

CITY OF FAIRBORN, OHIO

Yellow Book Report

December 31, 2005



**Auditor of State
Betty Montgomery**

City Council
City of Fairborn
44 West Hebble Ave.
Fairborn, OH 45234

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

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

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

BETTY MONTGOMERY
Auditor of State

August 14, 2006

This Page is Intentionally Left Blank.



PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 . (513) 891-2722 . FAX (513) 891-2760
ONE PRESTIGE PLACE, SUITE 520 / DAYTON, OH 45342 . (937) 433-0400 . FAX (937) 433-0429

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

May 16, 2006

The Honorable Mayor and Members of the
City Council of the City of Fairborn

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 Fairborn, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2005-1 and 2005-2.

We noted certain matters that we reported to management of the City in a separate letter dated May 16, 2006.

This report is intended solely for the information and use of management, the Auditor of State and the Honorable City Council of the City of Fairborn, Ohio and is not intended to be and should not be used by anyone other than these specified parties.



Plattenburg & Associates, Inc.
Certified Public Accountants

**Schedule of Findings
December 31, 2005**

Finding Number 2005-001

Non Compliance Citation

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year end, the City had disbursements exceeding appropriations in the following fund: Public Safety Equipment/Facility Fund by \$706,990.

Recommendation

We recommend that the City comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

Management Comments/Response

The City will attempt to have additional modifications approved by the Council throughout the year.

Finding Number 2005-002

Non Compliance Citation

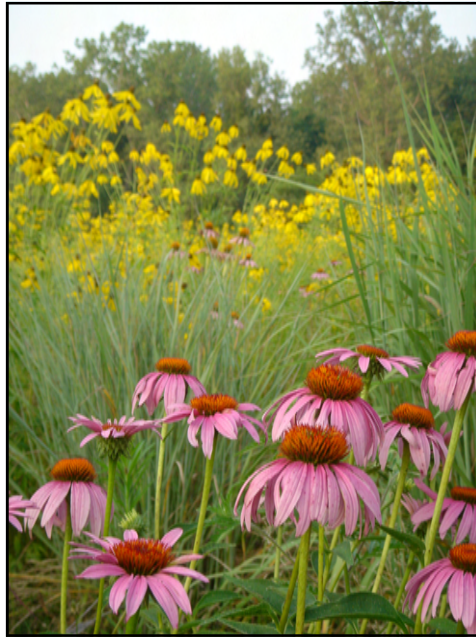
Ohio Revised Code Sec. 5705.10 provides that money paid into any fund shall be used only for purposes for which such fund is established. The Community Development Fund had a negative cash fund balance at year end of \$111,523.

Recommendation

We recommend that the City comply with the Ohio Revised Code by monitoring cash balances so they do not become negative. This may be achieved by advancing funds to cover temporary shortages.

Management Comments/Response

All of the revenue in the Community Development Fund was used for approved community development and CHIP grant projects. However, the fund balance was negative due to the timing of the grant draw downs. The fund balance is monitored throughout the year and at year-end. The revenue is received on a reimbursement basis and, due to the activity in this fund, the grant funds were requested in fiscal year 2005 but were not received until the beginning of the fiscal year 2006. While the City attempts to initiate the draw close to the end of the year to draw down as much of the current fiscal year's expenditures as possible, there are times when the grantor does not deposit the funds into the City's account before the end of the year due to their workload. In this instance, the General Fund temporarily covers the shortage until the grant reimbursement is received. Since General Fund money can legally be used for this purpose and the money for these two funds is maintained in the same bank account, no entry was processed. In the future, when these instances occur, the City will have Council approve a temporary advance of the expenditures until the funds are received from the appropriate agency.



City of Fairborn, Ohio

Comprehensive Annual Financial Report

For the year ended December 31, 2005

THIS PAGE INTENTIONALLY LEFT BLANK



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005

Issued by:
Department of Finance

Bill Kucera
Financial Administrative Services Director



THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

CITY OF FAIRBORN
GREENE COUNTY, OHIO

I INTRODUCTORY SECTION

A Letter of Transmittal v
B List of Principal Officials xii
C City Organizational Chart xiii
D Certificate of Achievement for Excellence in Financial Reporting..... xiv

II FINANCIAL SECTION

A Report of Independent Accountants 1
B Management’s Discussion and Analysis 3
C Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Assets 13
 Statement of Activities 14
 Fund Financial Statements:
 Governmental Funds:
 Balance Sheet 16
 Reconciliation of Total Governmental Fund Balances to Net Assets of
 Governmental Activities 18
 Statement of Revenues, Expenditures and Changes in Fund Balances 20
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances to the Statement of Activities 22
 Statement of Revenues, Expenditures and Changes in Fund Balance
 (Budget and Actual):
 General Fund 23
 Proprietary Funds:
 Statement of Net Assets 24
 Statement of Revenues, Expenses and Changes in Fund Net Assets 25
 Statement of Cash Flows 26
 Fiduciary Funds:
 Statement of Assets and Liabilities 30
Notes to the Basic Financial Statements 31

D Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Financial Statements:

Combining Balance Sheet.....	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	73
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	77
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	82

Individual Schedules of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual):

Major Governmental Funds:

<i>General Fund</i>	84
<i>Debt Service Fund:</i>	
General Bond Retirement Fund.....	87
<i>Capital Projects Fund:</i>	
Tax Increment Fund.....	88
Public Safety Equipment/Facility Fund.....	89

Nonmajor Governmental Funds:

Special Revenue Funds:

Street Maintenance and Repair Fund.....	90
State Highway Fund.....	91
Cemetery Fund.....	92
Community Development Fund.....	93
Victim Witness Fund.....	95
Street Lighting Fund.....	96
County Motor Vehicle License Tax Fund.....	97
Law Enforcement Trust Fund.....	98
Drug Law Enforcement Fund.....	99
City Motor Vehicle License Tax Fund.....	100
Indigent Drivers Alcohol Treatment Fund.....	101
Alcohol Enforcement and Education Fund.....	102

Nonmajor Governmental Funds: (Continued)

Special Revenue Funds: (Continued)

Federal Forfeitures Fund	103
Municipal Probation Services Fund	104
Fairborn School Tax Sharing Fund	105
Uninsured Loss Fund.....	106

Capital Projects Funds:

Issue II Improvement Fund	107
Municipal Court Improvement Fund.....	108
Court Special Projects Fund	109
General Capital Improvement Fund	110
Parks and Recreation Improvement Fund	111
Federal Emergency Management Agency (FEMA) Fund.....	112
Buildings and Land Fund	113
Special Assessment Construction Fund.....	114

Internal Service Funds:

Combining Statement of Net Assets	116
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	117
Combining Statement of Cash Flows	118

Fiduciary Funds – Agency Fund:

Statement of Changes in Assets and Liabilities.....	120
---	-----

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Source.....	123
Schedule by Function and Activity.....	124
Schedule of Changes by Function and Activity.....	126

III

STATISTICAL SECTION

General Fund Expenditures by Function - Last Ten Years S 2

General Fund Revenues by Source - Last Ten Years S 3

Property Tax Levies and Collections - Last Ten Years S 4

Assessed Valuations and Estimated True Values of Taxable Property - Last
Ten Collection Years S 5

Property Tax Rates - Direct and Overlapping Governments - Last Ten Years S 6

Special Assessment Billings and Collections - Last Ten Years S 7

Computation of Legal Debt Margin S 8

Ratio of Net General Obligation Debt to Assessed Value and
Net General Obligation Debt Per Capita - Last Ten Years..... S 9

Ratio of Annual Debt Service Expenditures for General Bonded Obligation
Debt to Total General Fund Expenditures - Last Ten Years S 10

Computation of All Direct and Overlapping Debt..... S 11

Demographic Statistics - Last Ten Years S 12

Property Values and Construction Permits - Last Ten Years S 13

Principal Taxpayers S 14

Miscellaneous Statistics..... S 15

I N T R O D U C T O R Y S E C T I O N





CITY OF FAIRBORN

44 West Hebble Avenue • Fairborn, Ohio 45324-4999

Finance Office

phone (937) 754-3005

fax (937)-754-3115

May 16, 2006

The Honorable Mayor and
Members of the Council
City of Fairborn
44 West Hebble Avenue
Fairborn, Ohio 45324

Submitted for your review is the Comprehensive Annual Financial Report (CAFR) of the City of Fairborn, ("the City") for the year ended December 31, 2005. The report has been prepared in accordance with generally accepted accounting principles established by statements of the Governmental Accounting Standards Board (GASB), other authoritative pronouncements and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

Introduction

While there is no legal requirement for the preparation of this report, it represents a commitment by the City of Fairborn to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City, specifically the Financial Administrative Services Director's Office. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operation of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been presented.

The Report

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

1. The Introductory Section includes this Letter of Transmittal which addresses the organization, accomplishments and operational structure of the City, a list of the Principal City Officials, an Organizational Chart, and the GFOA Certificate of Achievement;
2. The Financial Section contains the Independent Accountants' Report, Management's Discussion and Analysis, Basic Financial Statements, which include explanatory notes and provide an overview of the City's financial position and operating results, and the Combining Financial Statements of the Individual Funds that provide detailed information to the Basic Financial Statements;
3. The Statistical Section presents social, economic, and historical data which can be used to identify financial trends, and data relative to the fiscal capacity of the City.

Letter of Transmittal
For the Year Ended December 31, 2005

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

The Reporting Entity

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

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: public safety (police, fire, emergency medical services and public prosecutor), sanitation, social services, culture and recreation, water and sewer, planning and zoning, construction and maintenance of highways, streets and infrastructure, income tax collection, municipal court and general administrative services. City Council and the City Manager have direct responsibility for these activities.

The City participates in the Public Entities Pool of Ohio (PEP), established as a risk sharing self-insurance pool for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance program for its members. Information regarding this entity may be found in the notes to the basic financial statements.

The City of Fairborn

The City of Fairborn is located in the west central part of the state, approximately 60 miles north of Cincinnati, 70 miles west of Columbus and 10 miles northeast of Dayton, on Interstate 675. Easy access to both Interstates 70 and 75, place Fairborn within approximately a one-hour drive of Cincinnati, Indianapolis and Columbus. The home of aviation, Fairborn is the site of the Wright Brothers Memorial, Air Force Institute of Technology, Wright Field, Wright State University and Wright Patterson Air Force Base.

The City of Fairborn is a home rule municipal corporation operating under its own charter. In November 1946, the electors of the Village of Osborn adopted a charter to take effect January 1, 1948. In the November 1948 election, the Village of Osborn voted to annex the Village of Fairfield and to change the name of the Village to Fairborn, effective January 1, 1950. The Village of Fairborn became a city on August 20, 1951, with the electorate adopting the City's first charter on November 2, 1971.

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

The City operates under a Council-Manager form of government. City Council consists of six members elected to four-year terms in the general municipal election. The Mayor, as seventh City Council member, is elected to a two-year term by a separate ballot from the municipality at large. City Council appoints the City Manager who oversees the daily operations of the City. The City Manager appoints all department managers of the City.

Economic Condition and Outlook

Fairborn's economic growth continued at a steady pace in 2005 as the City's commercial and industrial sectors rebounded.

Economic diversity continues to be essential to the City of Fairborn. The community is home to Wright State University and serves as the gateway to Wright-Patterson Air Force Base (Wright-Patt). The City remains committed to an economic development strategy that capitalizes on the assets of Wright-Patt and Wright State and encourages a balance between new construction and redevelopment opportunities. Although the City anticipates positive changes in employment at Wright-Patterson Air Force Base as a result of the last round of Base Realignment and Closures (BRAC), the community continues to encourage a diverse economic base to protect its self-interest.

The local economy remained on track with construction activity similar to 2004 levels. The total value of all construction activity was down slightly, \$31.9 million compared to \$32.5 million the previous year.

The value of residential construction in 2005 was \$11.7 million versus \$13.7 million in 2004, representing approximately a 14.6% decrease. New single-family home construction numbers in 2005 were lower than those in 2004, 96 versus 131. Although this represented a moderate decrease (about 26.7%) from 2004 figures, the number of housing start shows the single-family housing market remains robust. The majority of new residential construction activity in 2005 occurred within seven residential subdivisions: Ashbury Hill Estates, Candlelite Estates, Chapelgate, Cornerstone, Faircreek Ridge, Meadowlands Estates, Park Hills Crossing, and The Sanctuary. In 2006, work will begin on a 192 unit condominium project, Misty Creek, which is expected to be completed over a two year period.

The commercial story was different with \$3.9 million in activity versus \$3.1 million in 2004, a 25.8% increase. In 2004, several businesses announced plans to invest in new or expanded facilities, new machinery and equipment, and new employees. These plans became reality in 2005 and contributed to another busy commercial construction year.

For the second year in a row, Valle Greene North realized the most commercial activity in terms of dollars and number of projects. Several commercial projects were completed late in 2004 and became fully staffed in 2005. They include: Logtec; Synergy Development; Stickleman, Schneider & Associates; Hondros College and Peerless Technologies. Additional commercial development is expected to occur along North Commerce Center Boulevard. Utility infrastructure has already been completed which will extend Commerce Center Boulevard north three quarters of a mile to Garland Avenue. A \$600,000 grant from the Ohio Department of Development and a \$285,000 grant from the Dayton Development Coalition, totaling \$885,000, helped finance the project that is scheduled to be completed in the spring of 2006.

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

Major Initiatives

For the Year

As with other cities, the adequacy of the City's infrastructure to support City needs is essential. Also, economic development continues to be a priority.

In November 2004, the residents approved a one-quarter of one percent income tax levy for resurfacing, reconstruction and repairs of the City's thoroughfares and residential streets. The ten-year tax levy took effect January 1, 2005 and is projected to generate approximately \$18 million dollars to finance these infrastructure improvements. The City developed a strategic plan and identified the thoroughfares and streets that will be upgraded as part of this ten-year initiative.

During the same election, residents also approved a one-quarter of one percent income tax levy for fire facilities and equipment. The ten year tax levy will generate approximately \$18 million dollars to acquire land and construct two new fire facilities, renovate two existing fire stations, and purchase equipment for these stations. Construction is expected to begin April 2006 with the two new stations being completed by February 2007. The City issued a \$10 million dollar revenue bond to finance the fire facilities improvements.

The City's roadways, water, sewer and storm drainage systems have expanded as a direct result of new housing and business development. While monitoring all construction projects, the City anticipates improved erosion and sediment control as the City enters the Phase II requirements of the Environmental Protection Agency.

In addition, an aggressive infiltration and inflow reduction program is underway for the sewer system. These improvements will maintain the infrastructure quality of the sewer system, while the City revises ordinances and improves storm water and sediment control enforcement in the City.

For the Future

The City's comprehensive plan is for managed growth. The City's growth continues to challenge the abilities of its infrastructure, especially water distribution, sewer collection, and street construction maintenance and repairs. The City remains steadfast in its commitment to ensure the maintenance of existing infrastructure and the development of adequate new infrastructure to meet future demands.

As part of the City's Water Master Plan, the City in 2005, acquired 12.324 acres along the Mad River to expand its water pumping capacity. The Ohio Environment Protection Agency has approved permits for additional wells along this property. With the addition of this property and subsequent wells, the City's water resources will meet anticipated usage for at least the twenty-year planning window.

Due to the uncertainty of the national defense policy, the City must continue its effort to retain existing businesses and attract new businesses in order to assure a healthy economy in the future.

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

In an effort to attract new business in the near future, the City will be developing a three-quarter mile extension of Commerce Boulevard in the rapidly growing Southeast section of the City. This \$2.9 million infrastructure expansion, funded by the developer and through State and local grants, will create 140 acres for business development in the rapidly growing research and defense business segments. The project is scheduled to be complete in the spring of 2006.

Financial Information

Basis of Accounting

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

The measurement focus for the City's proprietary funds is on the flow of economic resources (all assets and all liabilities). The accrual basis of accounting is utilized which recognizes revenues when earned and expenses when incurred.

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

Internal Control Structure and Budgetary Controls

Development of the City's accounting system included consideration of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements. The concept of reasonable assurance states that internal control should be evaluated to insure that the expense associated with providing internal controls does not exceed the benefit expected to be derived from its implementation. This evaluation involves estimates and judgment by the City administration and members of the finance office. The administrative and financial management personnel believe that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary control is maintained by the encumbrance of purchase amounts prior to the release of purchase orders to vendors. Purchase orders are not issued when insufficient appropriations preclude the encumbrance of the purchase amount. Each department head is furnished a monthly report showing the month's transactions and a summary of the balances available to be spent from the appropriations for goods and services.

CITY OF FAIRBORN, OHIO

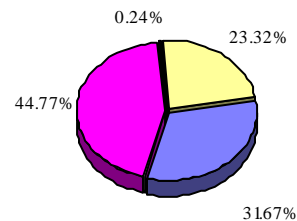
Letter of Transmittal For the Year Ended December 31, 2005

Cash Management

In July 1996, the City adopted changes to its investment policy and hired BondTech, Inc., as an investment consultant. With the guidance of BondTech, the City pursues an aggressive cash management program by expediting the receipt of revenues and prudently investing available cash pursuant to the City's investment policy. The total interest earned was \$712,500 for the year ended December 31, 2005. A majority of the City's deposits are collateralized by pooled collateral. By law, financial institutions may establish a collateral pool to cover all public deposits.

The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit. The collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions. The City regularly reviews the market value of the pool to insure that adequate collateral is being provided. No portion of the City's funds was invested in derivatives.

