of Fairfield, Ohio

Comprehensive Annual Financial Report

For The Year Ended December 31, 2003

CITY OF FAIRFIELD, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

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

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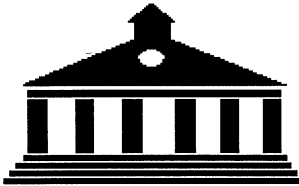
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Introductory Section

June 30, 2004

The Honorable Erick Cook, 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, 2003 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.

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 Report of the Independent Accountants and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements. 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. 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 2003. Mercy Hospital is currently doubling the size of its Mack Road campus. The \$54.6 million expansion project is expected to add 1,000 jobs and be completed in 2004. In addition, Jungle Jim's International Food Market and Pacific Industries are also making significant expansions at their facilities. During 2003, the Mills Corporation made a \$90 million investment to transform the Forest Fair Mall into Cincinnati Mills.

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 2003:

- 1) The City began construction on a 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 will provide 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. Construction is to be completed in the spring of 2005.
- 2) The City continues the construction of the **Mack/Muhlhauser/Route 4** project. This project consists of widening Muhlhauser Road to five lanes from Route 4 and Mack Road to State Route 747. As part of the project, a bridge is to be constructed over the railroad tracks located near Route 4. Total estimated project cost is approximately \$12 million with most of the funding being provided under state and federal grants.
- 3) The City acquired the **Fairfield Mall** at a price of \$2.9 million and completed demolition of the 70,000 square foot vacant commercial development located in the downtown area of Fairfield. The City's intent in acquiring the site is to control the development of commercial property in the downtown area of Fairfield. The development of the site proposes to include retail/commercial development combined with a municipal justice center facility.
- 4) In 2003, The City entered into an agreement for the design of a new municipal justice center for the **Police Department** and the **Municipal Court**. The construction of the new justice center facility is estimated to be \$10.7 million. The population growth and the changing nature of policing activities have outdated the existing facilities. Due to the close interaction of the Municipal Court and the Police Department, it is desirable to have a justice center, which will house both operations
- 5) The Fairfield Police Department has diligently worked towards earning accreditation by the Commission on Accreditation for Law Enforcement Agencies, Inc. Accreditation signifies the highest levels of training, professionalism and community involvement. Nine law enforcement subjects, containing more than 180 standards are addressed in the accreditation process. In 2003, the Police Department's accomplished its goal and received its accreditation.

FUTURE PROJECTS

Accomplishments and significant capital projects to look forward to in 2003 include the following:

- 1) On April 6, 2004, the City received a \$2.5 million grant from the Federal Emergency Management Agency for the purchase and demolition of twenty-three homes located along or near Pleasant Run Creek. The approved grant will provide 75% of the estimated project costs. The City is responsible for the remaining 25% of the costs. The total project is estimated to cost \$3.4 million. The homes were selected based on a number of criteria, including past flood insurance claims, the potential for future flood damage, and the proximity to other targeted structures. The properties are to be acquired over the next 3 years. All property acquisitions will be made with the voluntary participation of the property owners.
- 2) The City along with Butler County, the City of Hamilton and Fairfield Township will initiate 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 \$20 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 working to acquire a water line from the City of Hamilton. The water line will be used to service parts of the City, which were serviced previously by the City of Hamilton.
- 4) In January of 2004, extensive erosion caused by the Great Miami River forced the closure of River Road on the western border of the City. The State of Ohio awarded the City a grant for the stabilization of the River Road Bank. The project is estimated to cost approximately \$275,000 with the state grant providing 50% of the funding. Work is to be completed in 2004.
- 5) The City of Fairfield has received \$150,000 in grant funding from the Ohio Department of Natural Resources for the purchase of 30 acres of property along the Great Miami River. The property will be acquired for recreational purposes and for the protection of the Miami Aquifer, which provides a source of drinking water for the residents of Butler and Hamilton Counties. The acquisition of the property is estimated to cost approximately \$300,000.

For a more-in-depth analysis of the City's current economic condition, please see the Management Discussion and Analysis (MD&A) portion of the report in the Financial Section.

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, 2003.

CASH MANAGEMENT

Excluding investments held by trustees, cash temporarily idle during the year 2003 was invested in State Treasury Asset Reserves or Repurchase Agreements (collateralized by U.S. Treasury Bills). As of year-end, State Treasury Asset Reserves made up 31.8% of the City's total cash, cash equivalents and investments, U.S. government securities 53.3%, certificates of deposits 5.3%, repurchase agreements .2%, money market accounts 1.7% and deposits 7.7%. Yields on these investment instruments ranged from 1.03% to 3.20% the amount of interest earned during the year was \$843,596 as compared to \$1,172,763 earned in 2002.

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, 2003 was as follows:

2003 Population (Estimated)	<u>44,449</u>
Assessed Valuation	<u>\$958,192,249</u>
Total General Obligation (G.O.) Debt	\$18,070,000
Less Amount Available in Debt Service Fund	<u>417,062</u>
Net General Obligation Debt	<u>\$17,652,938</u>
Ratio of Net G.O. Debt to Assessed Valuation	1.84%
Debt per Capita	<u>\$397.15</u>

The City's total debt at the close of 2003 included the above mentioned \$17,652,938 in net General Obligation debt, \$75,000 in special assessment bonded debt and \$16,607,496 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 November of 1990, the citizens of Fairfield voted to change the distribution of the income taxes, which allocated monies to the Sewer Funds. The current 1.5% tax rate is now subdivided into three components. The first 1.0% is used for operating expenses of the General fund. Next, .3% is used for street construction, improvement and repair. Third, .2% of the tax is earmarked for capital improvements of a permanent nature.

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:

	2003	2002
Allocated to General Fund	\$12,266,102	\$12,743,176
Allocated to .3% Street Improvement Fund	3,666,239	3,822,952
Allocated to .2% Capital Improvement Fund	2,525,296	2,548,634
Gross Revenues	\$18,457,637	\$19,114,762

In 2002, the citizens approved an income tax reallocation designed to increase the City's fiscal flexibility. While the tax rate remains unchanged at 1.5%, the new allocation channels 1.1% of the tax revenues into the General Fund, .2% into the Street Improvement Fund and .2% into the Capital Improvement Fund.

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 Center and the replacement of the Justice Center, as well as maintenance of the facilities. The reallocation becomes effective in 2004.

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 State Auditor's Office 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, 2002. 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
PUBLIC OFFICIALS

MAYOR

Erick Cook

COUNCIL MEMBERS

Vice Mayor – Ron D'Epifanio

Steven Miller
Jeffrey Holtegal
Jill Kinder

Mark Scharringhausen
Howard Dirksen
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

Director

James A. Hanson

Division of Accounting

Tina Williams Karen Broughton Diana Davenport Pat Ragland
 Rosemarie Swartout Mary Geyer

Division of Income Tax

Mary Hopton Teresa Bolser Lisa Wright Deanna Rucinski Patricia Finan

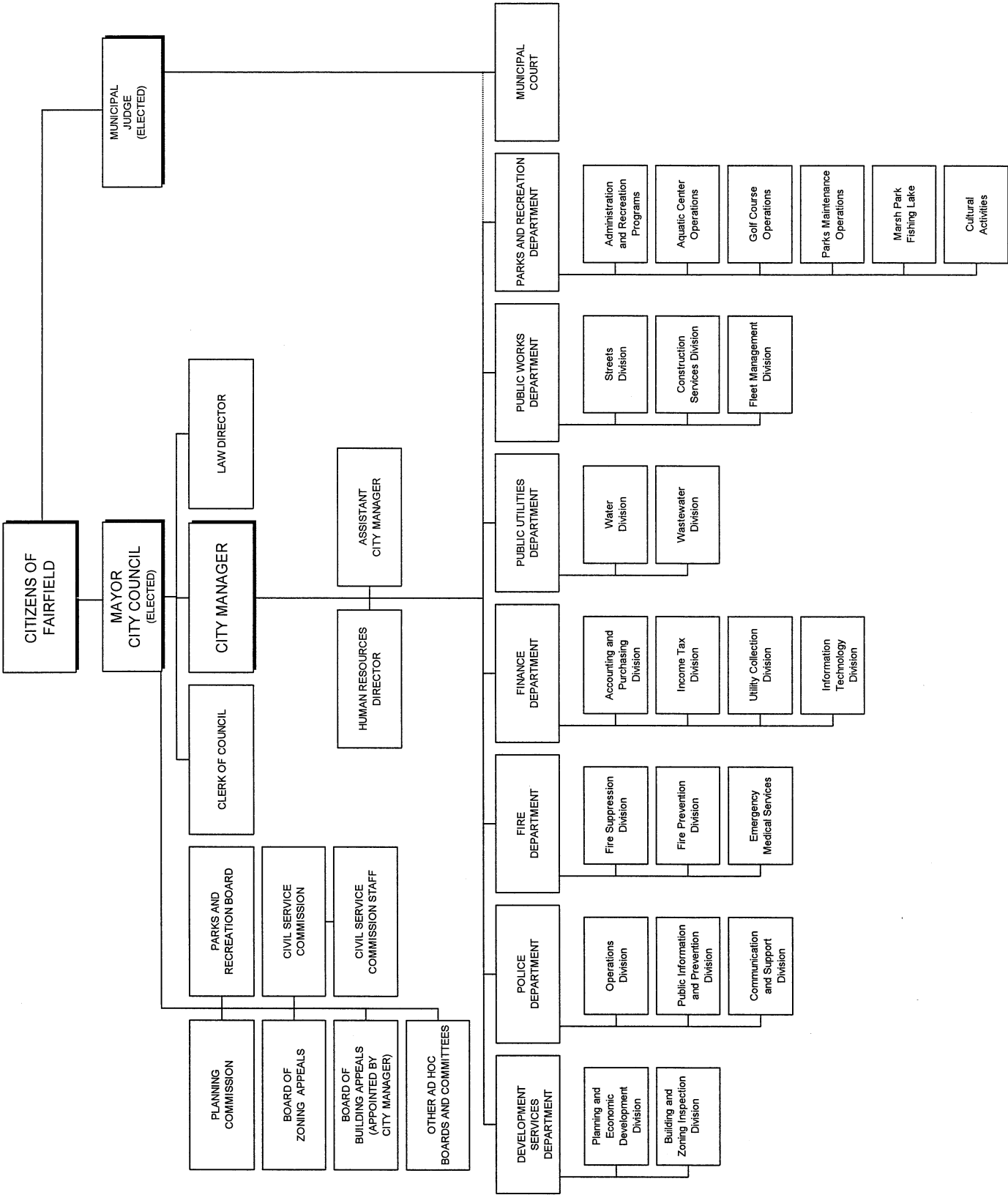
Division of Utility Billing and Collection

Mary Lawson Sandra Cotton Roxanne Thompson Kim Baker

Division of Information Systems

J. Ben Warner Tanya Kaiser Derek Hunter Yvette Scott

CITY OF FAIRFIELD, OHIO, ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairfield,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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



President

Executive Director



Financial Section



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

City of Fairfield
Butler County
5350 Pleasant Avenue
Fairfield, Ohio 45014

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, Butler County, Ohio (the City), as of and for the year ended December 31, 2003, 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, Butler County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, 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 24, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Managements Discussion and Analysis and the respective budgetary comparison for the General Fund and the Fire Levy Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. 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.