<u>Cash Resources</u>	<u>2005</u>	<u>%</u>
Cash	\$7,881,530	31.67
Federal Government Securities	11,141,892	44.77
Investments (City's Debt)	59,812	0.24
STAR Ohio	5,804,422	23.32
Total Resources	<u>\$24,887,656</u>	<u>100.00</u>



Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member of the Public Entities Pool of Ohio (PEP), a risk sharing self-insurance pool. The pool consists of 430 local governments who pool risk for property, liability, and public official liability.

The City maintains the following insurance coverage: General Liability, Property Casualty, Police and Public Officials Liability and Ambulance Drivers Liability. It also maintains Workers' Compensation insurance.

See Note 16 to the financial statements for a more detailed discussion of risk management.

Other Information

Independent Audit

The Fairborn City Charter requires an annual audit by independent certified public accountants. The accounting firm of Plattenburg and Associates, Inc. is currently in the fifth year of a five-year contract to perform this audit. The results of the audit are presented in the Independent Auditors' Report.

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

Employee Union Contracts

City employees are members of five different bargaining groups. The American Federation of State, County and Municipal Employees (AFSCME); Fraternal Order of Police (FOP), which includes separate contracts for Police Officers, Dispatchers and Sergeants; and International Association of Firefighters (IAFF). The AFSCME and FOP – Sergeants, Police Officers, and Dispatchers union contracts were renegotiated in 2005. The FOP contracts have an effective date of June 25, 2005, and expire June 20, 2008. The AFSCME union contract is effective April 2, 2005, and expires on March 28, 2008. The IAFF (Fire) union contract was renegotiated in 2003 with an effective date of January 1, 2004, and expires December 31, 2006.

Awards

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 Fairborn for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004. This was the sixteenth year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate for the fiscal year ended December 31, 2005.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the efficient and dedicated services of the entire staff of the Department of Finance and fiscal personnel in other departments. Special appreciation is expressed to Annetta Williams, Fiscal Officer and supporting staff for their efforts in making this comprehensive financial report readable and ensuring it conforms to the highest standards in governmental reporting. We are grateful for their help in preparing this report. We also thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City of Fairborn in a responsible and progressive manner.

Respectfully submitted,



Bill Kucera
Financial Administrative Services Director

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Thomas H. Nagel, Mayor
Fredrick L. Pumroy, Deputy Mayor

Gary L. Woodward, Council Member
John B. Skidmore, Council Member
Joan Dautel, Council Member
Frank Cervone, Council Member
Daniel T. Lewis, Council Member

CITY MANAGER

Michael Cornell

CITY SOLICITOR

Michael Mayer

FINANCIAL ADMINISTRATIVE SERVICES DIRECTOR

Bill Kucera

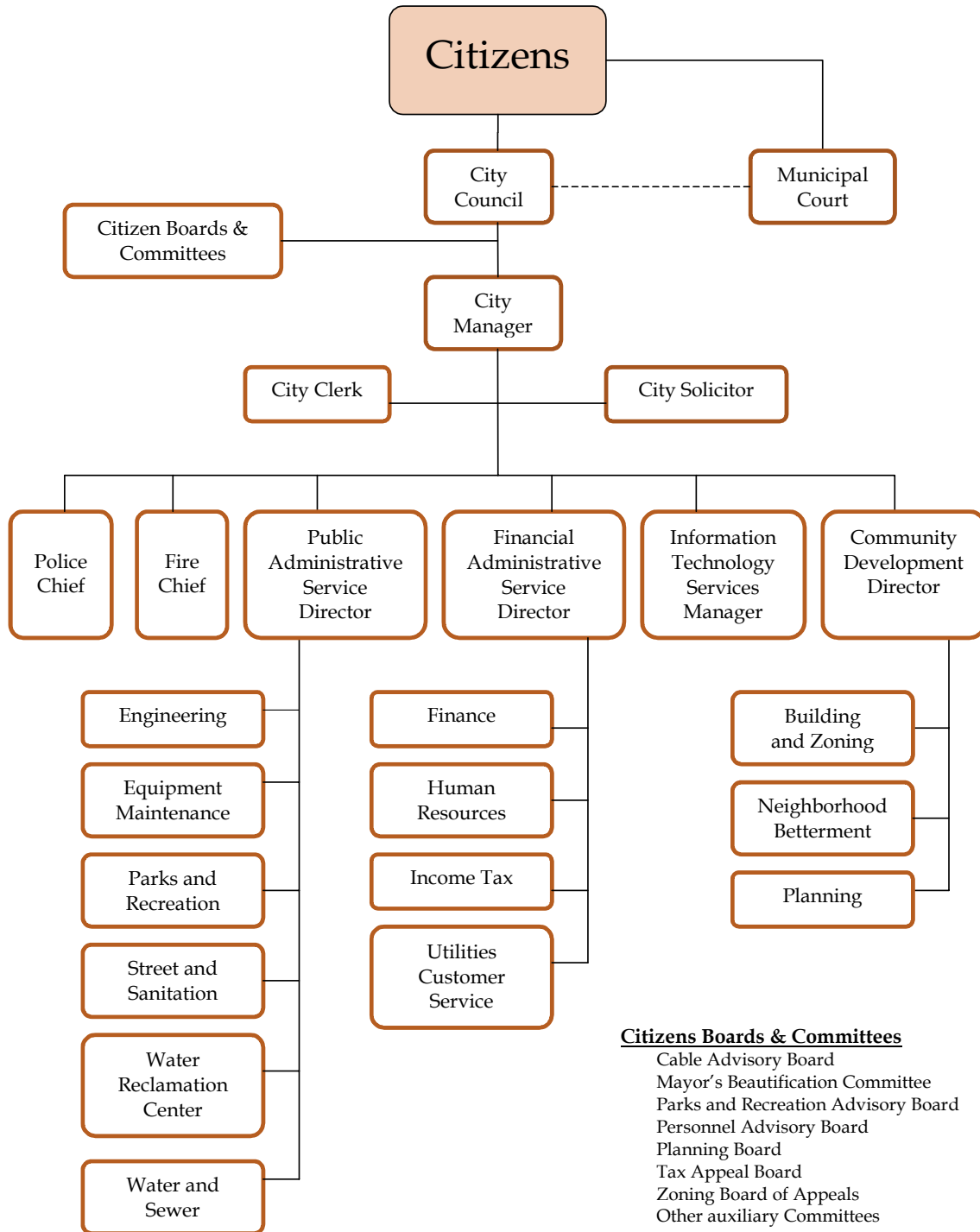
FISCAL OFFICER

Annetta L. Williams

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Plattenburg & Assoc. Inc.

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



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Fairborn,
Ohio

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

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



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

F I N A N C I A L S E C T I O N





May 16, 2006

REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members of the
City Council of the City of Fairborn

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 Fairborn, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



Plattenburg & Associates, Inc.
Certified Public Accountants

The discussion and analysis of the City of Fairborn's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2005 are as follows:

- ❑ In total, net assets increased by \$55,766. Net assets of governmental activities increased by \$401,384, which represents a 0.6% increase from 2004. Net assets of business-type activities decreased by \$345,618, or 2.2% from 2004.
- ❑ General revenues accounted for \$16,310,541 in revenue, or 47.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$18,027,338, or 52.5% of total revenues of \$34,337,879.
- ❑ The City had \$24,514,942 in expenses related to governmental activities; only \$8,617,399 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16,310,541 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$20,935,825 in revenues and \$17,067,325 in expenditures. The general fund's fund balance increased by \$812,696. This increase resulted from a slight increase in revenue related to property taxes, income taxes and interest earnings, and from monitoring budgets to maintain expenditures below the level of revenue.
- ❑ Net assets for enterprise funds decreased from \$15,517,370 in 2004 to \$15,145,950 in 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's sewer, waste collection and water services are reported as business activities.

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets as of December 31, 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$28,307,631	\$17,958,250	\$8,984,473	\$7,777,287	\$37,292,104	\$25,735,537
Capital assets, Net	58,959,214	57,104,481	22,769,453	22,199,117	81,728,667	79,303,598
Total assets	87,266,845	75,062,731	31,753,926	29,976,404	119,020,771	105,039,135
Long-term debt outstanding	13,767,010	4,582,623	10,675,681	11,765,628	24,442,691	16,348,251
Other liabilities	6,534,054	3,915,711	5,762,841	2,549,754	12,296,895	6,465,465
Total liabilities	20,301,064	8,498,334	16,438,522	14,315,382	36,739,586	22,813,716
Net assets						
Invested in capital assets, net of related debt	53,703,616	53,267,000	7,798,051	9,235,388	61,501,667	62,502,388
Restricted	5,536,261	7,825,897	0	0	5,536,261	7,825,897
Unrestricted	7,725,904	5,471,500	7,517,353	6,425,634	15,243,257	11,897,134
Total net assets	\$66,965,781	\$66,564,397	\$15,315,404	\$15,661,022	\$82,281,185	\$82,225,419

CITY OF FAIRBORN, OHIO

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

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for Services and Sales	\$5,813,827	\$5,594,079	\$9,409,939	\$9,275,332	\$15,223,766	\$14,869,411
Operating Grants and Contributions	2,274,918	2,417,960	0	0	2,274,918	2,417,960
Capital Grants and Contributions	528,654	2,063,689	0	0	528,654	2,063,689
Total Program Revenues	8,617,399	10,075,728	9,409,939	9,275,332	18,027,338	19,351,060
General revenues:						
Property Taxes	3,340,960	3,338,026	0	0	3,340,960	3,338,026
Municipal Income Taxes	9,478,816	6,293,807	0	0	9,478,816	6,293,807
Shared Revenues	1,917,607	1,832,128	0	0	1,917,607	1,832,128
Investment Earnings	712,500	241,769	0	0	712,500	241,769
Miscellaneous	860,658	788,312	0	0	860,658	788,312
Total General Revenues	16,310,541	12,494,042	0	0	16,310,541	12,494,042
Total revenues	24,927,940	22,569,770	9,409,939	9,275,332	34,337,879	31,845,102
Program Expenses						
Security of Persons and Property	11,379,893	10,864,285	0	0	11,379,893	10,864,285
Public Health and Welfare Services	172,154	161,299	0	0	172,154	161,299
Leisure Time Activities	257,014	217,412	0	0	257,014	217,412
Community Environment	1,080,955	895,745	0	0	1,080,955	895,745
Transportation	1,187,932	878,685	0	0	1,187,932	878,685
General Government	9,772,999	7,992,100	0	0	9,772,999	7,992,100
Interest and Fiscal Charges	663,995	226,575	0	0	663,995	226,575
Water	0	0	3,204,297	2,624,043	3,204,297	2,624,043
Sewer	0	0	4,535,248	3,158,600	4,535,248	3,158,600
Sanitation	0	0	2,027,626	1,946,026	2,027,626	1,946,026
Total expenses	24,514,942	21,236,101	9,767,171	7,728,669	34,282,113	28,964,770
Excess (deficiency) before Transfers	412,998	1,333,669	(357,232)	1,546,663	55,766	2,880,332
Transfers	(11,614)	(21,818)	11,614	21,818	0	0
Total Change in Net Assets	401,384	1,311,851	(345,618)	1,568,481	55,766	2,880,332
Beginning Net Assets	66,564,397	65,252,546	15,661,022	14,092,541	82,225,419	79,345,087
Ending Net Assets	\$66,965,781	\$66,564,397	\$15,315,404	\$15,661,022	\$82,281,185	\$82,225,419

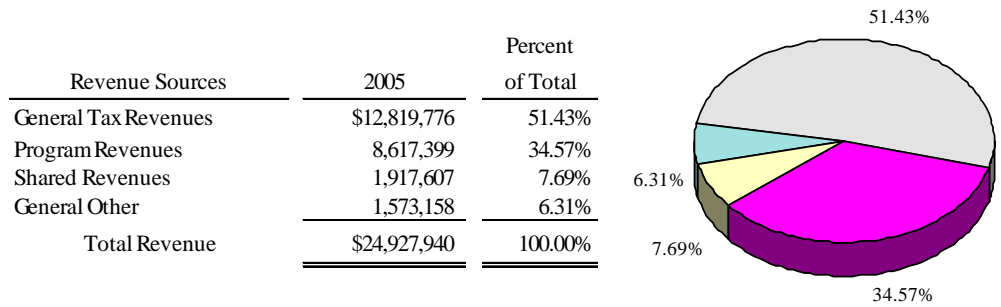
Governmental Activities

Net assets of the City's governmental activities increased by \$401,384. The increase was mainly due to increased income tax collections.

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

The City also receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City as well as salaries and wages earned by individuals that work within the City.

Property taxes and income taxes made up 13.40% and 38.02% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 51.43% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business-type activities decreased by \$345,618. The decrease was due primarily to interest and fiscal charges related to debt issuance to finance ongoing water and sewer infrastructure capital projects.

CITY OF FAIRBORN, OHIO

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

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$15,169,558, which is an increase from last year's balance of \$6,890,425. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004:

	<u>Fund Balance December 31, 2005</u>	<u>Fund Balance December 31, 2004</u>	<u>Increase (Decrease)</u>
General	\$4,809,801	\$3,994,476	\$815,325
General Bond Retirement	642,319	572,652	69,667
TIF Fund	(1,272,421)	(179,617)	(1,092,804)
Public Safety Equipment / Facility Fund	9,268,287	170,793	9,097,494
Other Governmental	<u>1,721,572</u>	<u>2,332,121</u>	<u>(610,549)</u>
Total	<u>\$15,169,558</u>	<u>\$6,890,425</u>	<u>\$8,279,133</u>

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

	<u>2005 Revenues</u>	<u>2004 Revenues</u>	<u>Increase (Decrease)</u>
Property Taxes	\$2,864,300	\$2,806,297	\$58,003
Municipal Income Tax	9,373,465	6,200,461	3,173,004
Intergovernmental Revenues	2,639,960	2,384,548	255,412
Charges for Services	4,055,999	3,867,779	188,220
Licenses and Permits	272,937	288,295	(15,358)
Investment Earnings	445,151	205,238	239,913
Fines and Forfeitures	964,572	885,289	79,283
All Other Revenue	<u>319,441</u>	<u>352,055</u>	<u>(32,614)</u>
Total	<u>\$20,935,825</u>	<u>\$16,989,962</u>	<u>\$3,945,863</u>

General Fund revenues in 2005 increased by 23.2%, primarily due to increased income tax receipts from the half percent increase in the municipal income tax rate effective January 1, 2005.

	<u>2005 Expenditures</u>	<u>2004 Expenditures</u>	<u>Increase (Decrease)</u>
Security of Persons and Property	\$10,355,517	\$9,865,302	\$490,215
Public Health and Welfare Services	70,093	73,222	(3,129)
Leisure Time Activities	186,639	173,757	12,882
Community Environment	626,581	578,939	47,642
General Government	5,670,318	5,447,207	223,111
Capital Outlay	158,177	130,593	27,584
Total	<u>\$17,067,325</u>	<u>\$16,269,020</u>	<u>\$798,305</u>

CITY OF FAIRBORN, OHIO

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

Unaudited

General Fund expenditures increased by \$798,305 or 4.9% over the prior year mostly due to increased wages, health care costs and pension contributions.

General Bond Retirement Fund – The fund balance has remained relatively stable in comparison to last year. Increases in property tax receipts and principal payments helped to offset the effects of each other.

TIF Fund – The fund balance of the TIF fund decreased by over \$1 million dollars due to the costs associated with the Commerce Center Boulevard Project.

Public Safety Equipment / Facility Fund - The fund balance increased \$9,097,494 as a result of the issuance of a \$10 million dollar revenue bond during 2005 to finance the construction of two new fire stations and renovation of two existing stations.

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

During the course of fiscal year 2005 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$19,697,658 did not significantly change over the original budget estimates of \$19,190,460. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$81,728,667 net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$58,959,214 was related to governmental activities and \$22,769,453 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$12,792,356	\$12,285,054	\$507,302
Construction in Progress	2,220,096	66,077	2,154,019
Buildings	8,007,980	7,729,933	278,047
Improvements Other Than Buildings	1,549,920	1,482,757	67,163
Machinery and Equipment	3,636,228	3,421,308	214,920
Vehicles	3,982,814	3,854,711	128,103
Infrastructure	63,058,531	62,378,251	680,280
Less: Accumulated Depreciation	(36,288,711)	(34,113,610)	(2,175,101)
Totals	<u>\$58,959,214</u>	<u>\$57,104,481</u>	<u>\$1,854,733</u>

CITY OF FAIRBORN, OHIO

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

Unaudited

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$192,868	\$152,251	\$40,617
Construction in Progress	1,438,092	2,979,557	(1,541,465)
Buildings and Improvements	39,268,261	35,539,067	3,729,194
Machinery and Equipment	6,578,100	6,370,011	208,089
Vehicles	921,781	921,527	254
Less: Accumulated Depreciation	(25,629,649)	(23,763,296)	(1,866,353)
Totals	<u>\$22,769,453</u>	<u>\$22,199,117</u>	<u>\$570,336</u>

The primary increase in governmental activities' capital assets occurred in construction in progress. The increase resulted from the beginning of the extension of Commerce Center Boulevard and the engineering costs associated with the construction and renovation of four fire stations. The completion of the aeration system upgrade in the sewer fund accounted for most of the increase in the business-type activities. Additional information on the City's capital assets can be found in Note 7.

Debt

At December 31, 2005, the City had \$20,003,873 in bonds outstanding, \$2,093,145 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	2005	2004
Governmental Activities:		
General Obligation Bonds	\$1,985,000	\$2,290,000
Special Assessment Notes	59,811	83,511
Special Assessment Bonds	1,105,000	1,303,000
Revenue Bond Payable	9,350,000	0
Unamortized Premium on Revenue Bond	253,309	0
Capital Leases	55,597	59,482
Compensated Absences	958,293	846,630
Total Governmental Activities	<u>\$13,767,010</u>	<u>\$4,582,623</u>
Business-Type Activities:		
General Obligation Bonds	\$7,310,564	\$8,015,444
Ohio Water Development Authority Loan	2,735,900	3,058,962
Ohio Public Works Commission Loan	166,855	183,540
Capital Leases	58,082	75,783
Compensated Absences	141,433	148,833
Landfill Closure and Postclosure Care	262,847	283,066
Total Business-Type Activities	<u>10,675,681</u>	<u>11,765,628</u>
Totals	<u>\$24,442,691</u>	<u>\$16,348,251</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

Commercial and industrial development showed significant growth in 2005. The commercial growth included \$3.9 million in activity versus \$3.1 million in 2004 about a 25.8% increase. In 2004, several businesses announced plans to invest in new or expanded facilities, new machinery and equipment, and new employees. These plans became reality in 2005 and contributed to another busy commercial construction year.

Looking forward into the future, there are a number of promising opportunities related to Wright-Patterson for the region and the City. The Base fared well in the last round of BRAC announcements and will likely continue to be an important part of the operations of the Air Force worldwide. To ensure the announced and anticipated transfers actually occur, local and regional economic development groups have made the Base a priority in their outreach to elected officials in Columbus and Washington.

With the recently announced mission transfers coming to the Base as part of the BRAC process, the City is proactively facilitating projects, which will provide and promote office space for those operations being relocated here. This included the recent approval of a 13.4 acre / 155,000 square foot multi-tenant aerospace research and defense contractor oriented development which could also serve as a springboard for biomedical and nanotech related ventures.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Bill Kucera, Financial Administrative Services Director at the City Hall Complex at 44 West Hebble Avenue, Fairborn, Ohio 45324, or call (937) 754-3005 or e-mail at bill.kucera@ci.fairborn.oh.us.



CITY OF FAIRBORN, OHIO

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

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 9,213,788	\$ 3,834,595	\$ 13,048,383
Investments	7,391,179	3,855,169	11,246,348
Receivables:			
Taxes	3,974,218	0	3,974,218
Accounts	1,107,640	761,585	1,869,225
Intergovernmental	2,429,740	0	2,429,740
Interest	113,487	14,545	128,032
Special Assessments	3,926,211	0	3,926,211
Internal Balances	(167,415)	167,415	0
Inventory of Supplies at Cost	269,388	158,205	427,593
Prepays	49,349	9,915	59,264
Restricted Assets:			
Cash and Cash Equivalents	0	172,191	172,191
Cash and Cash Equivalents with Fiscal Agent	46	10,853	10,899
Capital Assets:			
Capital Assets Not Being Depreciated	15,012,452	1,630,960	16,643,412
Capital Assets Being Depreciated	43,946,762	21,138,493	65,085,255
Total Assets	87,266,845	31,753,926	119,020,771
Liabilities:			
Accounts Payable	830,192	577,794	1,407,986
Accrued Wages and Benefits	543,533	80,118	623,651
Intergovernmental Payable	518,506	61,485	579,991
Matured Bonds & Interest Payable	46	10,853	10,899
Refundable Deposits	0	172,191	172,191
Deferred Revenue	2,467,888	0	2,467,888
Accrued Interest Payable	63,889	160,400	224,289
General Obligation Notes Payable	2,110,000	4,700,000	6,810,000
Long Term Liabilities:			
Due Within One Year	1,501,813	1,159,189	2,661,002
Due in More Than One Year	12,265,197	9,516,492	21,781,689
Total Liabilities	20,301,064	16,438,522	36,739,586
Net Assets:			
Invested in Capital Assets, Net of Related Debt	53,703,616	7,798,051	61,501,667
Restricted For:			
Capital Projects	517,145	0	517,145
Debt Service	3,261,095	0	3,261,095
Other Purposes	1,758,021	0	1,758,021
Unrestricted	7,725,904	7,517,353	15,243,257
Total Net Assets	\$ 66,965,781	\$ 15,315,404	\$ 82,281,185

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 11,379,893	\$ 1,313,898	\$ 621,478	\$ 0
Public Health and Welfare Services	172,154	34,073	0	0
Leisure Time Activities	257,014	60,430	0	125,000
Community Environment	1,080,955	292,286	173,604	0
Transportation	1,187,932	0	1,385,339	250,000
General Government	9,772,999	4,113,140	94,497	153,654
Interest and Fiscal Charges	663,995	0	0	0
Total Governmental Activities	24,514,942	5,813,827	2,274,918	528,654
Business-Type Activities:				
Water	3,204,297	2,805,354	0	0
Sewer	4,535,248	4,594,321	0	0
Sanitation	2,027,626	2,010,264	0	0
Total Business-Type Activities	9,767,171	9,409,939	0	0
Totals	\$ 34,282,113	\$ 15,223,766	\$ 2,274,918	\$ 528,654

General Revenues

- Property Taxes
- Municipal Income Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Transfers
- Total General Revenues and Transfers
- Change in Net Assets
- Net Assets Beginning of Year, Restated
- Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (9,444,517)	\$ 0	\$ (9,444,517)
(138,081)	0	(67,988)
(71,584)	0	(71,584)
(615,065)	0	(615,065)
447,407	0	447,407
(5,411,708)	0	(5,481,801)
(663,995)	0	(663,995)
<u>(15,897,543)</u>	<u>0</u>	<u>(15,897,543)</u>
0	(398,943)	(398,943)
0	59,073	59,073
0	(17,362)	(17,362)
<u>0</u>	<u>(357,232)</u>	<u>(357,232)</u>
<u>(15,897,543)</u>	<u>(357,232)</u>	<u>(16,254,775)</u>
3,340,960	0	3,340,960
9,478,816	0	9,478,816
1,917,607	0	1,917,607
712,500	0	712,500
860,658	0	860,658
(11,614)	11,614	0
<u>16,298,927</u>	<u>11,614</u>	<u>16,310,541</u>
401,384	(345,618)	55,766
<u>66,564,397</u>	<u>15,661,022</u>	<u>82,225,419</u>
<u>\$ 66,965,781</u>	<u>\$ 15,315,404</u>	<u>\$ 82,281,185</u>

CITY OF FAIRBORN, OHIO

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

	General	General Bond Retirement	Tax Increment Fund
Assets:			
Cash and Cash Equivalents	\$ 1,210,428	\$ 290,896	\$ 856,038
Investments	1,432,679	344,309	0
Receivables:			
Taxes	3,377,433	151,204	0
Accounts	734,195	0	0
Intergovernmental	1,511,183	6,850	0
Interest	69,516	776	0
Special Assessments	0	3,926,211	0
Due from Other Funds	315	0	0
Interfund Loans Receivables	934,708	0	0
Inventory of Supplies, at Cost	41,223	0	0
Prepaid Items	45,409	0	0
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	46	0
Total Assets	\$ 9,357,089	\$ 4,720,292	\$ 856,038
Liabilities:			
Accounts Payable	\$ 138,156	\$ 0	\$ 0
Accrued Wages and Benefits Payable	477,647	0	0
Intergovernmental Payable	493,790	0	0
Matured Bonds and Interest Payable	0	46	0
Due to Other Funds	13,533	0	0
Interfund Loans Payable	0	0	0
Deferred Revenue	3,424,162	4,077,927	0
Accrued Interest Payable	0	0	18,459
General Obligation Notes Payable	0	0	2,110,000
Total Liabilities	4,547,288	4,077,973	2,128,459
Fund Balances:			
Reserved for Encumbrances	81,996	166	659,197
Reserved for Prepaid Items	45,409	0	0
Reserved for Supplies Inventory	41,223	0	0
Reserved for Debt Service	0	642,153	0
Unreserved, Undesignated in:			
General Fund	4,641,173	0	0
Special Revenue Funds	0	0	0
Capital Projects Funds	0	0	(1,931,618)
Total Fund Balances (Deficits)	4,809,801	642,319	(1,272,421)
Total Liabilities and Fund Balances	\$ 9,357,089	\$ 4,720,292	\$ 856,038

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

Public Safety Equipment / Facility Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,234,200	\$ 2,230,637	\$ 8,822,199
5,011,660	378,499	7,167,147
0	445,581	3,974,218
121,677	174,491	1,030,363
0	911,707	2,429,740
42,853	342	113,487
0	0	3,926,211
0	0	315
0	0	934,708
0	113,549	154,772
0	2,753	48,162
0	0	46
<u>\$ 9,410,390</u>	<u>\$ 4,257,559</u>	<u>\$ 28,601,368</u>
\$ 142,103	\$ 485,890	\$ 766,149
0	40,801	518,448
0	12,384	506,174
0	0	46
0	3,474	17,007
0	934,708	934,708
0	1,058,730	8,560,819
0	0	18,459
0	0	2,110,000
<u>142,103</u>	<u>2,535,987</u>	<u>13,431,810</u>
452,509	318,306	1,512,174
0	2,753	48,162
0	113,549	154,772
0	0	642,153
0	0	4,641,173
0	1,026,335	1,026,335
8,815,778	260,629	7,144,789
<u>9,268,287</u>	<u>1,721,572</u>	<u>15,169,558</u>
<u>\$ 9,410,390</u>	<u>\$ 4,257,559</u>	<u>\$ 28,601,368</u>

CITY OF FAIRBORN, OHIO

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

Total Governmental Fund Balances \$ 15,169,558

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

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.

Capital Assets used in the operation of Governmental Funds	58,803,654	
Capital Assets used in the operation of Internal Service Funds	<u>155,560</u>	58,959,214

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 6,092,931

The internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are generally included in governmental activities in the statement of net assets, however a portion is also allocated to the business-type activities.

Internal Service Net Assets	836,722	
Capital Assets used in the operation of Internal Service Funds	(155,560)	
Compensated Absences Payable related to Internal Service Funds	44,810	
Allocation to Business-Type Activities	<u>(169,454)</u>	556,518

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	(1,985,000)	
Revenue Bonds Payable	(9,350,000)	
Unamortized Premium on Revenue Bonds Payable	(253,309)	
Special Assessment Bonds Payable	(1,105,000)	
Special Assessment Notes Payable	(59,811)	
Capital Leases Payable	(55,597)	
Compensated Absences Payable related to Governmental Funds	(913,483)	
Compensated Absences Payable related to Internal Service Funds	(44,810)	
Accrued Interest Payable	<u>(45,430)</u>	(13,812,440)

Net Assets of Governmental Activities \$66,965,781

See accompanying notes to the basic financial statements



CITY OF FAIRBORN, OHIO

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

	General	General Bond Retirement	Tax Increment Fund
Revenues:			
Property Taxes	\$ 2,864,300	\$ 157,749	\$ 70,258
Municipal Income Tax	9,373,465	0	0
Intergovernmental Revenues	2,639,960	0	250,000
Charges for Services	4,055,999	0	0
Licenses and Permits	272,937	0	0
Investment Earnings	445,151	27,531	20,973
Special Assessments	0	350,886	0
Fines and Forfeitures	964,572	0	0
All Other Revenue	319,441	0	0
Total Revenue	20,935,825	536,166	341,231
Expenditures:			
Current:			
Security of Persons and Property	10,355,517	0	0
Public Health and Welfare Services	70,093	0	0
Leisure Time Activities	186,639	0	0
Community Environment	626,581	0	0
Transportation	0	0	0
General Government	5,670,318	23,446	59,884
Capital Outlay	158,177	0	1,346,398
Debt Service:			
Principal Retirement	0	341,700	0
Interest and Fiscal Charges	0	145,340	27,753
Total Expenditures	17,067,325	510,486	1,434,035
Excess (Deficiency) of Revenues Over Expenditures	3,868,500	25,680	(1,092,804)
Other Financing Sources (Uses):			
Sale of Capital Assets	1,501	0	0
Sale of Bonds	0	0	0
Premium on Bonds	0	55,601	0
Transfers In	0	0	0
Transfers Out	(3,057,305)	(11,614)	0
Other Financing Sources - Capital Lease	0	0	0
Total Other Financing Sources (Uses)	(3,055,804)	43,987	0
Net Change in Fund Balances	812,696	69,667	(1,092,804)
Fund Balances at Beginning of Year	3,994,476	572,652	(179,617)
Increase (Decrease) in Inventory Reserve	2,629	0	0
Fund Balances (Deficits) End of Year	\$ 4,809,801	\$ 642,319	\$ (1,272,421)

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

Public Safety Equipment / Facility Fund	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 282,684	\$ 3,374,991
0	0	9,373,465
36,014	2,038,450	4,964,424
36,374	48,312	4,140,685
0	0	272,937
199,407	2,286	695,348
0	145,778	496,664
0	435,633	1,400,205
3,825	488,256	811,522
<u>275,620</u>	<u>3,441,399</u>	<u>25,530,241</u>
0	556,808	10,912,325
0	99,989	170,082
0	9,146	195,785
0	406,926	1,033,507
0	1,056,935	1,056,935
677,813	324,562	6,756,023
807,041	3,321,011	5,632,627
705,000	130,000	1,176,700
439,238	55,539	667,870
<u>2,629,092</u>	<u>5,960,916</u>	<u>27,601,854</u>
(2,353,472)	(2,519,517)	(2,071,613)
0	17,209	18,710
10,000,000	0	10,000,000
225,853	0	281,454
1,225,113	1,832,192	3,057,305
0	0	(3,068,919)
0	42,119	42,119
<u>11,450,966</u>	<u>1,891,520</u>	<u>10,330,669</u>
9,097,494	(627,997)	8,259,056
170,793	2,332,121	6,890,425
0	17,448	20,077
<u>\$ 9,268,287</u>	<u>\$ 1,721,572</u>	<u>\$ 15,169,558</u>

CITY OF FAIRBORN, OHIO

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

Net Change in Fund Balances - Total Governmental Funds \$ 8,259,056

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 depreciation exceeded capital outlays in the current period.

Capital Outlay - governmental capital assets	4,452,622	
Capital Outlay - internal service capital assets	32,644	
Depreciation Expense - governmental capital assets	(2,517,782)	
Depreciation Expense - internal service capital assets	<u>(31,511)</u>	1,935,973

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (81,240)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (611,665)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. (10,323,573)

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

General Obligation Bond Principal Payment	305,000	
Revenue Bonds Principal Payment	650,000	
Amortization of Premium on Revenue Bonds	28,146	
Special Assessment Note Principal Payment	23,700	
Special Assessment Bond Principal Payment	198,000	
Capital Lease Principal Payment	<u>46,003</u>	1,250,849

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (24,271)

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

Change in Compensated Absences - governmental funds	(109,772)	
Change in Compensated Absences - internal service funds	(1,906)	
Change in Inventory	<u>20,077</u>	(91,601)

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

Change in Net Assets - internal service funds	112,885	
Depreciation Expense - internal service capital assets	31,511	
Capital Asset Addition - Internal service funds	(32,644)	
Change in Compensated Absences - internal service funds	1,906	
Change in portion of internal service fund net assets allocated to Business-Type Activities	<u>(25,802)</u>	<u>87,856</u>

Change in Net Assets of Governmental Activities \$ 401,384

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 2,697,000	\$ 2,697,000	\$ 2,834,263	\$ 137,263
Municipal Income Tax	8,430,207	8,930,207	9,133,556	203,349
Intergovernmental Revenue	2,275,422	2,282,620	2,195,680	(86,940)
Charges for Services	3,788,425	3,788,425	3,927,503	139,078
Licenses and Permits	318,435	318,435	272,937	(45,498)
Investment Earnings	314,000	314,000	420,392	106,392
Fines and Forfeitures	1,033,500	1,033,500	948,249	(85,251)
All Other Revenues	333,471	333,471	337,427	3,956
Total Revenues	19,190,460	19,697,658	20,070,007	372,349
Expenditures:				
Current:				
Security of Persons and Property	10,432,541	10,436,327	10,289,785	146,542
Leisure Time Activities	207,128	205,228	190,955	14,273
Community Environment	657,905	657,905	638,478	19,427
General Government	5,873,571	6,003,051	5,813,594	189,457
Capital Outlay	144,049	180,780	171,993	8,787
Debt Service:				
Total Expenditures	17,315,194	17,483,291	17,104,805	378,486
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,875,266	2,214,367	2,965,202	750,835
Other Financing Sources (Uses):				
Sale of Capital Assets	15,000	15,000	1,501	(13,499)
Transfers In	237,873	257,086	0	(257,086)
Transfers Out	(2,561,244)	(3,229,744)	(3,057,305)	172,439
Advances Out	0	(1,046,300)	(919,686)	126,614
Total Other Financing Sources (Uses):	(2,308,371)	(4,003,958)	(3,975,490)	28,468
Net Changes in Fund Balance	(433,105)	(1,789,591)	(1,010,288)	779,303
Fund Balance at Beginning of Year	3,365,523	3,365,523	3,365,523	0
Prior Year Encumbrances	176,275	176,275	176,275	0
Fund Balance at End of Year	\$ 3,108,693	\$ 1,752,207	\$ 2,531,510	\$ 779,303