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

A handwritten signature in black ink that reads "Betty Montgomery". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Betty Montgomery
Auditor of State

June 24, 2004

City of Fairfield

Management's Discussion and Analysis For The Year Ended December 31, 2003

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, 2003. 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 decreased \$2.4 million. Net assets of governmental activities decreased \$1.7 million, net assets of business-type activities decreased by \$.07 million.
- The general fund reported a fund balance of over \$6.9 million.
- Business-type operations reflected operating loss of \$581,620.
- During fiscal year 2003, the City issued \$7.5 million in General Obligation Bonds for the Community Arts Center. In addition, the City issued \$1.5 million in General Obligation Bond Anticipation Notes for improvements to the wastewater treatment plant.
- The City had \$31.6 million in expenses relating to governmental activities; program revenues offset \$4.1 million of these expenses. General revenues of \$25.8 million were also used to provide for these programs.

USING THIS ANNUAL FINANCIAL REPORT

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.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Assets and the Statement of Activities. 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 Statement of Net Assets and the Statement of Activities, 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 sewer, water, 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.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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, .3% Street Improvement, .2% Capital Improvement and Downtown Development.

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 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 2003 compared to 2002.

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Assets:						
Current And Other Assets	\$42.0	\$37.1	\$17.0	\$19.4	\$59.0	\$56.5
Capital Assets, Net	<u>59.0</u>	<u>58.8</u>	<u>52.5</u>	<u>51.9</u>	<u>111.5</u>	<u>110.7</u>
Total Assets	<u>101.0</u>	<u>95.9</u>	<u>69.5</u>	<u>71.3</u>	<u>170.5</u>	<u>167.2</u>
Liabilities:						
Current and Other Liabilities	8.1	8.3	2.2	2.0	10.3	10.3
Long-Term Liabilities:						
Due within One Year	0.9	0.7	1.2	1.3	2.1	2.0
Due in More Than One Year	<u>17.1</u>	<u>10.3</u>	<u>16.5</u>	<u>17.7</u>	<u>33.6</u>	<u>28.0</u>
Total Liabilities	<u>26.1</u>	<u>19.3</u>	<u>19.9</u>	<u>21.0</u>	<u>46.0</u>	<u>40.3</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	42.8	49.5	35.2	33.4	78.0	82.9
Restricted for:						
Debt Service	1.6	1.7	0.0	0.0	1.6	1.7
Capital Projects	21.9	14.7	0.0	0.0	21.9	14.7
Special Revenue	1.3	2.0	0.0	0.0	1.3	2.0
Unrestricted	<u>7.3</u>	<u>8.7</u>	<u>14.4</u>	<u>16.9</u>	<u>21.7</u>	<u>25.6</u>
Total Net Assets	<u>\$74.9</u>	<u>\$76.6</u>	<u>\$49.6</u>	<u>\$50.3</u>	<u>\$124.5</u>	<u>\$126.9</u>

Total net assets of the City as a whole decreased \$2.4 million. Net assets of the City's governmental activities decreased \$1.7 million. The decrease in net assets was mainly due to a large increase in depreciation expense for capital assets.

The net assets of the City's business-type activities decreased \$0.7 million from 2002. The decrease in net assets was due to the increase in capital assets, net for both the water and sewer utility funds.

Table 2 shows the changes in net assets at year-end and revenue and expense comparisons to 2002.

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues						
Program Revenues:						
Charges for Services	\$2.4	\$2.4	\$10.2	\$9.8	\$12.6	\$12.2
Operating Grants, Contributions	1.5	3.5	0.0	0.0	1.5	3.5
Capital Grants and Contributions	<u>0.2</u>	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.3</u>
Total Program Revenues	<u>4.1</u>	<u>6.2</u>	<u>10.2</u>	<u>9.8</u>	<u>14.3</u>	<u>16.0</u>
General Revenues:						
Property Taxes	5.5	4.6	0.0	0.0	5.5	4.6
Income Taxes	18.4	19.1	0.0	0.0	18.4	19.1
Grants and Entitlements	1.7	2.9	0.0	0.0	1.7	2.9
Investment Earnings	0.6	0.8	0.3	0.4	0.9	1.2
Refunds & Reimbursements	0.0	0.3	0.0	0.0	0.0	0.3
Other Revenue	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.3</u>	<u>0.0</u>	<u>0.4</u>
Total General Revenues	<u>26.2</u>	<u>27.8</u>	<u>0.3</u>	<u>0.7</u>	<u>26.5</u>	<u>28.5</u>
Total Revenues	<u>30.3</u>	<u>34.0</u>	<u>10.5</u>	<u>10.5</u>	<u>40.8</u>	<u>44.5</u>
Program Expenses:						
General Government	5.6	6.4	0.0	0.0	5.6	6.4
Public Safety	12.2	12.0	0.0	0.0	12.2	12.0
Leisure Time Activities	1.9	2.1	0.0	0.0	1.9	2.1
Community Development	3.1	1.8	0.0	0.0	3.1	1.8
Basic Utility Service	0.5	0.5	0.0	0.0	0.5	0.5
Transportation & Street Repair	7.7	6.7	0.0	0.0	7.7	6.7
Interest and Fiscal Charges	0.6	0.5	0.0	0.0	0.6	0.5
Water	0.0	0.0	3.8	3.6	3.8	3.6
Sewer	0.0	0.0	4.3	4.1	4.3	4.1
Waste Collection	0.0	0.0	1.7	1.7	1.7	1.7
Recreation Facilities	<u>0.0</u>	<u>0.0</u>	<u>1.8</u>	<u>1.7</u>	<u>1.8</u>	<u>1.7</u>
Total Expenses	<u>31.6</u>	<u>30.0</u>	<u>11.6</u>	<u>11.1</u>	<u>43.2</u>	<u>41.1</u>
Increase (Decrease) in Net Assets before transfers	<u>(1.3)</u>	<u>4.0</u>	<u>(1.1)</u>	<u>(0.6)</u>	<u>(2.4)</u>	<u>3.4</u>
Transfers-Internal Activities	<u>(0.4)</u>	<u>(0.6)</u>	<u>0.4</u>	<u>0.6</u>	<u>0.0</u>	<u>0.0</u>
Increase (Decrease) in Net Assets	<u>(\$1.7)</u>	<u>\$3.4</u>	<u>(\$0.7)</u>	<u>\$0.0</u>	<u>(\$2.4)</u>	<u>\$3.4</u>
Net Assets End of Year	<u>\$74.9</u>	<u>\$76.6</u>	<u>\$49.6</u>	<u>\$50.3</u>	<u>\$124.5</u>	<u>\$126.9</u>

Governmental Activities

Council is active in promoting economic growth in Fairfield in 2003, as this economic growth does increase the earnings tax base as well. Fairfield has continued attracting employers to our city in the year 2003, 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 70% of the City's governmental activities general revenues. During 2003, when most communities were faced with budget cuts due to the economic downturn of the economy, the City's 2003 earnings tax revenues decreased approximately 3.4% over 2002 tax revenues.

Governmental activities program expenses for 2003 were as follows:

General Government	17.6%
Public Safety	38.7%
Public Health and Welfare	0.1%
Leisure Time Activities	6.1%
Community Development	9.7%
Basic Utility Service	1.5%
Transportation & Street Repair	24.4%
Interest and Fiscal Charges	<u>1.9%</u>
Total	<u>100.0%</u>

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.

Business-Type Activities

The City's business-type activities include Water Utility, Sewer Utility, Solid Waste Collection 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

Information about the City's major governmental funds is presented in the Fund Financial Statements (see table of contents). These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues and other financing sources of \$42.4 million and expenditures and other financing uses of \$36.5 million. All governmental funds revenues exceeded expenditures by \$5.9 million; and within the General Fund expenditures exceeded revenues by \$1.1 million.

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 \$5,920,189, on a Non-GAAP Budgetary Basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
Capital Assets
(In Millions)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$8.0	\$7.8	\$1.2	\$1.1	\$9.2	\$8.9
Construction in Progress	1.6	0.0	1.5	0.0	3.1	0.0
Building and Improvements	23.0	22.8	45.9	45.9	68.9	68.7
Equipment	9.9	9.0	2.2	2.1	12.1	11.1
Infrastructure	69.0	68.3	26.9	26.4	95.9	94.7
Accumulated Depreciation	<u>(52.5)</u>	<u>(49.2)</u>	<u>(25.2)</u>	<u>(23.6)</u>	<u>(77.7)</u>	<u>(72.8)</u>
Totals	<u>\$59.0</u>	<u>\$58.7</u>	<u>\$52.5</u>	<u>\$51.9</u>	<u>\$111.5</u>	<u>\$110.6</u>

Increases in Capital Assets were the result of the City beginning construction of the Community Arts Center.

Debt

At year-end the City had \$18.1 million in unvoted general obligation and special assessment bonds.

Table 4
Outstanding Debt at Year End

	<u>Governmental Activity</u>	
	<u>2003</u>	<u>2002</u>
Unvoted General Obligation Bonds:		
General Obligation Recreation Bonds	\$2,140,000	\$2,220,000
Community Arts Center Bond	7,500,000	0
Various Purpose Special Assessment Bonds	75,000	130,000
Various Purpose General Obligation Bonds	<u>8,430,000</u>	<u>8,945,000</u>
Total	<u>\$18,145,000</u>	<u>\$11,295,000</u>

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

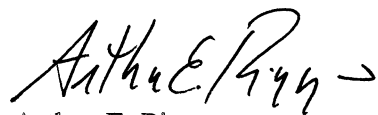
The unvoted General Obligation Bonds for street improvement will be paid with municipal income tax revenue. The Various Purpose Improvement general obligation bonds and Community Arts Center Bonds will be paid with property tax revenues via transfers from the General Fund.

The City's overall legal debt margin was \$37,187,636 at year-end.

Detailed information relating to capital assets and debt is presented in the notes to the financial statements.

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.



Arthur E. Pizzano
City Manager



James A. Hanson
Director of Finance

City of Fairfield
Statement of Net Assets
December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$31,359,683	\$14,106,613	\$45,466,296
Restricted Cash and Investments	0	1,693,981	1,693,981
Receivables:			
Taxes	9,075,262	0	9,075,262
Accounts	30,355	836,809	867,164
Interest	86,367	67,467	153,834
Intergovernmental	1,305,770	0	1,305,770
Special Assessments	86,438	0	86,438
Issuance Costs	0	96,354	96,354
Inventory	0	220,507	220,507
Nondepreciable Capital Assets	9,590,995	2,771,759	12,362,754
Depreciable Capital Assets, Net	49,436,092	49,738,973	99,175,065
Total Assets	100,970,962	69,532,463	170,503,425
Liabilities:			
Accounts Payable	813,462	353,551	1,167,013
Accrued Wages and Benefits	1,013,842	200,339	1,214,181
Accrued Interest Payable	54,020	29,420	83,440
Claims Payable	1,523	0	1,523
Deferred Revenue	6,196,768	0	6,196,768
Other Liabilities	53,053	120,725	173,778
Due to Other Governments	0	34,469	34,469
General Obligation Notes Payable	0	1,500,000	1,500,000
Long-Term Liabilities:			
Due Within One Year	934,394	1,193,808	2,128,202
Due In More Than One Year	17,050,957	16,489,351	33,540,308
Total Liabilities	26,118,019	19,921,663	46,039,682
Net Assets:			
Invested in Capital Assets, Net of Related Debt	42,799,518	35,166,882	77,966,400
Restricted for:			
Debt Service	1,642,421	0	1,642,421
Capital Projects	21,857,765	0	21,857,765
Special Revenue	1,340,024	0	1,340,024
Unrestricted	7,213,215	14,443,918	21,657,133
Total Net Assets	\$74,852,943	\$49,610,800	\$124,463,743

See accompanying notes.

City of Fairfield
Statement of Activities
For the Fiscal Year Ended December 31, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$5,569,878	\$1,343,635	\$0	\$0
Public Safety	12,233,671	21,239	175,809	0
Public Health and Welfare	25,809	0	0	0
Leisure Time Activities	1,914,984	95,126	4,730	0
Community Development	3,073,536	487,169	0	116,117
Basic Utility Service	481,265	494,624	142,490	0
Transportation and Street Repair	7,719,625	0	1,158,175	34,116
Interest and Fiscal Charges	615,988	0	0	0
Total Governmental Activities	31,634,757	2,441,793	1,481,204	150,233
Business-Type Activities:				
Water Utility	3,830,735	3,295,461	0	0
Sewer Utility	4,330,106	3,995,556	0	0
Solid Waste Management	1,685,265	1,371,403	0	0
Recreation Facilities	1,735,131	1,486,307	0	0
Total Business-Type Activities	11,581,237	10,148,727	0	0
Totals	\$43,215,994	\$12,590,520	\$1,481,204	\$150,233

General Revenues:
Income Taxes
Property Taxes Levied for:
 General Purposes
 Special Revenue Purposes
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Contributions
Investment Earnings
Refunds & Reimbursements
Other Revenues
Transfers-Internal Activities

Total General Revenues & Transfers

Change in Net Assets

Net Assets Beginning of Year (Restated)

Net Assets End of Year

See accompanying notes.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$4,226,243)	\$0	(\$4,226,243)
(12,036,623)	0	(12,036,623)
(25,809)	0	(25,809)
(1,815,128)	0	(1,815,128)
(2,470,250)	0	(2,470,250)
155,849	0	155,849
(6,527,334)	0	(6,527,334)
(615,988)	0	(615,988)
(27,561,527)	0	(27,561,527)
0	(535,274)	(535,274)
0	(334,550)	(334,550)
0	(313,862)	(313,862)
0	(248,824)	(248,824)
0	(1,432,510)	(1,432,510)
(\$27,561,527)	(\$1,432,510)	(\$28,994,037)
18,457,637	0	18,457,637
4,958,234	0	4,958,234
449,200	0	449,200
1,725,249	0	1,725,249
33,320	0	33,320
543,188	300,408	843,596
47,791	0	47,791
68,403	37,895	106,298
(396,000)	396,000	0
25,887,022	734,303	26,621,325
(1,674,505)	(698,207)	(2,372,712)
76,527,448	50,309,007	126,836,455
\$74,852,943	\$49,610,800	\$124,463,743

City of Fairfield
Balance Sheet
Governmental Funds
December 31, 2003

	General	Fire Levy	.3% Street Improvement	.2% Capital Improvement	Downtown Development
Assets:					
Equity in Pooled Cash and Investments	\$6,683,658	\$292,456	\$7,264,400	\$3,054,208	\$9,791,476
Receivables:					
Taxes	3,844,385	4,304,933	462,972	462,972	0
Accounts	30,355	0	0	0	0
Interest	31,397	0	25,792	4,759	23,533
Intergovernmental	328,575	199,410	0	0	0
Special Assessments	0	0	0	0	0
Due from other funds	0	0	0	0	0
Total Assets	10,918,370	4,796,799	7,753,164	3,521,939	9,815,009
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	251,465	19,881	4,168	153,626	347,767
Accrued Wages and Benefits	734,831	189,939	0	0	0
Compensated Absences	84,309	6,690	0	0	0
Accrued Interest Payable	0	0	0	0	0
Deferred Revenue	2,811,892	4,504,343	219,660	220,630	0
Other Liabilities	53,053	0	0	0	0
Due to Other Funds	0	0	14,255	39,288	0
Total Liabilities	3,935,550	4,720,853	238,083	413,544	347,767
Fund Balances:					
Reserved for Encumbrances	161,563	8,018	1,398,201	809,329	8,563,828
Reserved for Debt Service	0	0	0	0	0
Unreserved, Undesignated, Reported in:					
General Fund	6,821,257	0	0	0	0
Special Revenue Funds	0	67,928	0	0	0
Debt Service Funds	0	0	0	0	0
Capital Projects Funds	0	0	6,116,880	2,299,066	903,414
Total Fund Balances	6,982,820	75,946	7,515,081	3,108,395	9,467,242
Total Liabilities and Fund Balances	\$10,918,370	\$4,796,799	\$7,753,164	\$3,521,939	\$9,815,009

See accompanying notes.

Other Governmental Funds	Total Governmental Funds
\$4,061,840	\$31,148,038
0	9,075,262
0	30,355
886	86,367
777,785	1,305,770
86,438	86,438
53,543	53,543
<u>4,980,492</u>	<u>41,785,773</u>

24,270	801,177
68,697	993,467
6,891	97,890
54,020	54,020
751,337	8,507,862
0	53,053
0	53,543
<u>905,215</u>	<u>10,561,012</u>

101,731	11,042,670
4,000	4,000
0	6,821,257
1,175,490	1,243,418
1,551,097	1,551,097
1,242,959	10,562,319
<u>4,075,277</u>	<u>31,224,761</u>
<u>\$4,980,492</u>	<u>\$41,785,773</u>

City of Fairfield
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
December 31, 2003

Total Governmental Fund Balance	\$31,224,761
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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.	59,027,087
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Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Income Taxes	1,646,705	
Delinquent Property Taxes	575,897	
Interest	2,054	
Other	<u>86,438</u>	
		2,311,094

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	109,941
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Some compensated absences, are not due and payable and
therefore are not reported as liabilities in governmental funds.

Compensated Absences	<u>(1,592,371)</u>	
		(1,592,371)

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,227,569)</u>
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Net Assets of Governmental Activities	<u><u>\$74,852,943</u></u>
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See accompanying notes.

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City of Fairfield
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2003

	General	Fire Levy	.3% Street Improvement	.2% Capital Improvement	Downtown Development
Revenues:					
Taxes	\$13,535,326	\$3,665,216	\$3,666,239	\$2,525,296	\$0
Fines, Licenses & Permits	1,250,231	3,050	0	0	0
Charges for Services	645,196	0	0	0	0
Investment Earnings	154,428	5,689	124,032	41,785	142,113
Intergovernmental	2,392,760	427,910	0	151,200	0
Special Assessments	19,859	0	0	0	0
Other Revenues	166,791	9,272	45,326	0	54,831
Total Revenues	18,164,591	4,111,137	3,835,597	2,718,281	196,944
Expenditures:					
Current:					
General Government	5,859,602	0	0	0	0
Public Safety	7,405,288	4,450,019	0	0	0
Public Health and Welfare	25,809	0	0	0	0
Leisure Time Activities	1,219,328	0	0	0	0
Community Development	1,051,642	0	0	0	1,245,458
Basic Utility Service	481,265	0	0	0	0
Transportation and Street Repair	0	0	183,567	327,813	0
Capital Outlay	371,117	40,160	3,227,158	1,565,884	718,250
Debt Service:					
Principal Retirement	88,519	0	0	0	0
Interest and Fiscal Charges	15,629	0	0	0	0
Total Expenditures	16,518,199	4,490,179	3,410,725	1,893,697	1,963,708
Excess of Revenues Over (Under) Expenditures	1,646,392	(379,042)	424,872	824,584	(1,766,764)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	18,614	2,472	0	0	0
Proceeds of Long-Term Capital-Related Debt	0	0	0	0	7,500,000
Transfers In	0	0	0	0	1,770,000
Transfers (Out)	(2,776,000)	0	(417,360)	(692,313)	0
Total Other Financing Sources (Uses)	(2,757,386)	2,472	(417,360)	(692,313)	9,270,000
Net Change in Fund Balance	(1,110,994)	(376,570)	7,512	132,271	7,503,236
Fund Balance Beginning of Year	8,093,814	452,516	7,507,569	2,976,124	1,964,006
Fund Balance End of Year	\$6,982,820	\$75,946	\$7,515,081	\$3,108,395	\$9,467,242

See accompanying notes.

Other Governmental Funds	Total Governmental Funds
\$0	\$23,392,077
343,259	1,596,540
0	645,196
73,087	541,134
1,831,514	4,803,384
64,620	84,479
19,681	295,901
2,332,161	31,358,711
196,197	6,055,799
0	11,855,307
0	25,809
0	1,219,328
0	2,297,100
0	481,265
2,305,703	2,817,083
557,466	6,480,035
570,000	658,519
600,359	615,988
4,229,725	32,506,233
(1,897,564)	(1,147,522)
0	21,086
0	7,500,000
1,699,673	3,469,673
(80,000)	(3,965,673)
1,619,673	7,025,086
(277,891)	5,877,564
4,353,168	25,347,197
\$4,075,277	\$31,224,761

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, 2003

Net Change in Fund Balance - Total Governmental Funds \$5,877,564

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

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

Capital assets used in governmental activities	3,834,427	
Depreciation Expense	(3,539,472)	294,955

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 deduction
for the loss on the disposal of capital assets must also be
recognized. (5,149)

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

Income Taxes	(114,561)	
Delinquent Property Taxes	575,897	
Interest	2,054	
Intergovernmental	(1,416,201)	
Other	(65,587)	(1,018,398)

Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets. 658,519

Some compensated absences are not due and payable and therefore
not reported as expenditures in governmental funds.

Compensated Absences	(84,708)	(84,708)
----------------------	----------	----------

The internal service fund used by management to charge
the costs of insurance 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. 102,712

Proceeds from debt issues are an other financing source in the funds,
but a debt issue increases long-term liabilities in the statement
of net assets. (7,500,000)

Change in Net Assets of Governmental Activities	(\$1,674,505)
---	---------------

See accompanying notes.

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City of Fairfield
Statement of Net Assets
Proprietary Funds
December 31, 2003

	Business-Type Activities -Enterprise Funds				
	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities	Total Business-Type Activities
Assets:					
Equity in Pooled Cash and Investments	\$9,171,911	\$4,849,877	\$1,824	\$83,001	\$14,106,613
Restricted Cash and Investments	1,462,031	231,950	0	0	1,693,981
Receivables:					
Accounts	286,987	469,617	80,205	0	836,809
Interest	50,755	16,712	0	0	67,467
Issuance Costs	96,354	0	0	0	96,354
Inventory	155,212	0	0	65,295	220,507
Total Current Assets	11,223,250	5,568,156	82,029	148,296	17,021,731
Nondepreciable Capital Assets	379,105	1,885,654	0	507,000	2,771,759
Depreciable Capital Assets, Net	17,206,912	27,972,090	0	4,559,971	49,738,973
Total Assets	28,809,267	35,425,900	82,029	5,215,267	69,532,463
Liabilities:					
Current Liabilities:					
Accounts Payable	105,566	223,213	7,239	17,533	353,551
Accrued Wages and Benefits	81,213	81,640	686	36,800	200,339
Accrued Interest Payable	18,753	3,088	0	7,579	29,420
Claims Payable	0	0	0	0	0
Other Liabilities	120,725	0	0	0	120,725
Due to Other Governments	0	34,469	0	0	34,469
General Obligation Notes Payable	0	1,500,000	0	0	1,500,000
Long-Term Liabilities Due Within One Year	535,000	578,808	0	80,000	1,193,808
Total Current Liabilities	861,257	2,421,218	7,925	141,912	3,432,312
Long-Term Liabilities:					
Compensated Absences	203,773	153,031	9,073	69,786	435,663
Bonds, Notes & Loans Payable	4,070,000	9,923,688	0	2,060,000	16,053,688
Total Liabilities	5,135,030	12,497,937	16,998	2,271,698	19,921,663
Net Assets:					
Invested in Capital Assets, Net of Related Debt	12,884,663	19,355,248	0	2,926,971	35,166,882
Restricted for:					
Unrestricted	10,789,574	3,572,715	65,031	16,598	14,443,918
Total Net Assets	\$23,674,237	\$22,927,963	\$65,031	\$2,943,569	\$49,610,800

See accompanying notes.