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

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

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Funds
	Water	Sewer	Sanitation	Total	
Assets:					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 1,349,086	\$ 1,793,236	\$ 692,273	\$ 3,834,595	\$ 391,589
Investments	1,664,733	2,190,436	0	3,855,169	224,032
<i>Receivables:</i>					
Accounts	242,148	359,972	159,465	761,585	77,277
Interest	5,195	9,350	0	14,545	0
Due from Other Funds	0	1,347	0	1,347	18,830
Inventory of Supplies at Cost	130,303	27,902	0	158,205	114,616
Prepaid Items	3,739	6,176	0	9,915	1,187
<i>Restricted Assets:</i>					
Cash and Cash Equivalents	57,397	57,397	57,397	172,191	0
Cash and Cash Equivalents with Fiscal Agent	10,853	0	0	10,853	0
<i>Total Current Assets</i>	<u>3,463,454</u>	<u>4,445,816</u>	<u>909,135</u>	<u>8,818,405</u>	<u>827,531</u>
<i>Non Current Assets:</i>					
<i>Capital Assets:</i>					
Capital Assets Not Being Depreciated	416,547	1,212,541	1,872	1,630,960	0
Capital Assets Being Depreciated	7,283,346	13,575,308	279,839	21,138,493	155,560
Total Assets	<u>11,163,347</u>	<u>19,233,665</u>	<u>1,190,846</u>	<u>31,587,858</u>	<u>983,091</u>
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	56,745	313,274	207,775	577,794	64,043
Accrued Wages and Benefits	33,810	44,609	1,699	80,118	25,085
Intergovernmental Payable	26,784	33,053	1,648	61,485	12,332
Matured Bonds and Interest Payable	10,853	0	0	10,853	0
Refundable Deposits	57,397	57,397	57,397	172,191	0
Due to Other Funds	1,814	1,351	221	3,386	99
Accrued Interest Payable	69,762	90,638	0	160,400	0
General Obligation Notes Payable	1,750,000	2,950,000	0	4,700,000	0
General Obligation Bonds - Current	311,800	438,200	0	750,000	0
OWDA Loans Payable - Current	0	341,050	0	341,050	0
OPWC Loans Payable - Current	16,685	0	0	16,685	0
Landfill Closure Costs	0	0	20,219	20,219	0
Capital Lease Payable - Current	18,506	0	0	18,506	0
<i>Total Current Liabilities</i>	<u>2,354,156</u>	<u>4,269,572</u>	<u>288,959</u>	<u>6,912,687</u>	<u>101,559</u>
<i>Long Term Liabilities:</i>					
Compensated Absences Payable	72,152	68,883	397	141,432	44,810
Capital Leases Payable	39,576	0	0	39,576	0
General Obligation Bonds Payable	2,623,232	3,937,332	0	6,560,564	0
OWDA Loans Payable	0	2,394,851	0	2,394,851	0
OPWC Loans Payable	150,170	0	0	150,170	0
Landfill Postclosure Care Liability	0	0	242,628	242,628	0
Total Liabilities	<u>5,239,286</u>	<u>10,670,638</u>	<u>531,984</u>	<u>16,441,908</u>	<u>146,369</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	2,789,924	4,726,416	281,711	7,798,051	155,560
Unrestricted	3,134,137	3,836,611	377,151	7,347,899	681,162
Total Net Assets	<u>\$ 5,924,061</u>	<u>\$ 8,563,027</u>	<u>\$ 658,862</u>	<u>\$ 15,145,950</u>	<u>\$ 836,722</u>
Adjustment to reflect the consolidation of internal service fund activities related to Business-Type Activities				169,454	
Net Assets of Business-Type Activities				<u>\$ 15,315,404</u>	

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

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

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Sanitation	Total	
Operating Revenues:					
Charges for Services	\$ 2,648,089	\$ 4,497,347	\$ 2,008,972	\$ 9,154,408	\$ 1,529,331
Other Operating Revenue	125,452	42,791	1,292	169,535	0
Total Operating Revenues	2,773,541	4,540,138	2,010,264	9,323,943	1,529,331
Operating Expenses:					
Personal Services	1,002,733	1,221,348	59,607	2,283,688	619,228
Contractual Services	975,172	1,617,458	1,911,440	4,504,070	220,638
Materials and Supplies	236,008	229,151	14,898	480,057	553,767
Dental Insurance Claims	0	0	0	0	8,454
Depreciation	806,132	1,043,438	41,681	1,891,251	31,511
Total Operating Expenses	3,020,045	4,111,395	2,027,626	9,159,066	1,433,598
Operating Income (Loss)	(246,504)	428,743	(17,362)	164,877	95,733
Nonoperating Revenue (Expenses):					
Investment Earnings	29,001	52,809	0	81,810	17,152
Interest Expense	(211,653)	(431,039)	0	(642,692)	0
Intergovernmental Revenues	2,812	1,374	0	4,186	0
Gain on Disposal of Capital Assets	1,599	7,186	0	8,785	0
Total Nonoperating Revenues (Expenses)	(178,241)	(369,670)	0	(547,911)	17,152
Income (Loss) Before Transfers	(424,745)	59,073	(17,362)	(383,034)	112,885
Transfers In	0	11,614	0	11,614	0
Change in Net Assets	(424,745)	70,687	(17,362)	(371,420)	112,885
Net Assets Beginning of Year	6,348,806	8,492,340	676,224	15,517,370	723,837
Net Assets End of Year	<u>\$ 5,924,061</u>	<u>\$ 8,563,027</u>	<u>\$ 658,862</u>	<u>\$ 15,145,950</u>	<u>\$ 836,722</u>
Change in Net Assets - Total Enterprise Funds				\$ (371,420)	
Adjustment to reflect the consolidation of internal service fund activities related to Business-Type Activities				25,802	
Change in Net Assets - Total Business-Type Activities				<u>\$ (345,618)</u>	

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

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

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Sanitation
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$2,742,836	\$4,630,658	\$2,082,137
Cash Receipts from Interfund Services Provided	0	0	0
Cash Payments for Goods and Services	(1,222,142)	(1,840,606)	(1,852,017)
Cash Payments to Employees	(987,515)	(1,235,525)	(60,694)
Cash Payments for Employee Medical/Dental Claims	0	0	0
Other Operating Receipts	115,356	40,140	1,292
Customer Deposits Received	25,575	25,575	25,575
Customer Deposits Returned	(25,998)	(25,998)	(25,998)
Net Cash Provided by Operating Activities	648,112	1,594,244	170,295
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	618,016	1,488,205	22,800
Transfers Out to Other Funds	(615,204)	(1,486,831)	(22,800)
Net Cash Provided by Noncapital Financing Activities	2,812	1,374	0
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(822,068)	(1,754,860)	0
Sale of General Obligation Notes	1,750,000	2,950,000	0
Sale of Capital Assets	3,144	7,044	0
Principal Paid on General Obligation Notes	(550,000)	(1,080,000)	0
Principal Paid on General Obligation Bonds	(296,500)	(413,500)	0
Principal Paid on Ohio Public Works Commission Loans	(16,685)	0	0
Principal Paid on Ohio Water Development Authority Loans	0	(323,061)	0
Interest Paid on All Debt	(162,661)	(362,095)	0
Net Cash Used for Capital and Related Financing Activities	(94,770)	(976,472)	0
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	29,100	51,121	0
Purchase of Investments	(47,054)	0	0
Sale of Investments	0	14,335	0
Net Cash Provided (Used) by Investing Activities	(17,954)	65,456	0
Net Increase in Cash and Cash Equivalents	538,200	684,602	170,295
Cash and Cash Equivalents at Beginning of Year	879,136	1,166,031	579,375
Cash and Cash Equivalents at End of Year	\$1,417,336	\$1,850,633	\$749,670
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$1,349,086	\$1,793,236	\$692,273
Restricted Cash and Cash Equivalents	57,397	57,397	57,397
Restricted Cash and Cash Equivalents with Fiscal Agent	10,853	0	0
Cash and Cash Equivalents at End of Year	\$1,417,336	\$1,850,633	\$749,670

CITY OF FAIRBORN, OHIO

Total	Governmental Activities - Internal Service Funds
\$9,455,631	\$0
0	1,476,724
(4,914,765)	(774,052)
(2,283,734)	(607,976)
0	(12,914)
156,788	0
76,725	0
(77,994)	0
<u>2,412,651</u>	<u>81,782</u>
2,129,021	0
(2,124,835)	0
<u>4,186</u>	<u>0</u>
(2,576,928)	(32,644)
4,700,000	0
10,188	0
(1,630,000)	0
(710,000)	0
(16,685)	0
(323,061)	0
(524,756)	0
<u>(1,071,242)</u>	<u>(32,644)</u>
80,221	17,795
(47,054)	0
<u>14,335</u>	<u>47,524</u>
<u>47,502</u>	<u>65,319</u>
1,393,097	114,457
<u>2,624,542</u>	<u>277,132</u>
<u>\$4,017,639</u>	<u>\$391,589</u>
\$3,834,595	\$391,589
172,191	0
<u>10,853</u>	<u>0</u>
<u>\$4,017,639</u>	<u>\$391,589</u>

(Continued)

CITY OF FAIRBORN, OHIO

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

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Sanitation
<u>Reconciliation of Operating Income (Loss) to</u>			
<u>Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$246,504)	\$428,743	(\$17,362)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	806,132	1,043,438	41,681
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	84,651	129,594	73,165
(Increase) Decrease in Due From Other Funds	0	1,066	0
Increase in Inventory	(19,801)	(22,563)	0
Decrease in Prepaid Items	9	16	0
Increase in Accounts Payable	9,417	28,286	94,319
Increase (Decrease) in Accrued Wages and Benefits	6,579	6,672	(455)
Increase (Decrease) in Due to Other Funds	(587)	250	221
Decrease in Intergovernmental Payable	(1,076)	(3,749)	(602)
Decrease in Landfill Closure Costs	0	0	(20,219)
Increase (Decrease) in Compensated Absences	9,715	(17,086)	(30)
Decrease in Refundable Deposits Payable	(423)	(423)	(423)
Decrease in Claims Payable	0	0	0
Total Adjustments	<u>894,616</u>	<u>1,165,501</u>	<u>187,657</u>
Net Cash Provided (Used) by Operating Activities	<u>\$648,112</u>	<u>\$1,594,244</u>	<u>\$170,295</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2005, the Water Fund, and Sewer Fund had outstanding liabilities of \$24,815, and \$238,163, respectively, for the purchase of certain capital assets.

During 2005, the fair value of investments decreased by \$3,064, \$4,031, and \$412 in the Water Fund, Sewer Fund, and Internal Service Funds, respectively.

See accompanying notes to the basic financial statements

CITY OF FAIRBORN, OHIO

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$164,877	\$95,733
1,891,251	31,511
287,410	(49,683)
1,066	(2,924)
(42,364)	(39,353)
25	3
132,022	39,718
12,796	11,899
(116)	(15)
(5,427)	(2,553)
(20,219)	0
(7,401)	1,906
(1,269)	0
0	(4,460)
<u>2,247,774</u>	<u>(13,951)</u>
<u>\$2,412,651</u>	<u>\$81,782</u>

CITY OF FAIRBORN, OHIO

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

	<u>Agency</u>
Assets:	
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	\$ 409,835
Total Assets	<u>409,835</u>
Liabilities:	
Intergovernmental Payable	128,108
Undistributed Monies	281,727
Total Liabilities	<u>\$ 409,835</u>

See accompanying notes to the basic financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fairborn (the “City”) is a home rule municipal corporation created under the laws of the State of Ohio which operates under its own charter. A charter was first adopted by the electors of the Village of Osborn at the general election held in November 1946, effective January 1, 1948. In the November 1948 election, the Village of Osborn voted to annex the Village of Fairfield and to name the newly created entity the Village of Fairborn, effective January 1, 1950. The Village of Fairborn became a city on August 20, 1951. The charter was first adopted by the electorate on November 2, 1971.

The municipal government provided by the charter is known as a Council–Manager form of government. Elected officials include six City Council members and a mayor. The Council appoints a City Manager who executes the laws and administers the government of the City. The City Manager appoints all of the department managers of the City.

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2005 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

Based on the foregoing, the City’s financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance, cemetery and other governmental services. The City also operates a municipal garage which is reported as an internal service fund. In addition, the City owns and operates the water treatment and distribution system, wastewater treatment and collection system and a solid waste collection operation which are reported as enterprise funds. Council and the City Manager have direct responsibility for these activities.

B. Basis of Presentation - Fund Accounting

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

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

General Fund - This fund is used to account 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 general laws of Ohio and the Charter of the City.

General Bond Retirement Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal and interest.

Tax Increment Fund - To account for revenue received from payments in lieu of taxes from area businesses that are within tax increment financing districts, which are used for capital infrastructure improvements or pay for associated debt on past capital improvements within the designated area.

Public Safety Equipment/Facility Fund - To account for revenues received from the ¼ of 1% income tax levy, emergency response auto-collect and other revenue sources to provide funding for Fire facilities and equipment.

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

Proprietary Funds

The proprietary funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The following are the City's proprietary fund types:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered or financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are the City's major enterprise funds:

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

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

Sanitation Fund - This fund is used to account for the operation of the City's refuse collection system.

Internal Service Funds - The City's internal service funds are used to account for the financing of equipment maintenance and repair, information technology costs and payment of employee assistance programs excluding employee healthcare costs. The internal service funds provide goods and services to other departments of the City on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The only fiduciary fund of the City is an agency fund, which is used to account for monies that flow through the clerk of courts office. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

C. Basis of Presentation - Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

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

D. Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

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

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2005 but which are not intended to finance 2005 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The Fire and EMS Fund (Special Revenue) is being reported as part of the statements prepared using generally accepted accounting principles but was not budgeted by the City because it is outside of the appropriated budget and did not maintain separate budgetary financial records. The legal level of budgetary control is by fund by department. Budgetary control is maintained by not permitting expenditures to exceed appropriations by department within each fund without the approval of City Council. Administrative control is maintained through the establishment of more detailed line-item budgets. Budgetary modifications above the department level by fund may only be made by ordinance of the City Council. During 2005, all appropriations were approved as required.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or fall short of current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued for 2005.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund and department level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified by the County Budget Commission. The City Manager is authorized to transfer appropriations between line items within the same department, within the same fund provided total appropriations for each department do not exceed the amount approved by City Council. All other modifications may only be made by ordinance of City Council. During the year supplemental appropriation measures were passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (non-GAAP budgetary basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balance
	<u>General Fund</u>
GAAP Basis (as reported)	\$812,696
Increase (Decrease):	
Accrued Revenues at December 31, 2005 received during 2006	(3,200,551)
Accrued Revenues at December 31, 2004 received during 2005	1,415,047
Accrued Expenditures at December 31, 2005 paid during 2006	1,123,126
Accrued Expenditures at December 31, 2004 paid during 2005	(1,046,401)
2005 Prepays for 2006	(45,409)
2004 Prepays for 2005	45,438
Outstanding Encumbrances	<u>(114,234)</u>
Budget Basis	<u><u>(\$1,010,288)</u></u>

F. Cash and Cash Equivalents

Cash balances of the City’s funds, except cash held by a trustee or fiscal agent, are pooled and deposited in a central bank account or invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund’s interest in the pool of cash and investments is presented as “cash and cash equivalents” on the financial statements.

For purposes of the statement of cash flows and the financial statements the City’s cash management pool and investments with original maturities of three months or less are considered to be cash equivalents. See Note 4, “Cash, Cash Equivalents and Investments.”

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

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

The City has invested funds in the STAR Ohio during 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005. See Note 4, "Cash, Cash Equivalents and Investments."

H. Inventory of Supplies

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at cost or market whichever is lower. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Restricted Assets

Restricted assets in the enterprise funds represent cash and cash equivalents set aside for the repayment of deposits to water, sewer and sanitation customers.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for infrastructure includes assets acquired prior to fiscal years ended after June 30, 1980. Estimated historical costs for governmental activities capital asset values were initially determined at December 31, 1985 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings and Improvements	45
Infrastructure	30
Machinery and Equipment	5 - 30
Vehicles	6

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time 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 using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

The criteria for determining the vacation, compensatory time and sick leave liability are derived from negotiated agreements and state laws. City employees earn vacation leave at varying rates based upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment. Sick leave benefits are earned at varying rates based on whether the employee is union or non-union. Upon retirement employees are paid for any unused accumulated sick leave up to various limits depending upon the union agreement that applies.

For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

M. Accrued Liabilities and Long-Term Debt

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Accrued Liabilities and Long-Term Debt (Continued)

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Street Lighting Fund General Bond Retirement Fund General Capital Improvement Fund Buildings and Land Fund Water Fund Sewer Fund
Special Assessment Bonds	General Bond Retirement Fund
Income Tax Revenue Bonds	Public Safety Equipment / Facility Fund
Compensated Absences	Paid from the fund(s) from which the employee's salary is paid.
Ohio Water Development Authority Loans	Sewer Fund
Ohio Public Works Commission Loan	Water Fund
Capital Leases	General and Water Fund
Landfill Post Closure	Sanitation Fund

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, federal grants for security of persons and property and mandatory fines for various court programs. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Reservations of Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or the portion of fund balance that is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items, debt service and encumbered amounts that have not been accrued at year-end.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Intergovernmental Revenues

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

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

Q. Interfund Receivables/Payables

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due From Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans are classified as "Interfund Receivables/Payables."

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally in Governmental funds by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

R. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. On the government-wide statement of activities, all interfund activity of the self-insurance fund is eliminated as part of consolidation

In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. The elimination of the internal service funds is based on the activity of each fund to which it provides service.

S. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2005, the City did not report either an extraordinary item or a special item.

NOTE 2 – RESTATEMENT OF NET ASSETS / FUND BALANCE

The fund balances of the Issue II Improvement Fund (Nonmajor Capital Project Fund) and the Tax Increment Fund (Major Capital Projects Fund) were restated by \$186,264 on a fund level to properly record a general obligation note liability of \$185,000 and the accrued interest on the note of \$1,264. The fund balances were restated to the respective balances of \$17,731 and (\$179,617) from (\$168,533), and \$6,647. The tax increment fund was previously being reported as a nonmajor debt service fund.