Governmental
Activities-
Internal Service
Fund
\$211,645
0
0
0
0
0
211,645
0
0
211,645
12,285
20,375
0
1,523
0
0
0
0
0
34,183
67,521
0
101,704
0
109,941
\$109,941

City of Fairfield
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended December 31, 2003

	Business-Type Activities -Enterprise Funds				
	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities	Total Business-Type Activities
Operating Revenues:					
Charges for Services	\$3,295,461	\$3,995,556	\$1,371,403	\$1,486,307	\$10,148,727
Other Revenues	28,745	51	1,095	5,504	35,395
Total Operating Revenues	3,324,206	3,995,607	1,372,498	1,491,811	10,184,122
Operating Expenses:					
Personal Services	1,388,933	1,717,829	17,483	797,055	3,921,300
Contractual Services	890,030	805,256	1,666,846	367,728	3,729,860
Materials and Supplies	759,995	386,547	936	289,787	1,437,265
Depreciation	530,115	954,559	0	192,643	1,677,317
Total Operating Expenses	3,569,073	3,864,191	1,685,265	1,647,213	10,765,742
Operating Income (Loss)	(244,867)	131,416	(312,767)	(155,402)	(581,620)
Non-Operating Revenues (Expenses):					
Investment Earnings	208,850	90,991	0	567	300,408
Interest (Expense)	(261,662)	(465,915)	0	(87,918)	(815,495)
Gain (Loss) on Disposal of Capital Assets	1,250	1,250	0	0	2,500
Total Non-Operating Revenues (Expenses)	(51,562)	(373,674)	0	(87,351)	(512,587)
Income (Loss) Before Contributions & Transfers	(296,429)	(242,258)	(312,767)	(242,753)	(1,094,207)
Transfers In	0	0	255,000	141,000	396,000
Change in Net Assets	(296,429)	(242,258)	(57,767)	(101,753)	(698,207)
Net Assets Beginning of Year	23,970,666	23,170,221	122,798	3,045,322	50,309,007
Net Assets End of Year	\$23,674,237	\$22,927,963	\$65,031	\$2,943,569	\$49,610,800
See accompanying notes.					

Governmental
Activities-
Internal Service
Fund

\$2,708,279

0

2,708,279

334,878

2,084,301

287,352

0

2,706,531

1,748

964

0

0

964

2,712

100,000

102,712

7,229

\$109,941

City of Fairfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2003

	Business-Type Activities -Enterprise Funds				
	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities	Total Business-Type Activities
Cash Flows from Operating Activities:					
Cash Received from Customers	\$3,342,778	\$3,890,316	\$1,372,104	\$1,491,811	\$10,097,009
Cash Payments to Employees	(1,545,301)	(1,825,178)	(13,123)	(800,889)	(4,184,491)
Cash Payments to Suppliers	(1,557,671)	(934,121)	(1,660,543)	(644,391)	(4,796,726)
Net Cash Provided (Used) by Operating Activities	239,806	1,131,017	(301,562)	46,531	1,115,792
Cash Flows from Noncapital Financing Activities:					
Payments from Other Funds	862,999	1,346,719	255,000	61,000	2,525,718
Payments to Other Funds	(862,999)	(1,346,719)	0	0	(2,209,718)
Net Cash Provided (Used) by Noncapital Financing Activities	0	0	255,000	61,000	316,000
Cash Flows from Capital and Related Financing Activities:					
Payments for Capital Acquisitions	(545,237)	(1,685,814)	0	(16,014)	(2,247,065)
Debt Proceeds	0	1,500,000	0	0	1,500,000
Debt Principal Payments	(614,192)	(2,056,135)	0	0	(2,670,327)
Debt Interest Payments	(256,850)	(466,910)	0	(88,368)	(812,128)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,416,279)	(2,708,859)	0	(104,382)	(4,229,520)
Cash Flows from Investing Activities:					
Earnings on Investments	233,554	122,329	0	567	356,450
Net Cash Provided (Used) by Cash Flows from Investing Activities	233,554	122,329	0	567	356,450
Net Increase (Decrease) in Cash and Cash Equivalents	(942,919)	(1,455,513)	(46,562)	3,716	(2,441,278)
Cash and Cash Equivalents Beginning of Year	11,576,861	6,537,340	48,386	79,285	18,241,872
Cash and Cash Equivalents End of Year	10,633,942	5,081,827	1,824	83,001	15,800,594
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	(244,867)	131,416	(312,767)	(155,402)	(581,620)
Adjustments:					
Depreciation	530,115	954,559	0	192,643	1,677,317
Changes in Assets & Liabilities:					
(Increase) Decrease in Receivables	(27,778)	(105,291)	(394)	0	(133,463)
(Increase) Decrease in Inventory	(13,212)	0	0	(4,409)	(17,621)
Increase (Decrease) in Payables	21,061	198,481	6,802	13,800	240,144
Increase (Decrease) in Accrued Liabilities	(25,513)	(48,148)	4,797	(101)	(68,965)
Net Cash Provided (Used) by Operating Activities	\$239,806	\$1,131,017	(\$301,562)	\$46,531	\$1,115,792

See accompanying notes.

\$2,708,279
(357,759)
(2,360,352)

(9,832)

0
0
0
0

964

91,132

211,645

00

(\$9,832)

City of Fairfield
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	<u>Agency</u>
Assets:	
Cash with Fiscal and Escrow Agents	\$22,540
Accounts Receivable	<u>0</u>
Total Assets	<u>\$22,540</u>
Liabilities:	
Other Liabilities	<u>22,540</u>
Total Liabilities	<u>\$22,540</u>

See accompanying notes.

City of Fairfield

Notes to the Basic Financial Statements For The Year Ended December 31, 2003

1. DESCRIPTION OF THE CITY AND 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.

Reporting Entity

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.

2. 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.

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 activity of the internal service fund is 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 fund is an agency fund.

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.

.3% 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 fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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.

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.

Cash and Cash Equivalents

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.

The difference in cost and fair value of investments for the City is considered immaterial and therefore is not recorded.

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 2003 amounted to \$843,596.

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:

	Governmental Activities	Business-Type Activities
<u>Description</u>	<u>Estimated Lives</u>	<u>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 liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City's personnel manual.

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. 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 and amounts reserved for debt service 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

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

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.

3. DEPOSITS 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."

Statutes require the classification of funds held by the City into three categories.

Category 1 consists of "active" funds – those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds – those funds not required for use within the current two-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds – those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository with which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amount equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Deposits collateralized by investment pools are classified as Category 3 deposits per GASB Statement No. 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.

- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end, the carrying amount of the City's deposits was \$6,140,147 and the bank balance was \$6,703,408. Federal Depository Insurance covered \$700,000 of the deposits and bank balance. All remaining deposits were classified as Category 3.

B. Investments

The City's investments at year end are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value/ Fair Value</u>
U.S. Government Securities	\$25,159,224	\$ 0	\$ 0	\$25,159,224
STAROhio (1)	0	0	0	15,000,000
Money Market (1)	0	0	0	801,262
Repurchase Agreements	<u>0</u>	<u>0</u>	<u>82,184</u>	<u>82,184</u>
	<u>\$25,159,224</u>	<u>\$ 0</u>	<u>\$82,184</u>	<u>\$41,042,670</u>

(1) Investment is not categorized because it is not evidenced by securities that exist in physical or book entry form.

4. 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, accounts and loans 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 \$86,438 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 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004 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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes were levied after October 1, 2002, on the value as of December 31, 2002. Collections were made in 2003. 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	\$842,270,440
Public Utility	26,456,830
Tangible Personal Property	<u>89,464,979</u>
Total Valuation	<u>\$958,192,249</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.

5. 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, 2002 to December 31, 2003:

Claims Liability, 1/1/02	\$6,994
Claims net of changes in estimates	1,869,301
Payments	<u>(1,873,788)</u>
Claims Liability, 12/31/02	2,507
Claims net of changes in estimates	2,073,701
Payments	<u>(2,074,685)</u>
Claims Liability, 12/31/03	<u><u>\$1,523</u></u>

6. CAPITAL ASSETS

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

	Restated Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$7,809,315	\$154,608	\$0	\$7,963,923
Construction in Progress	<u>0</u>	<u>1,627,072</u>	<u>0</u>	<u>1,627,072</u>
Total Capital Assets, not being depreciated	<u>7,809,315</u>	<u>1,781,680</u>	<u>0</u>	<u>9,590,995</u>
Capital Assets, being depreciated:				
Buildings and Improvements	22,849,406	156,414	0	23,005,820
Equipment	9,032,131	1,174,350	(271,104)	9,935,377
Infrastructure	<u>68,271,516</u>	<u>721,983</u>	<u>0</u>	<u>68,993,499</u>
Total Capital Assets, being depreciated	<u>100,153,053</u>	<u>2,052,747</u>	<u>(271,104)</u>	<u>101,934,696</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,737,066)	(595,906)	10,840	(10,322,132)
Equipment	(5,918,671)	(1,039,601)	255,116	(6,703,156)
Infrastructure	<u>(33,569,351)</u>	<u>(1,903,965)</u>	<u>0</u>	<u>(35,473,316)</u>
Total Accumulated Depreciation	<u>(49,225,088)</u>	<u>(3,539,472)</u>	<u>265,956</u>	<u>(52,498,604)</u>
Total Capital Assets, being depreciated, net	<u>50,927,965</u>	<u>(1,486,725)</u>	<u>(5,148)</u>	<u>49,436,092</u>
Governmental Activities Capital Assets, net	<u>\$58,737,280</u>	<u>\$294,955</u>	<u>(\$5,148)</u>	<u>\$59,027,087</u>
Business-Type Activities				
Capital Assets, not being depreciated:				
Land	\$1,161,351	\$30,000	\$ 0	\$1,191,351
Construction in Progress	<u>0</u>	<u>1,580,408</u>	<u>0</u>	<u>1,580,408</u>
Total Capital Assets, not being depreciated:	<u>1,161,351</u>	<u>1,610,408</u>	<u>0</u>	<u>2,771,759</u>
Capital Assets, being depreciated:				
Buildings and Improvements	45,955,428	24,804	(104,286)	45,875,946
Equipment	2,118,520	177,456	(140,937)	2,155,039
Infrastructure	<u>26,400,242</u>	<u>461,697</u>	<u>0</u>	<u>26,861,939</u>
Total Capital Assets, being depreciated	<u>74,474,190</u>	<u>663,957</u>	<u>(245,223)</u>	<u>74,892,924</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(13,561,604)	(957,625)	104,286	(14,414,943)
Equipment	(1,466,018)	(170,984)	116,137	(1,520,865)
Infrastructure	<u>(8,669,435)</u>	<u>(548,708)</u>	<u>0</u>	<u>(9,218,143)</u>
Total Accumulated Depreciation	<u>(23,697,057)</u>	<u>(1,677,317)</u>	<u>220,423</u>	<u>(25,153,951)</u>
Total Capital Assets, being depreciated, net	<u>50,777,133</u>	<u>(1,013,360)</u>	<u>(24,800)</u>	<u>49,738,973</u>
Business-Type Activities Capital Assets, Net	<u>\$51,938,484</u>	<u>\$597,048</u>	<u>(\$24,800)</u>	<u>\$52,510,732</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$346,479
Public Safety	539,717
Leisure Time Activities	274,363
Community Development	79,015
Transportation & Street Repair	<u>2,299,898</u>
	<u>\$3,539,472</u>

7. 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. It is the City's policy to accrue vacation leave benefits in the period they are earned in both the Governmental and the Proprietary Funds.

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.

8. 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>
Enterprise Fund:				
1.75% Sewer Expansion	\$1,500,000	\$0	(\$1,500,000)	\$0
1.30% Sewer Expansion	<u>0</u>	<u>1,500,000</u>	<u>0</u>	<u>1,500,000</u>
Total Enterprise Fund	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>(\$1,500,000)</u>	<u>\$1,500,000</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.

9. 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>					
7.00% Justice Center	\$250,000	\$ 0	(\$50,000)	\$ 200,000	\$ 50,000
6.90% Fire Station	560,000	0	(55,000)	505,000	60,000
4.40% Various Purpose - 1999	3,870,000	0	(170,000)	3,700,000	175,000
4.34% Various Purpose - 2002	4,265,000	0	(240,000)	4,025,000	240,000
2.00-4.20% Community Arts Center	0	7,500,000	0	7,500,000	285,000
Total General Obligation Bonds	<u>8,945,000</u>	<u>7,500,000</u>	<u>(515,000)</u>	<u>15,930,000</u>	<u>810,000</u>
<u>Special Assessment Bonds</u>					
9.875% Industrial Park	30,000	0	(30,000)	0	0
7.625% Woodridge Road	100,000	0	(25,000)	75,000	25,000
Total Special Assessment Bonds	<u>130,000</u>	<u>0</u>	<u>(55,000)</u>	<u>75,000</u>	<u>25,000</u>
Capital Leases	311,088	0	(88,519)	222,569	79,387
Compensated Absences	1,625,261	165,633	(33,112)	1,757,782	20,007
Total Governmental Activities	<u>\$11,011,349</u>	<u>\$7,665,633</u>	<u>(\$691,631)</u>	<u>\$17,985,351</u>	<u>\$934,394</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
<u>Loans</u>					
2.00% OPWC Seward Road Water Tank	\$104,192	\$0	(\$104,192)	\$0	\$0
3.79-4.12% OWDA Wastewater Improvement	11,058,631	0	(556,135)	10,502,496	578,808
Total Loans	<u>11,162,823</u>	<u>0</u>	<u>(660,327)</u>	<u>10,502,496</u>	<u>578,808</u>
<u>General Obligation Bonds</u>					
4.34% Various Purpose Recreation	2,220,000	0	(80,000)	2,140,000	80,000
<u>Mortgage Revenue Bonds</u>					
3.00-6.20% Water Refunding	995,000	0	(315,000)	680,000	330,000
3.76-5.05% Water Refunding	4,120,000	0	(195,000)	3,925,000	205,000
Total Mortgage Revenue Bonds	<u>5,115,000</u>	<u>0</u>	<u>(510,000)</u>	<u>4,605,000</u>	<u>535,000</u>
Compensated Absences	451,184	28,560	(44,081)	435,663	0
Total Business-Type Activities	<u>\$18,949,007</u>	<u>\$28,560</u>	<u>(\$1,294,408)</u>	<u>\$17,683,159</u>	<u>\$1,193,808</u>

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

<u>Year Ending</u> <u>December 31</u>	General Obligation Bonds		Special Assessment Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$890,000	\$732,771	\$25,000	\$5,719
2005	930,000	698,756	25,000	3,813
2006	945,000	663,046	25,000	1,906
2007	980,000	626,811	0	0
2008	965,000	589,081	0	0
2009-2013	5,160,000	2,360,918	0	0
2014-2018	5,330,000	1,253,770	0	0
2019-2023	<u>2,870,000</u>	<u>351,416</u>	<u>0</u>	<u>0</u>
Total	<u>\$18,070,000</u>	<u>\$7,276,569</u>	<u>\$75,000</u>	<u>\$11,438</u>

<u>Year Ending</u> <u>December 31</u>	Mortgage Revenue Bonds		Loans	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$535,000	\$229,010	\$578,808	\$417,912
2005	565,000	200,663	602,405	394,314
2006	225,000	169,610	626,967	369,753
2007	235,000	159,598	652,529	344,191
2008	245,000	149,022	679,134	317,585
2009-2013	1,405,000	563,818	3,834,314	1,149,280
2014-2018	1,395,000	180,287	3,485,228	323,147
2019-2023	<u>0</u>	<u>0</u>	<u>43,111</u>	<u>817</u>
Total	<u>\$4,605,000</u>	<u>\$1,652,008</u>	<u>\$10,502,496</u>	<u>\$3,316,999</u>

10. 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, 2003, \$550,000 of the outstanding 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, 2003 was \$84,904. 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.

11. 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, 2003 \$4,535,244 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.

12. LEASES

A. Capital Leases

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:

<u>Year Ending</u> <u>December 31</u>	
2004	\$89,269
2005	89,270
2006	<u>59,513</u>
Total minimum lease payments	238,052
Less: Amount representing interest	<u>(15,483)</u>
Present value of minimum lease payments	<u>\$222,569</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.

13. SERVICE AGREEMENTS

The City has entered into a service agreement.

Minimum future payments as of December 31, 2003 are:

<u>Years</u>	<u>Paramedic</u> <u>Services</u>
2004	\$1,164,963
2005	1,205,737
2006	<u>565,317</u>
Totals	<u>\$2,936,017</u>

14. PENSION PLANS

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 Public Employees Retirement System, 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 percent of their annual covered salary to fund pension obligations. The current year employer contribution rate was 13.55% of covered payroll; 8.55% 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, 2003, 2002 and 2001 were \$1,256,006, \$1,187,230, and \$916,951, respectively. The full amount has been contributed for 2002 and 2001 and 93 percent has been contributed for 2003.

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 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's required contributions to the OP&F for the years ending December 31, 2003, 2002 and 2001 were \$720,971 for police \$325,599 for fire, \$952,086 and \$864,884, respectively. The full amount has been contributed for 2002 and 2001 and 73 percent for police and 72 percent for fire has been contributed for 2003.

15. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with 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; 5.00 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, 2002, 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 4.00 percent annually.

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 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The City's actual contributions for the current year, which were used to fund postemployment benefits were \$463,471. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

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.

The City's actual contributions for the current year that were used to fund postemployment benefits were \$286,540 for police and \$105,141 for fire. The OP&F's total health care expenses for the year ended December 31, 2002, (the latest information available) were \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

16. CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at year end:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Commitment Remaining</u>
Community Arts Center	\$1,352,670	\$7,730,006
Mack/Muhlhauser & Route 4 Improvement Project	1,494,190	439,730
Fairfield Justice Center – Master Plan	22,470	747,530
Fairfield Bike Path	0	234,344
Improvements to Pleasant Ave./Nilles Road Intersection	0	461,890
Totals	<u>\$2,869,330</u>	<u>\$9,613,500</u>

17. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2003, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>				<u>Total</u>
	<u>General</u>	<u>.3% Street Improvement</u>	<u>.2% Capital Improvement</u>	<u>General Bond Retirement</u>	
Street Construction, Maintenance and Repair	\$590,000	\$ 0	\$ 0	\$ 0	\$590,000
General Bond Retirement	0	417,360	692,313	0	1,109,673
Downtown Development	1,770,000	0	0	0	1,770,000
Solid Waste Management	255,000	0	0	0	255,000
Recreation Facilities	61,000	0	0	80,000	141,000
Municipal Garage	100,000	0	0	0	100,000
	<u>\$2,776,000</u>	<u>\$417,360</u>	<u>\$692,313</u>	<u>\$80,000</u>	<u>\$3,965,673</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.

18. PRIOR PERIOD ADJUSTMENT

The beginning Net Assets of the Governmental Activities and the Business-Type Activities have been adjusted to reflect corrections to the City's Capital Asset records as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Balance previously stated, December 31, 2002	\$76,236,306	\$51,113,636
Prior Period Adjustment	<u>291,142</u>	<u>(804,629)</u>
As restated, January 1, 2003	<u>\$76,527,448</u>	<u>\$50,309,007</u>

19. SUBSEQUENT EVENT

On April 6, 2004, the City received notice from the Federal Emergency Management Agency (FEMA) that the City's grant application was approved for \$2,578,845. Funds are to be used for the purchase and demolition of twenty three homes located along or near the Pleasant Run Creek. The approved grant will provide 75% of the estimated project costs. The City is responsible for the remaining 25% of the costs. The homes were selected based on a number of criteria, including past flood insurance claims, potential for future flood damage, and proximity to other targeted structures. All property acquisitions will be made with the voluntary participation of the property owners.

**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, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$13,281,500	\$13,281,500	\$13,785,723	\$504,223
Licenses & Permits	348,145	348,145	417,711	69,566
Intergovernmental	2,380,799	2,380,799	2,418,921	38,122
Charges for Services	574,850	574,850	658,963	84,113
Fines and Forfeitures	757,200	757,200	857,222	100,022
Special Assessments	22,400	22,400	19,860	(2,540)
Investment Earnings	300,000	300,000	168,459	(131,541)
Other Revenues	534,050	534,050	376,791	(157,259)
Total Revenues	18,198,944	18,198,944	18,703,650	504,706
Expenditures:				
Current:				
General Government	6,535,031	6,900,732	6,609,558	291,174
Public Safety	7,466,735	7,553,923	7,291,502	262,421
Leisure Time Activities	1,222,688	1,269,313	1,236,165	33,148
Community Development	1,107,926	1,102,774	1,066,398	36,376
Basic Utility Service	507,000	484,110	484,082	28
Public Health & Welfare Services	35,000	25,809	25,809	0
Capital Outlay	111,714	434,368	419,896	14,472
Total Expenditures	16,986,094	17,771,029	17,133,410	637,619
Excess of Revenues Over (Under) Expenditures	1,212,850	427,915	1,570,240	1,142,325
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	15,600	15,600	18,614	3,014
Transfers (Out)	(700,000)	(2,776,000)	(2,776,000)	0
Total Other Financing Sources (Uses)	(684,400)	(2,760,400)	(2,757,386)	3,014
Net Change in Fund Balance	528,450	(2,332,485)	(1,187,146)	1,145,339
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	7,107,335	7,107,335	7,107,335	0
Fund Balance End of Year	\$7,635,785	\$4,774,850	\$5,920,189	\$1,145,339

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, 2003

	Fire Levy Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,705,600	\$3,705,600	\$3,623,531	(\$82,069)
Licenses & Permits	4,825	4,825	3,050	(1,775)
Intergovernmental	418,850	418,850	469,595	50,745
Investment Earnings	20,000	20,000	5,689	(14,311)
Other Revenues	2,700	2,700	9,272	6,572
Total Revenues	4,151,975	4,151,975	4,111,137	(40,838)
Expenditures:				
Current:				
Public Safety	4,287,864	4,490,985	4,453,673	37,312
Capital Outlay	47,974	43,853	40,163	3,690
Total Expenditures	4,335,838	4,534,838	4,493,836	41,002
Excess of Revenues Over (Under) Expenditures	(183,863)	(382,863)	(382,699)	164
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	500	500	2,472	1,972
Total Other Financing Sources (Uses)	500	500	2,472	1,972
Net Change in Fund Balance	(183,363)	(382,363)	(380,227)	2,136
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	652,321	652,321	652,321	0
Fund Balance End of Year	\$468,958	\$269,958	\$272,094	\$2,136