The net assets of the Water Fund, Sewer Fund, Sanitation Fund (Major Enterprise Funds), and the Equipment Fund (Internal Service Fund) were restated on a fund level to account for the reevaluation of capital assets. The reevaluation of capital assets also caused the net assets of Governmental Activities to be restated on an entity wide basis. The corrections resulted in changes to the following net assets reported at December 31, 2004 as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Equipment Fund</u>	<u>Governmental Activities</u>
Net Assets at					
December 31, 2004 (as reported)	\$8,208,984	\$6,960,855	\$644,949	\$518,948	\$66,746,479
Restatement of Capital Assets	<u>(1,860,178)</u>	<u>1,531,485</u>	<u>31,275</u>	<u>(199,244)</u>	<u>(182,082)</u>
Net Assets at					
December 31, 2004 (as restated)	<u>\$6,348,806</u>	<u>\$8,492,340</u>	<u>\$676,224</u>	<u>\$319,704</u>	<u>\$66,564,397</u>

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

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The deficits of \$134,191 in the Community Development Fund, \$205,137 in the City Motor Vehicle Permissive License Tax Fund, (special revenue funds), \$1,272,421 in the TIF Fund (capital projects fund) and \$399,606 in the Special Assessment Construction Fund (capital projects fund) arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the cash basis. Under the budgetary basis of accounting, these expenditures are not recognized until they are paid; therefore, deficits did not exist, except for the Community Development Fund where a deficit exists under the budgetary basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

Ohio Revised Code states that no contracts or orders involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free any previous encumbrances. During the year certain expenditures were not properly encumbered prior to incurring the obligation.

In addition to the deficit balances described above, the District also had a deficit cash basis fund balance at year end and during the year for the Community Development. At December 31, 2005, the fund had a negative cash fund balance of \$113,548. This is in noncompliance with Ohio Revised Code 5705.10.

For the year ended December 31, 2005 expenditures exceeded appropriations at the legal level of budgetary control in the Public Safety Equipment / Facility Fund (capital projects fund). Ohio Revised Code requires that expenditures not exceed appropriations. The excess expenditures were funded from available fund balances.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. The City has a formal adopted investment policy, with the main objective of preservation of principle and meeting liquidity needs of the City. Another objective is to provide a reasonable rate of return on investments within the parameters of the main objective.

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

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

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

invested or deposited in the following securities:

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

A. Deposits

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$7,881,530 and the bank balance was \$9,457,735. Federal depository insurance covered \$300,000 of the bank balance and \$9,157,735 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$9,157,735</u>
Total Balance	<u><u>\$9,157,735</u></u>

B. Investments

The City's investments at December 31, 2005 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$5,804,422	AAAm ¹	\$5,804,422	\$0	\$0
City's Debt	59,812	N/A	59,812	0	0
FHLMC	1,826,861	AAA ¹ /Aaa ²	1,826,861	0	0
FNMA	3,939,561	AAA ¹ /Aaa ²	3,939,561	0	0
FHLB	5,370,724	AAA ¹ /Aaa ²	498,725	1,899,964	2,972,035
FHLM	4,746	AAA ¹ /Aaa ²	4,746	0	0
Total Investments	<u>\$17,006,126</u>		<u>\$12,134,127</u>	<u>\$1,899,964</u>	<u>\$2,972,035</u>

¹ Standard & Poor's

² Moody's Investor Service

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 34.1% are STAR Ohio, 31.6% are FHLB, 23.2% are FNMA, 10.7% are FHLMC, and less than 1% are FHLM.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents*</u>	<u>Investments</u>
Per Financial Statements	\$13,641,308	\$11,246,348
Certificates of Deposit (with maturities of more than 3 months)	44,644	(44,644)
STAR Ohio	<u>(5,804,422)</u>	<u>5,804,422</u>
Per GASB Statement No. 3	<u>\$7,881,530</u>	<u>\$17,006,126</u>

* Includes Cash with Fiscal Agent.

This space intentionally left blank.

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

NOTE 5 – TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2005. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20 unless extended.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fairborn. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2005, was \$9.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which the 2004 property tax levy, collected in 2005, were based are as follows:

Real Property Assessed Valuation	\$599,579,410
Public Utility Real Property Assessed Valuation	14,726,390
Tangible Personal Property Assessed Valuation	28,562,585
Less: Exemptions	<u>(133,948,720)</u>
Total	<u>\$508,919,665</u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2005. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2005 operations. The receivable is therefore offset by a credit to deferred revenue.

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

NOTE 5 – TAXES (Continued)

B. Income Tax

The City levies a municipal income tax of one and a half percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City, however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by City Council. In 2005, the proceeds were allocated to the General Fund. However, of the ½% effective January 1, 2005, ¼% is for Fire Equipment and Facilities and ¼% is for Local and County Street Improvements and was therefore subsequently transferred to their respective capital project funds.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2005, consisted of taxes, interfund receivables, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, interest on investments, and utility accounts. All receivables are considered fully collectible.

By statute, local property taxes have been reduced 10 percent, with additional reductions for the elderly and the disabled. The amount of these reductions, estimated to be approximately \$214,112, will be paid to the City by the State of Ohio in the latter part of 2006.

This space intentionally left blank.

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

NOTE 7 – CAPITAL ASSETS

A. Governmental Activities Capital Assets

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

<i>Historical Cost:</i>	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$12,285,054	\$515,991	(\$8,689)	\$12,792,356
Construction in Progress	66,077	2,154,019	0	2,220,096
Subtotal	12,351,131	2,670,010	(8,689)	15,012,452
<i>Capital assets being depreciated:</i>				
Buildings	7,729,933	280,221	(2,174)	8,007,980
Improvements Other than Buildings	1,482,757	67,163	0	1,549,920
Machinery and Equipment	3,421,308	238,711	(23,791)	3,636,228
Vehicles	3,854,711	306,130	(178,027)	3,982,814
Infrastructure	62,378,251	923,031	(242,751)	63,058,531
Subtotal	78,866,960	1,815,256	(446,743)	80,235,473
Total Cost	\$91,218,091	\$4,485,266	(\$455,432)	\$95,247,925
<i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$3,937,761)	(\$353,824)	\$2,174	(\$4,289,411)
Improvements Other than Buildings	(1,188,396)	(32,912)	0	(1,221,308)
Machinery and Equipment	(2,225,078)	(300,957)	22,169	(2,503,866)
Vehicles	(2,203,502)	(247,919)	166,300	(2,285,121)
Infrastructure	(24,558,873)	(1,613,681)	183,549	(25,989,005)
Total Depreciation	(\$34,113,610)	(\$2,549,293) *	\$374,192	(\$36,288,711)
<i>Net Value:</i>	\$57,104,481			\$58,959,214

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$424,630
Public Health and Welfare Services	3,649
Leisure Time Activities	60,480
Community Environment	41,029
Transportation	44,744
General Government	1,974,761
Total Depreciation Expense	\$2,549,293

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

NOTE 7 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2005:

<i>Historical Cost:</i>	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$152,251	\$40,617	\$0	\$192,868
Construction In Progress	2,979,557	1,253,022	(2,794,487)	1,438,092
Subtotal	3,131,808	1,293,639	(2,794,487)	1,630,960
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	35,539,067	3,729,194	0	39,268,261
Machinery and Equipment	6,370,011	224,487	(16,398)	6,578,100
Vehicles	921,527	12,111	(11,857)	921,781
Subtotal	42,830,605	3,965,792	(28,255)	46,768,142
Total Cost	<u>\$45,962,413</u>	<u>\$5,259,431</u>	<u>(\$2,822,742)</u>	<u>\$48,399,102</u>
 <i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Buildings and Improvements	(\$18,861,164)	(\$1,407,189)	\$0	(\$20,268,353)
Machinery and Equipment	(4,289,818)	(426,919)	14,586	(4,702,151)
Vehicles	(612,314)	(57,143)	10,312	(659,145)
Total Depreciation	<u>(\$23,763,296)</u>	<u>(\$1,891,251)</u>	<u>\$24,898</u>	<u>(\$25,629,649)</u>
<i>Net Value:</i>	<u>\$22,199,117</u>			<u>\$22,769,453</u>

This space intentionally left blank.

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2005, 2004, and 2003 were \$914,156, \$905,381 and \$900,360, respectively, which were equal to the required contributions for each year.

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$269,862.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$518,624, \$517,248 and \$500,994 for police and \$762,748, \$720,953 and \$694,204 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2005 covered payroll that was used to fund postemployment health care benefits was \$206,120 representing 7.75% of covered payroll for police and \$246,304 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

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

NOTE 9 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

All full-time City employees earn vacation at varying rates based upon the employee's years of service. Employees are allowed to carry over up to two years of accumulated vacation. Upon separation from the City, the employee (or his estate) receives 100% of all accumulated, unused vacation. Employees earn sick leave at a rate of 1.25 days per month of work completed. Upon retirement, and in certain instances, termination, an individual will be compensated for their accumulated sick leave at a maximum rate of one-third of the balance provided they meet minimum accumulated sick leave hours ranging from 480 to 720 hours and do not to exceed varying maximums ranging from 1,200 to 1,800 hours. The monetary compensation is calculated at the hourly rate of compensation of the employee at the time of retirement.

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

At December 31, 2005, the total accumulated unpaid sick, vacation and compensatory time recorded as Long-Term Obligations by the City was as follows:

Governmental Activities:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	41,585	\$281,262
Vacation and Compensatory Time	28,921	677,030
Total	<u>70,506</u>	<u>\$958,292</u>

Business-Type Activities:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	8,288	\$55,751
Vacation and Compensatory Time	4,303	85,682
Total	<u>12,591</u>	<u>\$141,433</u>

B. Medical, Dental and Life Insurance Benefits

The City provides medical, dental and life insurance benefits for all full-time (30+ hours per week) employees. The non-union, and AFSCME personnel can select one of two medical planes, either Anthem POS plan or an Anthem PPO plan. The FOP and IAFF personnel currently have an Anthem HMO.

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

NOTE 9 – OTHER EMPLOYEE BENEFITS (Continued)

B. Medical, Dental and Life Insurance Benefits (Continued)

The City also provides life insurance through Anthem Life in the amount of \$50,000 for non-union, FOP and IAFF personnel. The City provides, through the Ohio AFSCME Care Plan, life insurance, accidental death and dismemberment, vision and hearing aid insurance for AFSCME personnel. Life insurance through the AFSCME Care Plan is based on their hourly wage with a minimum and maximum of \$10,000 and \$16,000, respectively.

Non-union personnel medical insurance was provided by Anthem Blue Cross and Blue Shield. Dental insurance for non-union personnel is provided by Superior Dental effective January 1, 2005. The City also provides life insurance through Anthem Life in the amount of \$50,000 for all employees.

The City also provides through Ohio AFSCME Care Plan dental insurance for AFSCME, FOP & IAFF personnel. Dental Insurance for non-union personnel is provided by Superior Dental effective January 1, 2005.

NOTE 10 – NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than, those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

	Balance December 31, 2004	Issued	(Retired)	Balance December 31, 2005
General Obligation Notes:				
Capital Projects Funds:				
2.05% Yellow Springs Improvement	\$185,000	\$0	(\$185,000)	\$0
2.97% Commerce Blvd. Extension	0	2,110,000	0	2,110,000
Enterprise Funds:				
2.25% Water Improvement	550,000	0	(550,000)	0
2.78% Water Improvement	0	1,750,000	0	1,750,000
2.25% Sewer Improvement	1,080,000	0	(1,080,000)	0
2.78% Sewer Improvement	0	2,950,000	0	2,950,000
Total Notes Payable	<u>\$1,815,000</u>	<u>\$6,810,000</u>	<u>(\$1,815,000)</u>	<u>\$6,810,000</u>

CITY OF FAIRBORN, OHIO

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

NOTE 11 – LONG-TERM OBLIGATIONS

Detail of the changes in the bonds, loans, compensated absences and intergovernmental payables of the City for the year ended December 31, 2005 is as follows:

Date Purchased	Interest Rate	Description	Balance December 31, 2004	Issued	(Retired)	Balance December 31, 2005	Amount Due Within One Year
Business-Type Activities:							
General Obligation Bonds:							
2001	3.00 - 4.20%	Utility Improvement - Water	\$1,340,000	\$0	(\$170,000)	\$1,170,000	\$175,000
		Unamortized Charge	(17,278)	0	2,560	(14,718)	0
2001	3.00 - 4.20%	Utility Improvement - Sewer	1,340,000	0	(170,000)	1,170,000	175,000
		Unamortized Charge	(17,278)	0	2,560	(14,718)	0
2001	3.50 - 4.20%	Various Purpose - Water	687,500	0	(87,500)	600,000	90,000
2001	3.50 - 4.20%	Various Purpose - Sewer	687,500	0	(87,500)	600,000	90,000
2003	2.25 - 5.00%	Various Purpose - Sewer	870,000	0	(95,000)	775,000	100,000
2004	2.00 - 4.38%	Various Purpose - Water	1,218,750	0	(39,000)	1,179,750	46,800
2004	2.00 - 4.38%	Various Purpose - Sewer	1,906,250	0	(61,000)	1,845,250	73,200
		Total General Obligation Bonds	<u>8,015,444</u>	<u>0</u>	<u>(704,880)</u>	<u>7,310,564</u>	<u>750,000</u>
Ohio Water Development Authority Loans (OWDA):							
1986	7.000%	OWDA Loan	519,051	0	(69,047)	450,004	75,239
1992	5.200%	OWDA Loan	1,322,202	0	(137,144)	1,185,058	144,368
1993	3.540%	OWDA Loan	100,740	0	(11,101)	89,639	11,497
1996	3.910%	OWDA Loan	1,116,969	0	(105,770)	1,011,199	109,946
		Total Ohio Water Development Authority Loans	<u>3,058,962</u>	<u>0</u>	<u>(323,062)</u>	<u>2,735,900</u>	<u>341,050</u>
		Ohio Public Works Commission Loan	<u>183,540</u>	<u>0</u>	<u>(16,685)</u>	<u>166,855</u>	<u>16,685</u>
		Capital Leases	<u>75,783</u>	<u>0</u>	<u>(17,701)</u>	<u>58,082</u>	<u>18,506</u>
		Compensated Absences	<u>148,833</u>	<u>61,231</u>	<u>(68,631)</u>	<u>141,433</u>	<u>12,729</u>
		Landfill Closure and Postclosure Care Costs	<u>283,066</u>	<u>0</u>	<u>(20,219)</u>	<u>262,847</u>	<u>20,219</u>
		Total Business-Type Activities	<u>\$11,765,628</u>	<u>\$61,231</u>	<u>(\$1,151,178)</u>	<u>\$10,675,681</u>	<u>\$1,159,189</u>

This space intentionally left blank.

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

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

Date Purchased	Interest Rate	Description	Balance December 31, 2004	Issued	Issued (Retired)	Balance December 31, 2005	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
2001	3.00 - 4.20%	Fairborn Library	\$925,000	\$0	(\$120,000)	\$805,000	\$120,000
1998	Various	Police/Fire Dispatch	215,000	0	(70,000)	145,000	70,000
1999	Various	Street Improvement	140,000	0	(25,000)	115,000	25,000
2003	Various	Dayton-Yellow Springs Improvement	295,000	0	(10,000)	285,000	10,000
2003	Various	Municipal Court Building Renovation	440,000	0	(15,000)	425,000	15,000
2004	Various	Municipal Building Bond	100,000	0	(10,000)	90,000	10,000
2004	Various	Fire Truck Bonds	175,000	0	(55,000)	120,000	60,000
Total General Obligation Bonds			<u>2,290,000</u>	<u>0</u>	<u>(305,000)</u>	<u>1,985,000</u>	<u>310,000</u>
Special Assessment Notes:							
2002	4.000%	Curb and Sidewalk	33,866	0	(11,289)	22,577	11,289
2003	4.000%	Curb and Sidewalk	49,645	0	(12,411)	37,234	12,411
Total Special Assessment Notes (with Governmental Commitment)			<u>83,511</u>	<u>0</u>	<u>(23,700)</u>	<u>59,811</u>	<u>23,700</u>
Special Assessment Bonds:							
1981	9.250%	Water and Sewer Improvement	75,000	0	(75,000)	0	0
1986	8.750%	Water System Improvement	3,000	0	(3,000)	0	0
1988	7.190%	Street Improvement	300,000	0	(75,000)	225,000	75,000
1998	5.150%	Commerce Center/Channingway Drive	925,000	0	(45,000)	880,000	50,000
Total Special Assessment Bonds (with Governmental Commitment)			<u>1,303,000</u>	<u>0</u>	<u>(198,000)</u>	<u>1,105,000</u>	<u>125,000</u>
2005	3.500%	Income Tax Revenue Bonds	0	10,000,000	(650,000)	9,350,000	880,000
2005		Premium on Tax Revenue Bonds	0	281,454	(28,145)	253,309	28,145
Capital Leases			<u>59,482</u>	<u>42,119</u>	<u>(46,003)</u>	<u>55,598</u>	<u>48,722</u>
Compensated Absences			<u>846,630</u>	<u>179,688</u>	<u>(67,996)</u>	<u>958,292</u>	<u>86,246</u>
Total Other Long-Term Liabilities			<u>906,112</u>	<u>221,777</u>	<u>(113,999)</u>	<u>1,013,890</u>	<u>134,968</u>
Total Governmental Activities			<u>\$4,582,623</u>	<u>\$10,503,231</u>	<u>(\$1,318,844)</u>	<u>\$13,767,010</u>	<u>\$1,501,813</u>

The principal amount of the City’s special assessment bonds outstanding at December 31, 2005, \$1,105,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

The voted general obligation bond issues will be paid through the Street Lighting Fund, and the General Bond Retirement Fund from tax revenue. The unvoted general obligation bond issues will be paid from the General Capital Improvement Fund and Buildings and Land Fund from tax revenue. The income tax revenue bonds will be paid through the Public Safety Equipment / Facility Fund. Enterprise Funds’ bonds payable are general obligation bonds paid from operating revenues of the enterprise operation for which the improvements were made. The OWDA loans payable represents amounts borrowed from the Ohio Water Development Authority for the construction of sewer system improvements to the water reclamation center, part of the Sewer Fund. The loans will be paid from Sewer Fund revenue.

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

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

A. Future Long-Term Financing Requirements

A summary of the City’s future long-term debt funding requirements including principal and interest payments as of December 31, 2005 follows:

Years	Governmental Activities							
	General Obligation Bonds		Special Assessment Bonds		Special Assessment Notes		Income Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$310,000	\$83,267	\$125,000	\$62,420	\$23,700	\$2,393	\$880,000	\$359,400
2007	330,000	71,932	125,000	54,145	23,700	1,444	900,000	328,600
2008	200,000	59,225	130,000	45,870	12,411	496	920,000	294,850
2009	206,000	50,599	55,000	37,338	0	0	960,000	262,650
2010	182,000	41,641	60,000	34,505	0	0	1,000,000	229,050
2011-2015	505,000	122,153	345,000	123,600	0	0	4,690,000	509,500
2016-2020	192,000	31,100	265,000	28,325	0	0	0	0
2021-2024	60,000	5,400	0	0	0	0	0	0
Totals	\$1,985,000	\$465,317	\$1,105,000	\$386,203	\$59,811	\$4,333	\$9,350,000	\$1,984,050

Years	Business-Type Activities					
	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$750,000	\$280,126	\$341,050	\$141,682	\$16,685	\$0
2007	785,000	254,831	360,154	122,577	16,686	0
2008	815,000	228,969	380,453	102,279	16,685	0
2009	830,000	199,909	402,025	80,707	16,686	0
2010	865,000	169,544	424,950	57,772	16,685	0
2011-2015	1,515,000	511,072	827,268	55,405	83,428	0
2016-2020	910,000	325,782	0	0	0	0
2021-2024	870,000	95,350	0	0	0	0
Totals	\$7,340,000	\$2,065,583	\$2,735,900	\$560,422	\$166,855	\$0

This space intentionally left blank.

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

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

B. Conduit Debt

The City has issued Industrial Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of an extended care facility deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facility transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2005, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$1,433,333. The original issue amount totaled \$2,500,000.

C. Defeasance of General Obligation Debt

In September of 2001, the City defeased \$3,615,000 of General Obligation Bonds for Utility Improvements dated October 1, 1991 (the “1991 Utility Improvement Bonds”) through the issuance of \$3,960,000 of General Obligation Bonds for Utility Improvements (the “2001 Utility Improvement Bonds”). Also in September of 2001, the City defeased \$1,245,000 of General Obligation Bonds for Library Improvements dated October 1, 1991 (the “1991 Library Improvement Bonds”) through the issuance of \$1,370,000 of General Obligation Bonds for Library Improvements (the “2001 Library Improvement Bonds”). The net proceeds of the 2001 Utility Improvement Bonds and the 2001 Library Improvement Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded Utility Improvement Bonds, which have an outstanding balance of \$2,305,000 at December 31, 2005, and the Library Improvement Bonds, which have an outstanding balance of \$795,000 at December 31, 2005, are not included in the City’s outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

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

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City’s landfill placed its final cover in 1989. The \$262,847 reported as landfill postclosure care liability in the Sanitation Enterprise Fund at December 31, 2005, represents the cumulative amount reported to date based on the estimated cost of maintenance and monitoring through 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. Financial assurances may take the form of a financial test and corporate guarantee.

NOTE 13 - CAPITAL LEASE COMMITMENTS

Under capital leases the City leases four police cruisers, a truck, and a case loader. The original cost of the assets under capital lease is \$166,028. The original costs for the cruisers and the truck are accounted for in the Governmental Activities Capital Assets and the related Liability in the Governmental Activities Other Long-Term Obligations. The original costs of these assets were \$69,096. The original cost and liability for the case loader is accounted for in the Water Fund. The original cost of this asset is \$96,932.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2005:

Year Ending December 31,	Governmental Capital Leases	Business-Type Capital Leases
2006	\$50,636	\$21,149
2007	7,156	21,149
2008	0	21,149
Minimum Lease Payments	57,792	63,446
Less: Amount representing interest at the City's incremental borrowing rate of interest	(2,194)	(5,365)
Present value of minimum lease payments	\$55,598	\$58,082

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

NOTE 14 - TRANSFERS

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

Fund	Transfers In	Transfers Out
General	\$0	\$3,057,305
General Bond Retirement	0	11,614 *
Public Safety Equipment/Facility	1,225,113	0
Sewer	11,614 *	0
Nonmajor Governmental Funds:		
Cemetery	62,000	0
Street Lighting	174,000	0
County Motor Vehicle License Tax	408,371	0
City Motor Vehicle License Tax	816,742	0
Fairborn School Tax Sharing	37,552	0
General Capital Improvement	133,411	0
Buildings and Land	200,116	0
Total Nonmajor Governmental Funds	1,832,192	0
Totals	\$3,068,919	\$3,068,919

* Transfer for financial reporting purposes but not for budgetary purposes.

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

This space intentionally left blank.

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

NOTE 15 – INTERFUND ASSETS AND LIABILITIES

Individual fund interfund receivable and payable balances at December 31, 2005, were as follows:

	Interfund Receivables	Due From Other Funds	Interfund Payables	Due To Other Funds
General	\$934,708	\$315	\$0	\$13,533
Water	0	0	0	1,814
Sewer	0	1,347	0	1,351
Sanitation	0	0	0	221
Nonmajor Governmental Funds:				
Street Maintenance and Repair	0	0	0	2,822
State Highway	0	0	0	449
Cemetery	0	0	0	98
Community Development	0	0	111,523	105
County Motor Vehicle License Tax	0	0	110,294	0
Special Assessment Construction	0	0	712,891	0
Total Nonmajor Governmental Funds	0	0	934,708	3,474
Internal Service Fund:				
Equipment	0	18,830	0	60
Information Technology	0	0	0	39
Total Internal Service Funds	0	18,830	0	99
Total All Funds	\$934,708	\$20,492	\$934,708	\$20,492

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2005 of \$167,415, which was offset in the Governmental Activities by the same amount. The Due to Other Funds is a reimbursement of expenditures made by the funds. The Interfund Receivable is a short-term loan to cover a temporary cash deficit.

The City loaned money from the General Fund to the Community Development Fund in the amount of \$111,523 creating an interfund receivable for the General Fund and interfund payable for the Community Development Fund because the grant funds were not received to cover expenditures prior to December 31, 2005.

In 2005, Council approved an advance in the amount of \$110,294 from the General Fund to the County Motor Vehicle License Tax Fund to finance the remainder of the 2005 Street Program. This will be repaid to the General Fund during 2006 from the ¼% income tax revenue. Council also approved an advance in the amount of \$712,891 from the General Fund to the Special Assessment Construction Fund to finance the 2005 Curb and Sidewalk Program. This will be repaid in 2006 from the payments received on the curb and sidewalk invoices and a special assessment debt issue.

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

NOTE 16 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member of the Public Entities Pool of Ohio (PEP). PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductibles. PEP is a corporation governed by a seven-member board of directors, consisting of representatives elected by the 430 participating governments.

The agreement provides that the PEP will be self-sustaining through member premiums and excess insurance. The types of coverages and deductibles per occurrence are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Legal Liability for Third Party Claims	\$9,000,000	N/A
Automobile Liability	9,000,000	N/A
Law Enforcement Operations	9,000,000	3,000
Wrongful Acts (Public Officials)	9,000,000	3,000
Real and Personal Property Blanket	35,276,636	1,000
Emergency Vehicles	3,958,902	1,000
Miscellaneous Property	6,507,648	500
Electronic Data Processing	3,285,224	500
Dishonesty	500,000	N/A

PEP retains up to \$250,000 per claim, including loss adjustments expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures casualty claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$2,000,000. Local political subdivisions can elect additional coverage, up to a total limit of \$12,000,000 from the General Reinsurance Corporation.

Automobile physical damage risks are retained by the Pool up to \$100,000 for each accident and location. Reinsurance coverage is provided at different levels depending on the type of vehicle.

All property risks, which include physical damage coverage on specialized-use vehicles (fire trucks and emergency vehicles), are fully reinsured. Property risks exceeding \$250,000 up to \$600,000 are reinsured on an individual-member basis.

The City has contracted with the Cincinnati Insurance Company to provide boiler and machinery coverage. The deductible is \$2,500.

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

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

NOTE 16 – RISK MANAGEMENT (Continued)

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

The City contracted with Superior Dental to provide dental coverage for the general employees effective January 1, 2005. All claims under the self insurance program have been paid and the fund has no liability as of December 31, 2005.

Changes in the fund's claims liability amount in 2005 were:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2004	\$2,143	\$67,047	(\$64,730)	\$4,460
2005	4,460	8,454	(12,914)	0

NOTE 17 – CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2005, to December 31, 2005, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

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

NOTE 18 – CONSTRUCTION COMMITMENTS

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

Project	Remaining Construction Commitment	Expected Date of Completion
Construction Management Service - Burgess & Niple	\$4,032	May-06
Water Reclamation Admin/Laboratory - Rhecor Generator Contractors	351,586	May-06
Main Pump Station Design - Hazer & Sawyer	428,900	December-06
Influent Screenings Replacement - Ameritcon, Inc.	593,448	September-06
Total	\$1,377,966	

NOTE 19 – SUBSEQUENT EVENTS

On February 6, 2006 and March 13, 2006 the City entered into contracts with various contractors for the construction of two new fire stations and the renovation of two existing ones with the respective amounts of \$657,676, and \$11,074,000.

On June 14, 2006 the City issued \$3,900,000 of bond anticipation notes for the water and sewer construction projects within the City.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Fire and EMS Fund

To account for revenue derived from the EMS property tax levy and other Fire and EMS related revenues. (This fund is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

Street Maintenance and Repair Fund

To account for gasoline tax and motor vehicle license fees remitted to the City for routine street maintenance of city streets.

State Highway Fund

To account for gasoline tax and motor vehicle license fees used for routine state highways within the City.

Cemetery Fund

To account for revenues received from the sale of lots, charges for burial service and foundations and transfers to operate and maintain the City cemetery.

Community Development Fund

To account for monies received from the federal government under the Community Development Block Grant program.

Victim Witness Fund

To account for grant money received from the State of Ohio.

Street Lighting Fund

To account for voted tax millage and transfers from the general fund to provide street lighting within the City.

County Motor Vehicle License Tax Fund

To account for permissive license tax received from the County for a project approved by the county engineer, or transfers to finance the project until completion whereupon reimbursement will be received.

Law Enforcement Trust Fund

To account for fines generated in the prosecution of those in possession of contraband and the proceeds gained from the sale of the confiscated contraband.

(Continued)

Special Revenue Funds (Continued)

Drug Law Enforcement Fund

To account for donations from interested civic groups and fines generated from the prosecution of illegal drug usage and sales.

City Motor Vehicle License Tax Fund

To account for permissive license tax received from the State to finance various street projects.

Indigent Drivers Alcohol Treatment Fund

To account for fines imposed by the Municipal Court for the purpose of paying the costs of attendance of indigent OMVI offenders at alcohol and drug addiction treatment programs.

Alcohol Enforcement and Education Fund

To account for fines imposed by the Municipal Court for the purpose of educating the public and enforcing the laws governing the operation of a motor vehicle while under the influence of alcohol.

Federal Forfeitures Fund

To account for proceeds from federal forfeitures received by the Fairborn Police Department pursuant to Section 2933.43 of the Ohio Revised Code. The revenue is used for law enforcement purposes only, excluding salaries.

Municipal Probation Services Fund

To account for the monies received from fines levied and expenditures by the Probations Officers.

Fairborn School Tax Sharing Fund

To account for funds collected per the requirements of the tax sharing agreement between the City of Fairborn and the Fairborn City School District. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Uninsured Loss Fund

To account for the expenditure of funds to repair damage to City property.

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Issue II Improvement Fund

To account for Issue II funds received from the State of Ohio for each project awarded through this program and local matching funds. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Municipal Court Improvement Fund

To account for an extra three dollar fee charged by the municipal court on all cases. The money received from this fee is used for capital improvement projects within the municipal court.

Court Special Projects Fund

To account for revenues derived from fines levied by the court to be used by the court for special projects.

General Capital Improvement Fund

To account for revenues received to purchase or construct equipment or buildings.

Parks and Recreation Improvement Fund

To account for hotel/motel tax and grants for the improvement of the City park system.

Federal Emergency Management Agency (FEMA) Fund

To account for grant monies received from the Federal Emergency Management Agency for the purchase of equipment. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Buildings and Land Fund

To account for three percent of income tax revenue that is transferred from the general fund to fund major repair, replacement and improvement of City owned buildings and land. Minor repairs are paid through the departmental budgets of the City.

Special Assessment Construction Fund

To account for the sale of notes and the collection of special assessments for the construction of specific projects which will be paid from special assessments.

CITY OF FAIRBORN, OHIO

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 1,480,081	\$ 750,556	\$ 2,230,637
Investments	0	378,499	378,499
Receivables (net of allowance for doubtful accounts):			
Taxes	408,386	37,195	445,581
Accounts	20,596	153,895	174,491
Intergovernmental	762,359	149,348	911,707
Interest	14	328	342
Inventory of Supplies, at Cost	113,549	0	113,549
Prepaid Items	2,753	0	2,753
Total Assets	\$ 2,787,738	\$ 1,469,821	\$ 4,257,559
Liabilities:			
Accounts Payable	\$ 331,805	\$ 154,085	\$ 485,890
Accrued Wages and Benefits Payable	39,180	1,621	40,801
Intergovernmental Payable	10,017	2,367	12,384
Due to Other Funds	3,474	0	3,474
Interfund Loans Payable	221,817	712,891	934,708
Deferred Revenue	909,382	149,348	1,058,730
Total Liabilities	1,515,675	1,020,312	2,535,987
Fund Balances:			
Reserved for Encumbrances	129,426	188,880	318,306
Reserved for Prepaid Items	2,753	0	2,753
Reserved for Supplies Inventory	113,549	0	113,549
Unreserved, Undesignated in:			
Special Revenue Funds	1,026,335	0	1,026,335
Capital Projects Funds	0	260,629	260,629
Total Fund Balances	1,272,063	449,509	1,721,572
Total Liabilities and Fund Balances	\$ 2,787,738	\$ 1,469,821	\$ 4,257,559

CITY OF FAIRBORN, OHIO

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Property Taxes	\$ 192,806	\$ 89,878	\$ 282,684
Intergovernmental Revenues	1,677,637	360,813	2,038,450
Charges for Services	34,073	14,239	48,312
Investment Earnings	(70)	2,356	2,286
Special Assessments	0	145,778	145,778
Fines and Forfeitures	176,657	258,976	435,633
All Other Revenue	246,939	241,317	488,256
Total Revenue	2,328,042	1,113,357	3,441,399
Expenditures:			
Current:			
Security of Persons and Property	556,808	0	556,808
Public Health and Welfare Services	99,989	0	99,989
Leisure Time Activities	0	9,146	9,146
Community Environment	406,926	0	406,926
Transportation	1,056,935	0	1,056,935
General Government	53,170	271,392	324,562
Capital Outlay	1,603,835	1,717,176	3,321,011
Debt Service:			
Principal Retirement	0	130,000	130,000
Interest and Fiscal Charges	0	55,539	55,539
Total Expenditures	3,777,663	2,183,253	5,960,916
Excess (Deficiency) of Revenues Over Expenditures	(1,449,621)	(1,069,896)	(2,519,517)
Other Financing Sources (Uses):			
Sale of Capital Assets	17	17,192	17,209
Transfers In	1,498,665	333,527	1,832,192
Other Financing Sources - Capital Leases	0	42,119	42,119
Total Other Financing Sources (Uses)	1,498,682	392,838	1,891,520
Net Change in Fund Balances	49,061	(677,058)	(627,997)
Fund Balances at Beginning of Year	1,205,554	1,126,567	2,332,121
Increase (Decrease) in Inventory Reserve	17,448	0	17,448
Fund Balances End of Year	\$ 1,272,063	\$ 449,509	\$ 1,721,572

CITY OF FAIRBORN, OHIO

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

	Fire and EMS Fund	Street Maintenance and Repair Fund	State Highway Fund	Cemetery Fund	Community Development Fund
Assets:					
Cash and Cash Equivalents	\$ 0	\$ 448,264	\$ 49,193	\$ 9,695	\$ 0
Receivables (net of allowance for doubtful accounts):					
Taxes	243,444	0	0	0	0
Accounts	0	2,877	0	0	0
Intergovernmental	16,555	568,064	46,059	0	0
Interest	0	0	0	0	0
Inventory of Supplies, at Cost	0	113,549	0	0	0
Prepaid Items	0	2,197	187	369	0
Total Assets	\$ 259,999	\$ 1,134,951	\$ 95,439	\$ 10,064	\$ 0
Liabilities:					
Accounts Payable	\$ 0	\$ 108,902	\$ 5,416	\$ 2,164	\$ 16,386
Accrued Wages and Benefits Payable	0	27,438	1,479	2,101	3,611
Intergovernmental Payable	0	913	956	1,678	2,566
Due to Other Funds	0	2,822	449	98	105
Interfund Loans Payable	0	0	0	0	111,523
Deferred Revenue	250,696	378,709	30,706	0	0
Total Liabilities	250,696	518,784	39,006	6,041	134,191
Fund Balances:					
Reserved for Encumbrances	0	25,235	595	11	2,032
Reserved for Prepaid Items	0	2,197	187	369	0
Reserved for Supplies Inventory	0	113,549	0	0	0
Unreserved, Undesignated in:					
Special Revenue Funds (Deficit)	9,303	475,186	55,651	3,643	(136,223)
Total Fund Balances	9,303	616,167	56,433	4,023	(134,191)
Total Liabilities and Fund Balances	\$ 259,999	\$ 1,134,951	\$ 95,439	\$ 10,064	\$ 0