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	(\$1,110,994)	(\$376,570)
Net Adjustment for Revenue Accruals	539,059	0
Net Adjustment for Expenditure Accruals	(330,478)	14,849
Encumbrances	(284,733)	(18,506)
Budget Basis	<u>(\$1,187,146)</u>	<u>(\$380,227)</u>

COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES

City of Fairfield
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$1,178,857	\$1,555,574	\$1,327,409	\$4,061,840
Receivables:				
Interest	0	886	0	886
Intergovernmental	695,825	0	81,960	777,785
Special Assessments	0	86,438	0	86,438
Due from other funds	0	53,543	0	53,543
Total Assets	<u>1,874,682</u>	<u>1,696,441</u>	<u>1,409,369</u>	<u>4,980,492</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	23,620	0	650	24,270
Accrued Wages and Benefits	68,697	0	0	68,697
Compensated Absences	6,891	0	0	6,891
Accrued Interest Payable	0	54,020	0	54,020
Deferred Revenue	582,053	87,324	81,960	751,337
Total Liabilities	<u>681,261</u>	<u>141,344</u>	<u>82,610</u>	<u>905,215</u>
Fund Balances:				
Reserved for Encumbrances	17,931	0	83,800	101,731
Reserved for Debt Service	0	4,000	0	4,000
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	1,175,490	0	0	1,175,490
Debt Service Funds	0	1,551,097	0	1,551,097
Capital Projects Funds	0	0	1,242,959	1,242,959
Total Fund Balances	<u>1,193,421</u>	<u>1,555,097</u>	<u>1,326,759</u>	<u>4,075,277</u>
Total Liabilities and Fund Balances	<u>\$1,874,682</u>	<u>\$1,696,441</u>	<u>\$1,409,369</u>	<u>\$4,980,492</u>

City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Fines, Licenses & Permits	\$342,824	\$0	\$435	\$343,259
Investment Earnings	8,934	42,370	21,783	73,087
Intergovernmental	1,689,024	0	142,490	1,831,514
Special Assessments	0	64,620	0	64,620
Other Revenues	1,299	6,363	12,019	19,681
Total Revenues	2,042,081	113,353	176,727	2,332,161
Expenditures:				
Current:				
General Government	109,942	0	86,255	196,197
Transportation and Street Repair	2,305,703	0	0	2,305,703
Capital Outlay	141,873	0	415,593	557,466
Debt Service:				
Principal Retirement	0	570,000	0	570,000
Interest and Fiscal Charges	0	600,359	0	600,359
Total Expenditures	2,557,518	1,170,359	501,848	4,229,725
Excess of Revenues Over (Under) Expenditures	(515,437)	(1,057,006)	(325,121)	(1,897,564)
Other Financing Sources (Uses):				
Transfers In	590,000	1,109,673	0	1,699,673
Transfers (Out)	0	(80,000)	0	(80,000)
Total Other Financing Sources (Uses)	590,000	1,029,673	0	1,619,673
Net Change in Fund Balance	74,563	(27,333)	(325,121)	(277,891)
Fund Balance Beginning of Year	1,118,858	1,582,430	1,651,880	4,353,168
Fund Balance End of Year	\$1,193,421	\$1,555,097	\$1,326,759	\$4,075,277

City of Fairfield
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003

	Street Construction, Maintenance and Repair	State Highway Improvement	County Motor Vehicle Registration	Tax Recreation	Law Enforcement
Assets:					
Equity in Pooled Cash and Investments	\$28,154	\$1,031	\$163,244	\$222,387	\$461
Receivables:					
Intergovernmental	513,292	41,618	0	0	0
Total Assets	541,446	42,649	163,244	222,387	461
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	22,257	0	0	0	0
Accrued Wages and Benefits	65,496	0	0	0	0
Compensated Absences	6,751	0	0	0	0
Deferred Revenue	430,095	34,872	0	0	0
Total Liabilities	524,599	34,872	0	0	0
Fund Balances:					
Reserved for Encumbrances	17,931	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	(1,084)	7,777	163,244	222,387	461
Total Fund Balances	16,847	7,777	163,244	222,387	461
Total Liabilities and Fund Balances	\$541,446	\$42,649	\$163,244	\$222,387	\$461

Municipal Motor Vehicle Registration	Law Enforcement and Education	Drug and Alcohol Treatment	Local Law Enforcement	Probation Services	Court Computer	Special Projects
\$480	\$21,989	\$70,230	\$44,445	\$240,831	\$163,677	\$157,547
140,915	0	0	0	0	0	0
141,395	21,989	70,230	44,445	240,831	163,677	157,547
0	0	491	0	872	0	0
0	0	0	0	3,201	0	0
0	0	0	0	140	0	0
117,086	0	0	0	0	0	0
117,086	0	491	0	4,213	0	0
0	0	0	0	0	0	0
24,309	21,989	69,739	44,445	236,618	163,677	157,547
24,309	21,989	69,739	44,445	236,618	163,677	157,547
\$141,395	\$21,989	\$70,230	\$44,445	\$240,831	\$163,677	\$157,547

Continued

City of Fairfield
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003

	Mediation Services	Total Nonmajor Special Revenue Funds
Assets:		
Equity in Pooled Cash and Investments	\$64,381	\$1,178,857
Receivables:		
Intergovernmental	0	695,825
Total Assets	64,381	1,874,682
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	0	23,620
Accrued Wages and Benefits	0	68,697
Compensated Absences	0	6,891
Deferred Revenue	0	582,053
Total Liabilities	0	681,261
Fund Balances:		
Reserved for Encumbrances	0	17,931
Unreserved, Undesignated, Reported in:		
Special Revenue Funds	64,381	1,175,490
Total Fund Balances	64,381	1,193,421
Total Liabilities and Fund Balances	\$64,381	\$1,874,682

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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, 2003

	Street Construction, Maintenance and Repair	State Highway Improvement	County Motor Vehicle Registration	Tax Recreation	Law Enforcement
Revenues:					
Fines, Licenses & Permits	\$0	\$0	\$0	\$17,550	\$5,264
Investment Earnings	378	0	1,662	2,638	0
Intergovernmental	1,256,605	101,887	0	0	0
Other Revenues	0	0	0	0	157
Total Revenues	1,256,983	101,887	1,662	20,188	5,421
Expenditures:					
Current:					
General Government	0	0	0	34,537	0
Transportation and Street Repair	1,880,406	110,129	0	0	0
Capital Outlay	5,267	0	0	14,997	40,578
Total Expenditures	1,885,673	110,129	0	49,534	40,578
Excess of Revenues Over (Under) Expenditures	(628,690)	(8,242)	1,662	(29,346)	(35,157)
Other Financing Sources (Uses):					
Transfers In	590,000	0	0	0	0
Total Other Financing Sources (Uses)	590,000	0	0	0	0
Net Change in Fund Balance	(38,690)	(8,242)	1,662	(29,346)	(35,157)
Fund Balance Beginning of Year	55,537	16,019	161,582	251,733	35,618
Fund Balance End of Year	\$16,847	\$7,777	\$163,244	\$222,387	\$461

Municipal Motor Vehicle Registration	Law Enforcement and Education	Drug and Alcohol Treatment	Local Law Enforcement	Probation Services	Court Computer	Special Projects
\$0	\$10,906	\$18,449	\$0	\$131,033	\$59,227	\$35,250
341	472	603	277	1,387	0	1,142
307,873	0	0	22,659	0	0	0
0	0	0	0	0	1,142	0
308,214	11,378	19,052	22,936	132,420	60,369	36,392
0	0	12,491	0	45,539	13,950	2,627
315,168	0	0	0	0	0	0
0	69,995	0	5,000	0	0	6,036
315,168	69,995	12,491	5,000	45,539	13,950	8,663
(6,954)	(58,617)	6,561	17,936	86,881	46,419	27,729
0	0	0	0	0	0	0
0	0	0	0	0	0	0
(6,954)	(58,617)	6,561	17,936	86,881	46,419	27,729
31,263	80,606	63,178	26,509	149,737	117,258	129,818
\$24,309	\$21,989	\$69,739	\$44,445	\$236,618	\$163,677	\$157,547
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, 2003

	Mediation Services	Total Nonmajor Special Revenue Funds
Revenues:		
Fines, Licenses & Permits	\$65,145	\$342,824
Investment Earnings	34	8,934
Intergovernmental	0	1,689,024
Other Revenues	0	1,299
Total Revenues	65,179	2,042,081
Expenditures:		
Current:		
General Government	798	109,942
Transportation and Street Repair	0	2,305,703
Capital Outlay	0	141,873
Total Expenditures	798	2,557,518
Excess of Revenues Over (Under) Expenditures	64,381	(515,437)
Other Financing Sources (Uses):		
Transfers In	0	590,000
Total Other Financing Sources (Uses)	0	590,000
Net Change in Fund Balance	64,381	74,563
Fund Balance Beginning of Year	0	1,118,858
Fund Balance End of Year	\$64,381	\$1,193,421

City of Fairfield
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2003

	General Bond Retirement	Special Assessment	Total Nonmajor Debt Service Funds
Assets:			
Equity in Pooled Cash and Investments	\$417,062	\$1,138,512	\$1,555,574
Receivables:			
Interest	0	886	886
Special Assessments	0	86,438	86,438
Due from other funds	53,543	0	53,543
Total Assets	470,605	1,225,836	1,696,441
Liabilities and Fund Balances:			
Liabilities:			
Accrued Interest Payable	53,543	477	54,020
Deferred Revenue	0	87,324	87,324
Total Liabilities	53,543	87,801	141,344
Fund Balances:			
Reserved for Debt Service	2,000	2,000	4,000
Unreserved, Undesignated, Reported in: Debt Service Funds	415,062	1,136,035	1,551,097
Total Fund Balances	417,062	1,138,035	1,555,097
Total Liabilities and Fund Balances	\$470,605	\$1,225,836	\$1,696,441

City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Fiscal Year Ended December 31, 2003

	General Bond Retirement	Special Assessment	Total Nonmajor Debt Service Funds
Revenues:			
Investment Earnings	\$4,918	\$37,452	\$42,370
Special Assessments	0	64,620	64,620
Other Revenues	6,363	0	6,363
Total Revenues	11,281	102,072	113,353
Expenditures:			
Debt Service:			
Principal Retirement	515,000	55,000	570,000
Interest and Fiscal Charges	575,524	24,835	600,359
Total Expenditures	1,090,524	79,835	1,170,359
Excess of Revenues Over (Under) Expenditures	(1,079,243)	22,237	(1,057,006)
Other Financing Sources (Uses):			
Transfers In	1,109,673	0	1,109,673
Transfers (Out)	(80,000)	0	(80,000)
Total Other Financing Sources (Uses)	1,029,673	0	1,029,673
Net Change in Fund Balance	(49,570)	22,237	(27,333)
Fund Balance Beginning of Year	466,632	1,115,798	1,582,430
Fund Balance End of Year	\$417,062	\$1,138,035	\$1,555,097

City of Fairfield
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2003

	Flood Protection	State Issue II	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,327,409	\$0	\$1,327,409
Receivables:			
Intergovernmental	81,960	0	81,960
Total Assets	<u>1,409,369</u>	<u>0</u>	<u>1,409,369</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	650	0	650
Deferred Revenue	81,960	0	81,960
Total Liabilities	<u>82,610</u>	<u>0</u>	<u>82,610</u>
Fund Balances:			
Reserved for Encumbrances	83,800	0	83,800
Unreserved, Undesignated, Reported in: Capital Projects Funds	1,242,959	0	1,242,959
Total Fund Balances	<u>1,326,759</u>	<u>0</u>	<u>1,326,759</u>
Total Liabilities and Fund Balances	<u>\$1,409,369</u>	<u>\$0</u>	<u>\$1,409,369</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, 2003

	Flood Protection	State Issue II	Total Nonmajor Capital Projects Funds
Revenues:			
Fines, Licenses & Permits	\$435	\$0	\$435
Investment Earnings	21,783	0	21,783
Intergovernmental	142,490	0	142,490
Other Revenues	12,019	0	12,019
Total Revenues	176,727	0	176,727
Expenditures:			
Current:			
General Government	86,255	0	86,255
Capital Outlay	415,593	0	415,593
Total Expenditures	501,848	0	501,848
Net Change in Fund Balance	(325,121)	0	(325,121)
Fund Balance Beginning of Year	1,651,880	0	1,651,880
Fund Balance End of Year	\$1,326,759	\$0	\$1,326,759

City of Fairfield
Statement of Changes In Assets and Liabilities
Agency Fund
For the Fiscal Year Ended December 31, 2003

	Warranty Bonds			
	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Cash with Fiscal and Escrow Agents	\$21,456	\$1,084	\$0	\$22,540
Total Assets	21,456	1,084	0	22,540
Liabilities:				
Other Liabilities	21,456	1,084	0	22,540
Total Liabilities	\$21,456	\$1,084	\$0	\$22,540

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, 2003

	Street Construction, Maintenance and Repair Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$1,227,000	\$1,227,000	\$1,241,792	\$14,792
Investment Earnings	500	500	378	(122)
Other Revenues	2,100	2,100	0	(2,100)
Total Revenues	1,229,600	1,229,600	1,242,170	12,570
Expenditures:				
Current:				
Transportation & Street Repair	1,703,396	1,921,055	1,920,217	838
Capital Outlay	7,000	6,616	5,267	1,349
Total Expenditures	1,710,396	1,927,671	1,925,484	2,187
Excess of Revenues Over (Under) Expenditures	(480,796)	(698,071)	(683,314)	14,757
Other financing sources (uses):				
Transfers In	350,000	570,000	590,000	20,000
Total Other Financing Sources (Uses)	350,000	570,000	590,000	20,000
Net Change in Fund Balance	(130,796)	(128,071)	(93,314)	34,757
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	89,578	89,578	89,578	0
Fund Balance End of Year	(\$41,218)	(\$38,493)	(\$3,736)	\$34,757

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, 2003

	State Highway Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$108,950	\$108,950	\$100,686	(\$8,264)
Investment Earnings	500	500	0	(500)
Total Revenues	109,450	109,450	100,686	(8,764)
Expenditures:				
Current:				
Transportation & Street Repair	115,000	115,000	110,129	4,871
Total Expenditures	115,000	115,000	110,129	4,871
Net Change in Fund Balance	(5,550)	(5,550)	(9,443)	(3,893)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	10,474	10,474	10,474	0
Fund Balance End of Year	<u>\$4,924</u>	<u>\$4,924</u>	<u>\$1,031</u>	<u>(\$3,893)</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, 2003

	County Motor Vehicle Registration Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$400,000	\$400,000	\$0	(\$400,000)
Investment Earnings	2,500	2,500	1,662	(838)
Total Revenues	402,500	402,500	1,662	(400,838)
Expenditures:				
Current:				
Transportation & Street Repair	16,301	10,000	0	10,000
Total Expenditures	16,301	10,000	0	10,000
Net Change in Fund Balance	386,199	392,500	1,662	(390,838)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	161,582	161,582	161,582	0
Fund Balance End of Year	\$547,781	\$554,082	\$163,244	(\$390,838)

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, 2003

	Tax Recreation Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Licenses & Permits	\$18,000	\$18,000	\$17,550	(\$450)
Investment Earnings	5,000	5,000	2,638	(2,362)
Total Revenues	23,000	23,000	20,188	(2,812)
Expenditures:				
Current:				
Capital Outlay	21,411	59,537	49,534	10,003
Total Expenditures	21,411	59,537	49,534	10,003
Net Change in Fund Balance	1,589	(36,537)	(29,346)	7,191
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	251,733	251,733	251,733	0
Fund Balance End of Year	\$253,322	\$215,196	\$222,387	\$7,191

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, 2003

	Law Enforcement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$35,000	\$35,000	\$5,264	(\$29,736)
Investment Earnings	1,250	1,250	157	(1,093)
Total Revenues	36,250	36,250	5,421	(30,829)
Expenditures:				
Current:				
Capital Outlay	31,659	56,835	40,577	16,258
Total Expenditures	31,659	56,835	40,577	16,258
Net Change in Fund Balance	4,591	(20,585)	(35,156)	(14,571)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	35,617	35,617	35,617	0
Fund Balance End of Year	\$40,208	\$15,032	\$461	(\$14,571)

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, 2003

	Municipal Motor Vehicle Registration Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$340,000	\$340,000	\$306,892	(\$33,108)
Investment Earnings	1,250	1,250	341	(909)
Total Revenues	341,250	341,250	307,233	(34,017)
Expenditures:				
Current:				
Transportation & Street Repair	330,000	330,000	315,168	14,832
Total Expenditures	330,000	330,000	315,168	14,832
Net Change in Fund Balance	11,250	11,250	(7,935)	(19,185)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	8,415	8,415	8,415	0
Fund Balance End of Year	\$19,665	\$19,665	\$480	(\$19,185)

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, 2003

	Law Enforcement and Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$9,000	\$9,000	\$10,906	\$1,906
Investment Earnings	1,250	1,250	472	(778)
Total Revenues	10,250	10,250	11,378	1,128
Expenditures:				
Current:				
Capital Outlay	70,000	70,000	69,995	5
Total Expenditures	70,000	70,000	69,995	5
Net Change in Fund Balance	(59,750)	(59,750)	(58,617)	1,133
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	80,606	80,606	80,606	0
Fund Balance End of Year	\$20,856	\$20,856	\$21,989	\$1,133

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, 2003

	Drug and Alcohol Treatment Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$13,900	\$13,900	\$18,449	\$4,549
Investment Earnings	1,640	1,640	602	(1,038)
Total Revenues	15,540	15,540	19,051	3,511
Expenditures:				
Current:				
General Government	15,000	15,000	12,000	3,000
Total Expenditures	15,000	15,000	12,000	3,000
Net Change in Fund Balance	540	540	7,051	6,511
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	63,178	63,178	63,178	0
Fund Balance End of Year	\$63,718	\$63,718	\$70,229	\$6,511

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, 2003

	Local Law Enforcement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$33,117	\$33,117	\$22,659	(\$10,458)
Investment Earnings	1,130	1,130	277	(853)
Total Revenues	34,247	34,247	22,936	(11,311)
Expenditures:				
Current:				
Capital Outlay	10,000	10,000	5,000	5,000
Total Expenditures	10,000	10,000	5,000	5,000
Net Change in Fund Balance	24,247	24,247	17,936	(6,311)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	26,509	26,509	26,509	0
Fund Balance End of Year	\$50,756	\$50,756	\$44,445	(\$6,311)

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, 2003

	Probation Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$77,500	\$77,500	\$131,033	\$53,533
Investment Earnings	1,250	1,250	1,387	137
Total Revenues	78,750	78,750	132,420	53,670
Expenditures:				
Current:				
General Government	55,000	55,000	42,846	12,154
Capital Outlay	5,000	5,000	0	5,000
Total Expenditures	60,000	60,000	42,846	17,154
Net Change in Fund Balance	18,750	18,750	89,574	70,824
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	151,256	151,256	151,256	0
Fund Balance End of Year	\$170,006	\$170,006	\$240,830	\$70,824

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, 2003

	Court Computer Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$61,500	\$61,500	\$59,227	(\$2,273)
Investment Earnings	2,500	2,500	1,142	(1,358)
Total Revenues	64,000	64,000	60,369	(3,631)
Expenditures:				
Current:				
General Government	30,000	30,000	13,950	16,050
Capital Outlay	20,000	20,000	0	20,000
Total Expenditures	50,000	50,000	13,950	36,050
Net Change in Fund Balance	14,000	14,000	46,419	32,419
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	117,258	117,258	117,258	0
Fund Balance End of Year	\$131,258	\$131,258	\$163,677	\$32,419

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, 2003

	Special Projects Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$60,000	\$60,000	\$35,250	(\$24,750)
Investment Earnings	1,250	1,250	1,142	(108)
Total Revenues	61,250	61,250	36,392	(24,858)
Expenditures:				
Current:				
General Government	5,000	6,827	2,627	4,200
Capital Outlay	10,000	8,173	6,036	2,137
Total Expenditures	15,000	15,000	8,663	6,337
Net Change in Fund Balance	46,250	46,250	27,729	(18,521)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	129,818	129,818	129,818	0
Fund Balance End of Year	<u>\$176,068</u>	<u>\$176,068</u>	<u>\$157,547</u>	<u>(\$18,521)</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, 2003

	Mediation Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$0	\$60,000	\$65,145	\$5,145
Investment Earnings	0	0	34	34
Total Revenues	0	60,000	65,179	5,179
Expenditures:				
Current:				
General Government	0	5,000	798	4,202
Total Expenditures	0	5,000	798	4,202
Net Change in Fund Balance	0	55,000	64,381	9,381
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$55,000	\$64,381	\$9,381

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, 2003

	General Bond Retirement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$6,500	\$6,500	\$4,918	(\$1,582)
Other Revenues	0	0	6,363	6,363
Total Revenues	6,500	6,500	11,281	4,781
Expenditures:				
Debt Service:				
Principal Retirement	515,000	595,000	595,000	0
Interest and Fiscal Charges	473,500	578,500	577,525	975
Total Expenditures	988,500	1,173,500	1,172,525	975
Excess of Revenues Over (Under) Expenditures	(982,000)	(1,167,000)	(1,161,244)	5,756
Other financing sources (uses):				
Transfers In	1,050,000	1,050,000	1,109,673	59,673
Total Other Financing Sources (Uses)	1,050,000	1,050,000	1,109,673	59,673
Net Change in Fund Balance	68,000	(117,000)	(51,571)	65,429
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	466,632	466,632	466,632	0
Fund Balance End of Year	\$534,632	\$349,632	\$415,061	\$65,429

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, 2003

	Special Assessment Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Special Assessments	\$190,000	\$190,000	\$83,583	(\$106,417)
Investment Earnings	30,000	30,000	38,334	8,334
Total Revenues	220,000	220,000	121,917	(98,083)
Expenditures:				
Debt Service:				
Principal Retirement	75,000	73,963	73,963	0
Interest and Fiscal Charges	27,000	28,037	27,240	797
Total Expenditures	102,000	102,000	101,203	797
Net Change in Fund Balance	118,000	118,000	20,714	(97,286)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,115,794	1,115,794	1,115,794	0
Fund Balance End of Year	\$1,233,794	\$1,233,794	\$1,136,508	(\$97,286)