CITY OF FAIRBORN, OHIO

<u>Victim Witness Fund</u>	<u>Street Lighting Fund</u>	<u>County Motor Vehicle License Tax Fund</u>	<u>Law Enforcement Trust Fund</u>	<u>Drug Law Enforcement Fund</u>	<u>City Motor Vehicle License Tax Fund</u>	<u>Indigent Drivers Alcohol Treatment Fund</u>
\$ 5,602	\$ 2,833	\$ 59,903	\$ 2,208	\$ 2,497	\$ 144,460	\$ 323,519
0	164,942	0	0	0	0	0
1,271	0	711	0	193	0	778
20,227	5,543	35,300	0	0	70,611	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>\$ 27,100</u>	<u>\$ 173,318</u>	<u>\$ 95,914</u>	<u>\$ 2,208</u>	<u>\$ 2,690</u>	<u>\$ 215,071</u>	<u>\$ 324,297</u>
\$ 30	\$ 1,250	\$ 167,224	\$ 0	\$ 0	\$ 24,610	\$ 0
3,676	0	0	0	0	0	0
2,577	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	110,294	0	0	0	0
13,881	164,783	23,533	0	0	47,074	0
<u>20,164</u>	<u>166,033</u>	<u>301,051</u>	<u>0</u>	<u>0</u>	<u>71,684</u>	<u>0</u>
100	0	0	0	0	95,664	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>6,836</u>	<u>7,285</u>	<u>(205,137)</u>	<u>2,208</u>	<u>2,690</u>	<u>47,723</u>	<u>324,297</u>
<u>6,936</u>	<u>7,285</u>	<u>(205,137)</u>	<u>2,208</u>	<u>2,690</u>	<u>143,387</u>	<u>324,297</u>
<u>\$ 27,100</u>	<u>\$ 173,318</u>	<u>\$ 95,914</u>	<u>\$ 2,208</u>	<u>\$ 2,690</u>	<u>\$ 215,071</u>	<u>\$ 324,297</u>

(Continued)

CITY OF FAIRBORN, OHIO

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

	Alcohol Enforcement and Education Fund	Federal Forfeitures Fund	Municipal Probation Services Fund	Uninsured Loss Fund	Total Nonmajor Special Revenue Funds
Assets:					
Cash and Cash Equivalents	\$ 9,164	\$ 41,465	\$ 261,846	\$ 119,432	\$ 1,480,081
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	408,386
Accounts	276	0	7,788	6,702	20,596
Intergovernmental	0	0	0	0	762,359
Interest	0	0	0	14	14
Inventory of Supplies, at Cost	0	0	0	0	113,549
Prepaid Items	0	0	0	0	2,753
Total Assets	\$ 9,440	\$ 41,465	\$ 269,634	\$ 126,148	\$ 2,787,738
Liabilities:					
Accounts Payable	\$ 115	\$ 5,708	\$ 0	\$ 0	\$ 331,805
Accrued Wages and Benefits Payable	0	0	875	0	39,180
Intergovernmental Payable	0	0	1,327	0	10,017
Due to Other Funds	0	0	0	0	3,474
Interfund Loans Payable	0	0	0	0	221,817
Deferred Revenue	0	0	0	0	909,382
Total Liabilities	115	5,708	2,202	0	1,515,675
Fund Balances:					
Reserved for Encumbrances	0	0	5,789	0	129,426
Reserved for Prepaid Items	0	0	0	0	2,753
Reserved for Supplies Inventory	0	0	0	0	113,549
Unreserved, Undesignated in:					
Special Revenue Funds (Deficit)	9,325	35,757	261,643	126,148	1,026,335
Total Fund Balances	9,325	35,757	267,432	126,148	1,272,063
Total Liabilities and Fund Balances	\$ 9,440	\$ 41,465	\$ 269,634	\$ 126,148	\$ 2,787,738

CITY OF FAIRBORN, OHIO

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

	Fire and EMS Fund	Street Maintenance and Repair Fund	State Highway Fund	Cemetery Fund	Community Development Fund
Revenues:					
Property Taxes	\$ 9,303	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	1,107,661	88,902	0	173,604
Charges for Services	0	0	0	34,073	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	0	10,938	1,528	1,532	148,168
Total Revenue	9,303	1,118,599	90,430	35,605	321,772
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Public Health and Welfare Services	0	0	0	99,989	0
Community Environment	0	0	0	0	406,926
Transportation	0	871,197	66,663	0	0
General Government	0	0	0	0	0
Capital Outlay	0	49,855	0	3,000	26,779
Total Expenditures	0	921,052	66,663	102,989	433,705
Excess (Deficiency) of Revenues Over Expenditures	9,303	197,547	23,767	(67,384)	(111,933)
Other Financing Sources (Uses):					
Sale of Capital Assets	0	17	0	0	0
Transfers In	0	0	0	62,000	0
Total Other Financing Sources (Uses)	0	17	0	62,000	0
Net Change in Fund Balances	9,303	197,564	23,767	(5,384)	(111,933)
Fund Balances (Deficits) at Beginning of Year	0	401,155	32,666	9,407	(22,258)
Increase (Decrease) in Inventory Reserve	0	17,448	0	0	0
Fund Balances (Deficits) End of Year	\$ 9,303	\$ 616,167	\$ 56,433	\$ 4,023	\$ (134,191)

(Continued)

CITY OF FAIRBORN, OHIO

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

	Victim Witness Fund	Street Lighting Fund	County Motor Vehicle License Tax Fund	Law Enforcement Trust Fund	Drug Law Enforcement Fund
Revenues:					
Property Taxes	\$ 0	\$ 183,503	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	85,816	0	73,355	0	0
Charges for Services	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	16,021	0	0	0	0
All Other Revenue	749	16,902	15,847	4,285	3,547
Total Revenue	102,586	200,405	89,202	4,285	3,547
Expenditures:					
Current:					
Security of Persons and Property	93,078	397,276	0	3,612	2,945
Public Health and Welfare Services	0	0	0	0	0
Community Environment	0	0	0	0	0
Transportation	0	0	58,637	0	0
General Government	0	0	0	0	0
Capital Outlay	27	0	686,632	0	0
Total Expenditures	93,105	397,276	745,269	3,612	2,945
Excess (Deficiency) of Revenues Over Expenditures	9,481	(196,871)	(656,067)	673	602
Other Financing Sources (Uses):					
Sale of Capital Assets	0	0	0	0	0
Transfers In	0	174,000	408,371	0	0
Total Other Financing Sources (Uses)	0	174,000	408,371	0	0
Net Change in Fund Balances	9,481	(22,871)	(247,696)	673	602
Fund Balances (Deficits) at Beginning of Year	(2,545)	30,156	42,559	1,535	2,088
Increase (Decrease) in Inventory Reserve	0	0	0	0	0
Fund Balances (Deficits) End of Year	\$ 6,936	\$ 7,285	\$ (205,137)	\$ 2,208	\$ 2,690

CITY OF FAIRBORN, OHIO

City Motor Vehicle License Tax Fund	Indigent Drivers Alcohol Treatment Fund	Alcohol Enforcement and Education Fund	Federal Forfeitures Fund	Municipal Probation Services Fund	Fairborn School Tax Sharing Fund	Uninsured Loss Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 192,806
140,729	0	0	7,570	0	0	0	1,677,637
0	0	0	0	0	0	0	34,073
0	0	0	0	0	0	(70)	(70)
0	26,414	3,221	37,282	93,719	0	0	176,657
0	0	0	0	334	0	43,109	246,939
<u>140,729</u>	<u>26,414</u>	<u>3,221</u>	<u>44,852</u>	<u>94,053</u>	<u>0</u>	<u>43,039</u>	<u>2,328,042</u>
0	650	4,190	7,065	47,992	0	0	556,808
0	0	0	0	0	0	0	99,989
0	0	0	0	0	0	0	406,926
60,438	0	0	0	0	0	0	1,056,935
0	0	0	0	994	37,552	14,624	53,170
<u>794,971</u>	<u>0</u>	<u>0</u>	<u>19,466</u>	<u>4,835</u>	<u>0</u>	<u>18,270</u>	<u>1,603,835</u>
<u>855,409</u>	<u>650</u>	<u>4,190</u>	<u>26,531</u>	<u>53,821</u>	<u>37,552</u>	<u>32,894</u>	<u>3,777,663</u>
(714,680)	25,764	(969)	18,321	40,232	(37,552)	10,145	(1,449,621)
0	0	0	0	0	0	0	17
<u>816,742</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,552</u>	<u>0</u>	<u>1,498,665</u>
<u>816,742</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,552</u>	<u>0</u>	<u>1,498,682</u>
102,062	25,764	(969)	18,321	40,232	0	10,145	49,061
41,325	298,533	10,294	17,436	227,200	0	116,003	1,205,554
0	0	0	0	0	0	0	17,448
<u>\$ 143,387</u>	<u>\$ 324,297</u>	<u>\$ 9,325</u>	<u>\$ 35,757</u>	<u>\$ 267,432</u>	<u>\$ 0</u>	<u>\$ 126,148</u>	<u>\$ 1,272,063</u>

CITY OF FAIRBORN, OHIO

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

	Municipal Court Improvement Fund	Court Special Projects Fund	General Capital Improvement Fund	Parks and Recreation Improvement Fund
Assets:				
Cash and Cash Equivalents	\$ 56,914	\$ 40,800	\$ 262,979	\$ 55,059
Investments	0	0	311,265	0
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	25,518
Accounts	12,500	8,419	0	557
Intergovernmental	0	0	0	149,348
Interest	0	0	328	0
Total Assets	\$ 69,414	\$ 49,219	\$ 574,572	\$ 230,482
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 29,879	\$ 26,175
Accrued Wages and Benefits Payable	1,621	0	0	0
Intergovernmental Payable	2,367	0	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	0	0	0	149,348
Total Liabilities	3,988	0	29,879	175,523
Fund Balances:				
Reserved for Encumbrances	9,403	0	108,595	4,620
Unreserved, Undesignated in:				
Capital Projects Funds (Deficits)	56,023	49,219	436,098	50,339
Total Fund Balances	65,426	49,219	544,693	54,959
Total Liabilities and Fund Balances	\$ 69,414	\$ 49,219	\$ 574,572	\$ 230,482

CITY OF FAIRBORN, OHIO

Buildings and Land Fund	Special Assessment Construction Fund	Total Nonmajor Capital Projects Funds
\$ 56,805	\$ 277,999	\$ 750,556
67,234	0	378,499
11,677	0	37,195
0	132,419	153,895
0	0	149,348
0	0	328
<u>\$ 135,716</u>	<u>\$ 410,418</u>	<u>\$ 1,469,821</u>
\$ 898	\$ 97,133	\$ 154,085
0	0	1,621
0	0	2,367
0	712,891	712,891
0	0	149,348
<u>898</u>	<u>810,024</u>	<u>1,020,312</u>
756	65,506	188,880
134,062	(465,112)	260,629
<u>134,818</u>	<u>(399,606)</u>	<u>449,509</u>
<u>\$ 135,716</u>	<u>\$ 410,418</u>	<u>\$ 1,469,821</u>

CITY OF FAIRBORN, OHIO

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

	Issue II Improvement Fund	Municipal Court Improvement Fund	Court Special Projects Fund	General Capital Improvement Fund
Revenues:				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Investment Earnings	0	0	0	2,541
Special Assessments	0	0	0	0
Fines and Forfeitures	0	152,334	106,642	0
All Other Revenue	7,788	334	0	42,119
Total Revenue	7,788	152,668	106,642	44,660
Expenditures:				
Current:				
Leisure Time Activities	0	0	0	1,216
General Government	0	83,210	134,450	10,068
Capital Outlay	0	46,222	0	266,995
Debt Service:				
Principal Retirement	10,000	0	0	25,000
Interest and Fiscal Charges	15,519	0	0	7,000
Total Expenditures	25,519	129,432	134,450	310,279
Excess (Deficiency) of Revenues Over Expenditures	(17,731)	23,236	(27,808)	(265,619)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	17,192
Transfers In	0	0	0	133,411
Other Financing Sources - Capital Leases	0	0	0	42,119
Total Other Financing Sources (Uses)	0	0	0	192,722
Net Change in Fund Balances	(17,731)	23,236	(27,808)	(72,897)
Fund Balances (Deficits) at Beginning of Year	17,731	42,190	77,027	617,590
Fund Balances (Deficits) End of Year	\$ 0	\$ 65,426	\$ 49,219	\$ 544,693

CITY OF FAIRBORN, OHIO

Parks and Recreation Improvement Fund	Federal Emergency Management Agency Fund	Buildings and Land Fund	Special Assessment Construction Fund	Total Nonmajor Capital Project Funds
\$ 89,878	\$ 0	\$ 0	\$ 0	\$ 89,878
266,316	94,497	0	0	360,813
14,239	0	0	0	14,239
0	0	(185)	0	2,356
0	0	0	145,778	145,778
0	0	0	0	258,976
141,836	49,240	0	0	241,317
<u>512,269</u>	<u>143,737</u>	<u>(185)</u>	<u>145,778</u>	<u>1,113,357</u>
7,930	0	0	0	9,146
0	10,436	9,384	23,844	271,392
520,581	146,271	37,105	700,002	1,717,176
0	0	95,000	0	130,000
0	0	33,020	0	55,539
<u>528,511</u>	<u>156,707</u>	<u>174,509</u>	<u>723,846</u>	<u>2,183,253</u>
(16,242)	(12,970)	(174,694)	(578,068)	(1,069,896)
0	0	0	0	17,192
0	0	200,116	0	333,527
0	0	0	0	42,119
<u>0</u>	<u>0</u>	<u>200,116</u>	<u>0</u>	<u>392,838</u>
(16,242)	(12,970)	25,422	(578,068)	(677,058)
71,201	12,970	109,396	178,462	1,126,567
<u>\$ 54,959</u>	<u>\$ 0</u>	<u>\$ 134,818</u>	<u>\$ (399,606)</u>	<u>\$ 449,509</u>

CITY OF FAIRBORN, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Property Taxes	\$ 2,697,000	\$ 2,697,000	\$ 2,834,263	\$ 137,263
Municipal Income Taxes	8,430,207	8,930,207	9,133,556	203,349
Intergovernmental Revenues	2,275,422	2,282,620	2,195,680	(86,940)
Charges for Services	3,788,425	3,788,425	3,927,503	139,078
Licenses and Permits	318,435	318,435	272,937	(45,498)
Investment Earnings	314,000	314,000	420,392	106,392
Fines and Forfeitures	1,033,500	1,033,500	948,249	(85,251)
All Other Revenues	<u>333,471</u>	<u>333,471</u>	<u>337,427</u>	<u>3,956</u>
Total Revenues	<u>19,190,460</u>	<u>19,697,658</u>	<u>20,070,007</u>	<u>372,349</u>
Expenditures:				
Current:				
Security of Persons and Property:				
Police Law Enforcement				
Personal Services	4,825,307	4,804,707	4,729,955	74,752
Other Expenditures	620,486	641,086	604,245	36,841
Fire Prevention and Control				
Personal Services	4,644,829	4,622,112	4,599,408	22,704
Other Expenditures	<u>341,919</u>	<u>368,422</u>	<u>356,177</u>	<u>12,245</u>
Total Security of Persons and Property	<u>10,432,541</u>	<u>10,436,327</u>	<u>10,289,785</u>	<u>146,542</u>
Leisure Time Activities:				
Recreation Programs				
Personal Services	92,439	92,439	89,970	2,469
Other Expenditures	<u>114,689</u>	<u>112,789</u>	<u>100,985</u>	<u>11,804</u>
Total Leisure Time Activities	<u>207,128</u>	<u>205,228</u>	<u>190,955</u>	<u>14,273</u>
Community Environment:				
Urban Planner				
Personal Services	203,040	203,040	187,662	15,378
Other Expenditures	36,450	36,450	34,201	2,249
Building Inspection				
Personal Services	361,127	357,067	356,926	141
Other Expenditures	<u>57,288</u>	<u>61,348</u>	<u>59,689</u>	<u>1,659</u>
Total Community Environment	<u>657,905</u>	<u>657,905</u>	<u>638,478</u>	<u>19,427</u>

(Continued)

CITY OF FAIRBORN, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Government:				
City Manager				
Personal Services	323,712	325,712	324,586	1,126
Other Expenditures	20,411	18,411	17,137	1,274
Council				
Personal Services	45,854	45,854	44,089	1,765
Other Expenditures	51,318	58,818	53,077	5,741
Municipal Court				
Personal Services	1,359,385	1,359,885	1,351,204	8,681
Other Expenditures	293,117	292,617	275,074	17,543
Finance				
Personal Services	852,080	841,880	826,476	15,404
Other Expenditures	214,552	215,252	200,484	14,768
Solicitor				
Personal Services	156,338	158,338	157,873	465
Other Expenditures	128,360	126,360	68,882	57,478
Personnel				
Personal Services	72,150	72,150	65,434	6,716
Other Expenditures	53,788	44,788	35,303	9,485
Risk Management				
Engineering and Drafting				
Personal Services	331,658	337,058	334,901	2,157
Other Expenditures	74,814	67,414	61,378	6,036
Public Works Director				
Plant Maintenance				
Personal Services	354,945	366,445	360,944	5,501
Other Expenditures	144,245	126,325	112,208	14,117
Audio Visual				
Other Expenditures	9,086	9,086	35	9,051
Other General Government				
Other Expenditures	1,387,758	1,536,658	1,524,509	12,149
Total General Government	<u>5,873,571</u>	<u>6,003,051</u>	<u>5,813,594</u>	<u>189,457</u>
Capital Outlay	<u>144,049</u>	<u>180,780</u>	<u>171,993</u>	<u>8,787</u>
Total Expenditures	<u>17,315,194</u>	<u>17,483,291</u>	<u>17,104,805</u>	<u>378,486</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,875,266</u>	<u>2,214,367</u>	<u>2,965,202</u>	<u>750,835</u>