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, 2003

	.3% Street Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,660,000	\$3,660,000	\$3,797,190	\$137,190
Investment Earnings	200,000	200,000	110,138	(89,862)
Other Revenues	60,000	60,000	45,326	(14,674)
Total Revenues	3,920,000	3,920,000	3,952,654	32,654
Expenditures:				
Current:				
General Government	100,000	110,257	110,257	0
Capital Outlay	2,735,832	5,222,456	4,699,841	522,615
Total Expenditures	2,835,832	5,332,713	4,810,098	522,615
Excess of Revenues Over (Under) Expenditures	1,084,168	(1,412,713)	(857,444)	555,269
Other financing sources (uses):				
Debt Proceeds	1,400,000	1,400,000	0	(1,400,000)
Transfers (Out)	(500,000)	(500,000)	(417,360)	82,640
Total Other Financing Sources (Uses)	900,000	900,000	(417,360)	(1,317,360)
Net Change in Fund Balance	1,984,168	(512,713)	(1,274,804)	(762,091)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	7,136,833	7,136,833	7,136,833	0
Fund Balance End of Year	\$9,121,001	\$6,624,120	\$5,862,029	(\$762,091)

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, 2003

	.2% Capital Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,440,000	\$2,440,000	\$2,531,460	\$91,460
Intergovernmental	0	0	151,200	151,200
Investment Earnings	50,000	50,000	57,005	7,005
Other Revenues	250	250	0	(250)
Total Revenues	2,490,250	2,490,250	2,739,665	249,415
Expenditures:				
Current:				
General Government	161,404	164,871	157,385	7,486
Capital Outlay	594,803	2,540,700	2,525,714	14,986
Total Expenditures	756,207	2,705,571	2,683,099	22,472
Excess of Revenues Over (Under) Expenditures	1,734,043	(215,321)	56,566	271,887
Other financing sources (uses):				
Transfers (Out)	(525,000)	(695,000)	(692,313)	2,687
Total Other Financing Sources (Uses)	(525,000)	(695,000)	(692,313)	2,687
Net Change in Fund Balance	1,209,043	(910,321)	(635,747)	274,574
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,727,000	2,727,000	2,727,000	0
Fund Balance End of Year	\$3,936,043	\$1,816,679	\$2,091,253	\$274,574

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, 2003

	Downtown Development Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$225,000	\$225,000	\$114,063	(\$110,937)
Other Revenues	0	0	54,831	54,831
Total Revenues	225,000	225,000	168,894	(56,106)
Expenditures:				
Current:				
Capital Outlay	1,093,707	10,883,028	10,524,670	358,358
Total Expenditures	1,093,707	10,883,028	10,524,670	358,358
Excess of Revenues Over (Under) Expenditures	(868,707)	(10,658,028)	(10,355,776)	302,252
Other financing sources (uses):				
Debt Proceeds	0	7,500,000	7,557,383	57,383
Transfers In	1,000,000	1,770,000	1,770,000	0
Total Other Financing Sources (Uses)	1,000,000	9,270,000	9,327,383	57,383
Net Change in Fund Balance	131,293	(1,388,028)	(1,028,393)	359,635
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,911,140	1,911,140	1,911,140	0
Fund Balance End of Year	\$2,042,433	\$523,112	\$882,747	\$359,635

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, 2003

	Flood Protection Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Licenses & Permits	\$0	\$0	\$435	\$435
Intergovernmental	0	0	142,490	142,490
Investment Earnings	60,000	60,000	23,883	(36,117)
Other Revenues	0	0	12,019	12,019
Total Revenues	60,000	60,000	178,827	118,827
Expenditures:				
Current:				
Capital Outlay	237,285	698,644	585,148	113,496
Total Expenditures	237,285	698,644	585,148	113,496
Net Change in Fund Balance	(177,285)	(638,644)	(406,321)	232,323
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,649,780	1,649,780	1,649,780	0
Fund Balance End of Year	\$1,472,495	\$1,011,136	\$1,243,459	\$232,323

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, 2003

	State Issue II Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$1,400,000	\$1,400,000	\$0	(\$1,400,000)
Total Revenues	1,400,000	1,400,000	0	(1,400,000)
Expenditures:				
Capital Outlay	50,000	50,000	0	50,000
Total Expenditures	50,000	50,000	0	50,000
Net Change in Fund Balance	1,350,000	1,350,000	0	(1,350,000)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$1,350,000	\$1,350,000	\$0	(\$1,350,000)

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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
1994	\$2,528,888	\$5,650,010	\$206,602	\$1,466,434	\$30,799	\$519,943	\$461,227	\$652,477	\$0	\$11,516,380
1995	2,904,976	6,101,622	289,276	1,522,375	29,220	543,810	546,527	782,636	0	12,720,442
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

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	Income Taxes	Other Taxes	Licenses and Permits	Intergovernmental Revenues	Charges for Services	Fines and Forfeitures	Investment Earnings	Miscellaneous	Total
1994	\$6,470,830	\$4,866,438	\$355,651	\$110,797	\$313,197	\$675,061	\$293,958	\$119,167	\$13,205,099
1995	7,075,878	4,914,931	426,935	172,054	322,170	600,464	482,252	180,194	14,174,878
1996	7,608,341	5,267,020	390,310	69,134	495,151	763,300	494,608	227,047	15,314,911
1997	8,399,717	6,172,611	402,102	105,307	393,699	693,348	644,603	144,758	16,956,145
1998	9,036,663	6,623,960	539,993	396,983	325,553	609,591	667,378	332,261	18,532,382
1999	10,814,972	6,887,419	537,132	256,518	443,094	612,778	562,344	136,589	20,250,846
2000	11,180,374	2,735,544	389,333	4,873,342	406,752	807,848	599,214	280,112	21,272,519
2001	11,735,414	4,455,763	365,465	4,842,838	450,036	1,036,700	533,198	691,327	24,110,741
2002	12,036,618	4,546,683	422,660	5,012,637	610,245	1,038,583	322,288	332,530	24,322,244
2003	12,484,628	4,715,914	461,687	4,509,694	645,196	1,134,418	169,051	197,221	24,317,809

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
1994	\$218,428	\$188,408	\$30,020	86.26%
1995	187,457	180,412	7,045	96.24%
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%

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
1994	\$2,019,221	\$1,908,990	94.5%	\$62,569	\$1,971,559	97.6%
1995	2,186,803	2,120,846	97.0%	65,729	2,186,575	100.0%
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%

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
1994	\$261,854	\$236,881	90.46%	\$2,983	\$239,864	91.60%
1995	273,988	269,828	98.48%	3,454	273,282	99.74%
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%

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
1994	\$519,290,820	\$1,483,688,057	\$38,733,880	\$44,015,773	\$55,510,132	\$222,040,528	\$613,534,832	\$1,749,744,358
1995	517,998,880	1,479,996,800	40,193,520	45,674,455	57,061,931	228,247,724	615,254,331	1,753,918,979
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
1 st Q 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

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.

Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Year of Collection	County Levy	School Levy	Vocational School Levy			Township Levy	City Levy	Total
			Tax Rates Per \$1,000 of Assessed Valuation					
1994	7.45	50.76	1.97		0.29	4.25	64.72	
1995	7.45	50.76	1.97		0.00	4.54	64.72	
1996	8.44	55.16	1.93		0.00	4.54	70.07	
1997	8.45	53.56	1.93		0.00	4.54	68.48	
1998	8.45	53.56	1.93		0.00	4.54	68.48	
1999	8.44	54.16	1.93		0.00	4.54	69.07	
2000	8.45	54.46	1.93		0.00	4.54	69.38	
2001	8.45	54.23	1.93		0.00	5.94	70.55	
2002	8.75	54.11	1.93		0.00	5.94	70.73	
2003	8.75	53.82	1.93		0.00	5.94	70.44	

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
1994	40,934	\$613,534,832	\$3,865,827	0.63%	\$94.44
1995	41,139	615,254,331	2,164,837	0.35%	52.62
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

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, 2003

	Net Debt Outstanding	Percentage Applicable to City of Fairfield	Amount Applicable to City of Fairfield
Direct:			
City of Fairfield	\$17,652,938	100.00%	\$17,652,938
Overlapping:			
Butler County	85,848,000	13.63%	11,701,082
Fairfield City School District	40,795,655	73.71%	30,070,477
Lakota City School District	99,069,581	0.54%	534,976
Northwest Local School District	22,845,000	0.02%	4,569
Butler County Technology & Career Center	4,395,000	15.70%	690,015
Total Overlapping:	252,953,236		43,001,119
Total Direct and Overlapping	\$270,606,174		\$60,654,057

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			
1994	\$430,000	\$259,043	\$689,043	\$11,516,380	5.98%
1995	435,000	224,160	659,160	12,720,442	5.18%
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%

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, 2003

Total of all City Debt Outstanding	<u>\$34,752,496</u>
Total Debt subject to 10.5% and 5.5% Debt Limitation	<u>\$15,930,000</u>
Less Applicable Debt Service Fund	<u>417,062</u>
Net Indebtedness subject to 10.5% and 5.5% Debt Limitation	<u>\$15,512,938</u>
Assessed Valuation of the City (2001 for 2002 Collection)	<u>\$958,192,249</u>
10.5% of Assessed Valuation (Maximum Voted Debt Allowed)	<u>\$100,610,186</u>
Total Debt Outstanding subject to 10.5% Debt Limitation	<u>15,512,938</u>
Legal 10.5% Margin	<u>\$85,097,248</u>
5.5% of Assessed Valuation (Maximum Unvoted Debt Allowed)	<u>\$52,700,574</u>
Total Debt Outstanding Subject to 5.5% Debt Limitation	<u>15,512,938</u>
Legal 5.5% Margin	<u>\$37,187,636</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.

Last Ten Fiscal Years

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(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)
1994	\$1,749.7	\$737.7	\$35.0
1995	1,753.9	800.6	45.0
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

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, 2003

TAXPAYER		TYPE OF PROPERTY	ASSESSED VALUATION	PERCENTAGE
1.	CFC Investment Company	Insurance	\$29,708,460	3.10%
2.	Cincinnati Gas & Electric Company	Utility	19,318,590	2.02%
3.	Sisters of Mercy	Charity	11,757,130	1.23%
4.	Sam Boymel Trustee	Real Estate Management	11,012,190	1.15%
5.	Ohio Casualty Insurance	Insurance	8,050,020	0.84%
6.	Fath-Village Park Apartments	Real Estate Management	7,317,110	0.76%
7.	Pacific Manufacturing	Manufacturing	6,536,730	0.68%
8.	Meijer Incorporated	Retail Merchant	6,535,720	0.68%
9.	Cincinnati Bell Telephone	Telephone Utility	5,565,400	0.58%
10.	Alliance TP Portfolio LTD	Real Estate Management	5,243,500	0.55%
Total			\$111,044,850	11.59%
Total Assessed Value			\$958,192,249	

Source: County Auditor's Office, Butler County.

City of Fairfield
Table 15
Demographic Statistics
December 31, 2003

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%

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, 2003

Date of Incorporation	1955
Form of Government	Council/City Manager
Area	20.5 square miles
Lane Miles of Streets	373
Number of Street Lights	1,525
Number of Traffic Lights	51
Fire Protection:	
Number of Stations	3
Number of Firemen and Officers	21
Number of Part-Time Firemen	43
Number of Paramedic Units - Full-time	3
Police Protection:	
Number of Stations	1
Number of Police Officers	60
Public Utility Department:	
Number of Customers	12,585
Average Daily Consumption of Water	4,599,341
Miles of Water Lines	172
Miles of Sewer Lines	170
Recreation and Cultural:	
Number of Parks	15
Number of Libraries	1
Number of Holdings	161,000
Employees:	
Classified Services	218
Exempt	49

Source: City of Fairfield Finance Department