(Continued)

CITY OF FAIRBORN, OHIO

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Sale of Capital Assets	15,000	15,000	1,501	(13,499)
Transfers In	237,873	257,086	0	(257,086)
Transfers Out	(2,561,244)	(3,229,744)	(3,057,305)	172,439
Advances Out	<u>0</u>	<u>(1,046,300)</u>	<u>(919,686)</u>	<u>126,614</u>
Total Other Financing Sources (Uses)	<u>(2,308,371)</u>	<u>(4,003,958)</u>	<u>(3,975,490)</u>	<u>28,468</u>
Net Changes in Fund Balance	(433,105)	(1,789,591)	(1,010,288)	779,303
Fund Balance at Beginning of Year	3,365,523	3,365,523	3,365,523	0
Prior Year Encumbrances	<u>176,275</u>	<u>176,275</u>	<u>176,275</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,108,693</u>	<u>\$ 1,752,207</u>	<u>\$ 2,531,510</u>	<u>\$ 779,303</u>

CITY OF FAIRBORN, OHIO

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

	GENERAL BOND RETIREMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property Taxes	\$ 147,427	\$ 147,427	\$ 154,893	\$ 7,466
Investment Earnings	10,000	10,000	29,723	19,723
Special Assessments	340,000	340,000	291,401	(48,599)
All Other Revenues	20,000	20,000	59,485	39,485
Total Revenues	<u>517,427</u>	<u>517,427</u>	<u>535,502</u>	<u>18,075</u>
Expenditures:				
General Government:				
Other Expenditures	42,204	42,204	35,307	6,897
Total General Government	<u>42,204</u>	<u>42,204</u>	<u>35,307</u>	<u>6,897</u>
Debt Service:				
Principal Retirement	371,700	346,700	341,700	5,000
Interest and Fiscal Charges	129,502	154,502	145,340	9,162
Total Debt Service	<u>501,202</u>	<u>501,202</u>	<u>487,040</u>	<u>14,162</u>
Total Expenditures	<u>543,406</u>	<u>543,406</u>	<u>522,347</u>	<u>21,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,979)	(25,979)	13,155	39,134
Other Financing Sources (Uses):				
Premium on Bonds	0	0	55,601	55,601
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>55,601</u>	<u>55,601</u>
Net Change in Fund Balance	(25,979)	(25,979)	68,756	94,735
Fund Balance at Beginning of Year	566,327	566,327	566,327	0
Prior Year Encumbrances	590	590	590	0
Fund Balance at End of Year	<u>\$ 540,938</u>	<u>\$ 540,938</u>	<u>\$ 635,673</u>	<u>\$ 94,735</u>

CITY OF FAIRBORN, OHIO

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

TAX INCREMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 600,000	\$ 0	\$ (600,000)
Licenses and Permits	60,000	70,256	70,258	2
Investment Earnings	0	14,658	20,973	6,315
All Other Revenues	0	250,000	250,000	0
Total Revenues	<u>60,000</u>	<u>934,914</u>	<u>341,231</u>	<u>(593,683)</u>
Expenditures:				
General Government:				
Other Expenditures	0	76,000	72,689	3,311
Total General Government	<u>0</u>	<u>76,000</u>	<u>72,689</u>	<u>3,311</u>
Capital Outlay	0	2,099,000	1,992,789	106,211
Debt Service:				
Principal Retirement	60,000	185,000	185,000	0
Interest and Fiscal Charges	5,000	11,316	10,558	758
Total Debt Service	<u>65,000</u>	<u>196,316</u>	<u>195,558</u>	<u>758</u>
Total Expenditures	<u>65,000</u>	<u>2,371,316</u>	<u>2,261,036</u>	<u>110,280</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(1,436,402)	(1,919,805)	(483,403)
Other Financing Sources (Uses):				
Sale of General Obligation Notes	0	2,116,316	2,110,000	(6,316)
Total Other Financing Sources (Uses)	<u>0</u>	<u>2,116,316</u>	<u>2,110,000</u>	<u>(6,316)</u>
Net Change in Fund Balances	(5,000)	679,914	190,195	(489,719)
Fund Balance at Beginning of Year	6,647	6,647	6,647	0
Fund Balance at End of Year	<u>\$ 1,647</u>	<u>\$ 686,561</u>	<u>\$ 196,842</u>	<u>\$ (489,719)</u>

CITY OF FAIRBORN, OHIO

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

	PUBLIC SAFETY EQUIPMENT/FACILITY FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 36,015	\$ 36,014	\$ (1)
Charges for Services	60,000	60,000	54,396	(5,604)
Investment Earnings	0	24,208	165,777	141,569
All Other Revenues	10,000	10,000	3,825	(6,175)
Total Revenues	<u>70,000</u>	<u>130,223</u>	<u>260,012</u>	<u>129,789</u>
Expenditures:				
General Government:				
Other Expenditures	4,800	1,123,565	1,116,882	6,683
Total General Government	4,800	1,123,565	1,116,882	6,683
Capital Outlay	963,883	968,613	812,202	156,411
Debt Service:				
Principal Retirement	55,000	55,000	705,000	(650,000)
Interest and Fiscal Charges	4,153	219,154	439,238	(220,084)
Total Expenditures	<u>1,027,836</u>	<u>2,366,332</u>	<u>3,073,322</u>	<u>(706,990)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(957,836)	(2,236,109)	(2,813,310)	(577,201)
Other Financing Sources (Uses):				
General Obligation Bonds Issued	0	10,000,000	10,000,000	0
Premium on Bonds	0	225,853	225,853	0
Transfers In	953,883	953,883	1,225,113	271,230
Total Other Financing Sources (Uses)	<u>953,883</u>	<u>11,179,736</u>	<u>11,450,966</u>	<u>271,230</u>
Net Changes in Fund Balance	(3,953)	8,943,627	8,637,656	(305,971)
Fund Balance at Beginning of Year	31,655	31,655	31,655	0
Fund Balance at End of Year	<u>\$ 27,702</u>	<u>\$ 8,975,282</u>	<u>\$ 8,669,311</u>	<u>\$ (305,971)</u>

CITY OF FAIRBORN, OHIO

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

STREET MAINTENANCE AND REPAIR FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 974,146	\$ 972,728	\$ (1,418)
All Other Revenues	15,596	24,710	9,114
Total Revenues	<u>989,742</u>	<u>997,438</u>	<u>7,696</u>
Expenditures:			
Transportation:			
General Administration			
Personal Services	78,500	78,364	136
Other Expenditures	103,190	99,064	4,126
Total General Administration	<u>181,690</u>	<u>177,428</u>	<u>4,262</u>
Street Resurfacing Projects			
Personal Services	265,952	265,924	28
Other Expenditures	147,797	147,653	144
Total Street Resurfacing Projects	<u>413,749</u>	<u>413,577</u>	<u>172</u>
Traffic Signs and Signals			
Personal Services	117,753	117,184	569
Other Expenditures	76,839	75,751	1,088
Total Traffic Signs and Signals	<u>194,592</u>	<u>192,935</u>	<u>1,657</u>
Total Transportation	<u>790,031</u>	<u>783,940</u>	<u>6,091</u>
Capital Outlay	<u>103,699</u>	<u>88,156</u>	<u>15,543</u>
Total Expenditures	<u>893,730</u>	<u>872,096</u>	<u>21,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,012	125,342	29,330
Other Financing Sources (Uses):			
Sale of Capital Assets	500	17	(483)
Transfers In	23,298	0	(23,298)
Transfers Out	(8,500)	0	8,500
Total Other Financing Sources (Uses)	<u>15,298</u>	<u>17</u>	<u>(15,281)</u>
Net Change in Fund Balance	111,310	125,359	14,049
Fund Balance at Beginning of Year	252,604	252,604	0
Prior Year Encumbrances	10,327	10,327	0
Fund Balance at End of Year	<u>\$ 374,241</u>	<u>\$ 388,290</u>	<u>\$ 14,049</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 80,201	\$ 78,871	\$ (1,330)
All Other Revenues	1,600	2,424	824
Total Revenues	<u>81,801</u>	<u>81,295</u>	<u>(506)</u>
Expenditures:			
Transportation:			
State Highway Maintenance:			
Personal Services	44,950	36,863	8,087
Other Expenditures	26,764	24,514	2,250
Total Transportation	<u>71,714</u>	<u>61,377</u>	<u>10,337</u>
Total Expenditures	<u>71,714</u>	<u>61,377</u>	<u>10,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,087	19,918	9,831
Other Financing Sources (Uses):			
Transfers In	896	0	(896)
Total Other Financing Sources (Uses)	<u>896</u>	<u>0</u>	<u>(896)</u>
Net Change in Fund Balance	10,983	19,918	8,935
Fund Balance at Beginning of Year	27,743	27,743	0
Prior Year Encumbrances	573	573	0
Fund Balance at End of Year	<u>\$ 39,299</u>	<u>\$ 48,234</u>	<u>\$ 8,935</u>

CITY OF FAIRBORN, OHIO

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

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CEMETERY FUND			
Revenues:			
Charges for Services	\$ 29,500	\$ 31,073	\$ 1,573
All Other Revenues	2,000	1,532	(468)
Total Revenues	<u>31,500</u>	<u>32,605</u>	<u>1,105</u>
Expenditures:			
Current:			
Public Health and Welfare Services:			
Cemetery:			
Personal Services	68,296	67,670	626
Other Expenditures	31,539	30,808	731
Total Public Health and Welfare Services	<u>99,835</u>	<u>98,478</u>	<u>1,357</u>
Total Expenditures	<u>99,835</u>	<u>98,478</u>	<u>1,357</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,335)	(65,873)	2,462
Other Financing Sources (Uses):			
Transfers In	62,000	62,000	0
Transfers Out	(3,000)	0	3,000
Total Other Financing Sources (Uses)	<u>59,000</u>	<u>62,000</u>	<u>3,000</u>
Net Change in Fund Balance	(9,335)	(3,873)	5,462
Fund Balance at Beginning of Year	13,483	13,483	0
Prior Year Encumbrances	43	43	0
Fund Balance at End of Year	<u>\$ 4,191</u>	<u>\$ 9,653</u>	<u>\$ 5,462</u>

CITY OF FAIRBORN, OHIO

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

COMMUNITY DEVELOPMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 893,000	\$ 173,604	\$ (719,396)
All Other Revenues	84,656	148,168	63,512
Total Revenues	<u>977,656</u>	<u>321,772</u>	<u>(655,884)</u>
Expenditures:			
Current:			
Community Environment:			
Entitlement Administration			
Personal Services	56,917	37,158	19,759
Other Expenditures	120,455	38,382	82,073
Total Entitlement Administration	<u>177,372</u>	<u>75,540</u>	<u>101,832</u>
Entitlement Rehabilitation			
Other Expenditures	17,000	12,285	4,715
Total Entitlement Rehabilitation	<u>17,000</u>	<u>12,285</u>	<u>4,715</u>
Public/Private Rehabilitation			
Personal Services	9,000	8,765	235
Other Expenditures	89,400	78,196	11,204
Total Public/Private Rehabilitation	<u>98,400</u>	<u>86,961</u>	<u>11,439</u>
Code Enforcement			
Personal Services	56,764	38,982	17,782
Other Expenditures	25,678	7,880	17,798
Total Code Enforcement	<u>82,442</u>	<u>46,862</u>	<u>35,580</u>
Neighborhood Garden Project			
Other Expenditures	10,000	2,926	7,074
Total Neighborhood Garden Project	<u>10,000</u>	<u>2,926</u>	<u>7,074</u>
Spending Smartly			
Other Expenditures	1,000	769	231
Total Spending Smartly	<u>1,000</u>	<u>769</u>	<u>231</u>

(Continued)

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Community Action Partnership			
Other Expenditures	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Community Action Partnership	<u>10,000</u>	<u>0</u>	<u>10,000</u>
CHIP			
Personal Services	26,297	15,946	10,351
Other Expenditures	<u>465,028</u>	<u>167,252</u>	<u>297,776</u>
Total CHIP	<u>491,325</u>	<u>183,198</u>	<u>308,127</u>
Total Community Environment	<u>887,539</u>	<u>408,541</u>	<u>478,998</u>
Capital Outlay	<u>31,647</u>	<u>26,779</u>	<u>4,868</u>
Total Expenditures	<u>919,186</u>	<u>435,320</u>	<u>483,866</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	58,470	(113,548)	(172,018)
Fund Balance at Beginning of Year	(675)	(675)	0
Prior Year Encumbrances	<u>675</u>	<u>675</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 58,470</u>	<u>\$ (113,548)</u>	<u>\$ (172,018)</u>

CITY OF FAIRBORN, OHIO

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

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 80,900	\$ 81,395	\$ 495
Fines and Forfeitures	14,000	15,760	1,760
All Other Revenues	597	749	152
Total Revenues	<u>95,497</u>	<u>97,904</u>	<u>2,407</u>
Expenditures:			
Current:			
Security of Persons and Property:			
Law Enforcement			
Personal Services	88,413	86,971	1,442
Other Expenditures	6,057	5,806	251
Total Security of Persons and Property	<u>94,470</u>	<u>92,777</u>	<u>1,693</u>
Capital Outlay	27	27	0
Total Expenditures	<u>94,497</u>	<u>92,804</u>	<u>1,693</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,000	5,100	4,100
Fund Balance at Beginning of Year	208	208	0
Prior Year Encumbrances	164	164	0
Fund Balance at End of Year	<u>\$ 1,372</u>	<u>\$ 5,472</u>	<u>\$ 4,100</u>

CITY OF FAIRBORN, OHIO

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

STREET LIGHTING FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Property Taxes	\$ 163,500	\$ 181,270	\$ 17,770
All Other Revenues	193,604	16,902	(176,702)
Total Revenues	<u>357,104</u>	<u>198,172</u>	<u>(158,932)</u>
Expenditures:			
Current:			
Security of Persons and Property:			
Street Lighting			
Other Expenditures	506,104	396,899	109,205
Total Security of Persons and Property	<u>506,104</u>	<u>396,899</u>	<u>109,205</u>
Total Expenditures	<u>506,104</u>	<u>396,899</u>	<u>109,205</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,000)	(198,727)	(49,727)
Other Financing Sources (Uses):			
Transfers In	149,000	174,000	25,000
Total Other Financing Sources (Uses)	<u>149,000</u>	<u>174,000</u>	<u>25,000</u>
Net Change in Fund Balance	0	(24,727)	(24,727)
Fund Balance at Beginning of Year	<u>27,560</u>	<u>27,560</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 27,560</u>	<u>\$ 2,833</u>	<u>\$ (24,727)</u>

CITY OF FAIRBORN, OHIO

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

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 666,000	\$ 66,219	\$ (599,781)
All Other Revenues	0	16,558	16,558
Total Revenues	<u>666,000</u>	<u>82,777</u>	<u>(583,223)</u>
Expenditures:			
Current:			
Transportation:			
Street Resurfacing Projects			
Other Expenditures	52,258	22,969	29,289
Total Transportation	<u>52,258</u>	<u>22,969</u>	<u>29,289</u>
Capital Outlay	1,020,647	555,076	465,571
Total Expenditures	<u>1,072,905</u>	<u>578,045</u>	<u>494,860</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(406,905)	(495,268)	(88,363)
Other Financing Sources (Uses):			
Transfers In	401,761	408,371	6,610
Advances In	180,686	110,294	(70,392)
Total Other Financing Sources (Uses)	<u>582,447</u>	<u>518,665</u>	<u>(63,782)</u>
Net Change in Fund Balance	175,542	23,397	(152,145)
Fund Balance at Beginning of Year	36,506	36,506	0
Fund Balance at End of Year	<u>\$ 212,048</u>	<u>\$ 59,903</u>	<u>\$ (152,145)</u>

CITY OF FAIRBORN, OHIO

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

	LAW ENFORCEMENT TRUST FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
All Other Revenues	\$ 4,500	\$ 4,285	\$ (215)
Total Revenues	<u>4,500</u>	<u>4,285</u>	<u>(215)</u>
Expenditures:			
Current:			
Security of Persons and Property:			
Law Enforcement			
Other Expenditures	7,397	6,808	589
Total Security of Persons and Property	<u>7,397</u>	<u>6,808</u>	<u>589</u>
Total Expenditures	<u>7,397</u>	<u>6,808</u>	<u>589</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,897)	(2,523)	374
Fund Balance at Beginning of Year	1,834	1,834	0
Prior Year Encumbrances	2,897	2,897	0
Fund Balance at End of Year	<u>\$ 1,834</u>	<u>\$ 2,208</u>	<u>\$ 374</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 2,000	\$ 3,354	\$ 1,354
Total Revenues	<u>2,000</u>	<u>3,354</u>	<u>1,354</u>
Expenditures:			
Security of Persons and Property:			
Drug Law Enforcement			
Other Expenditures	<u>3,000</u>	<u>2,945</u>	<u>55</u>
Total Security of Persons and Property	<u>3,000</u>	<u>2,945</u>	<u>55</u>
Total Expenditures	<u>3,000</u>	<u>2,945</u>	<u>55</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000)	409	1,409
Other Financing Sources (Uses):			
Sale of Capital Assets	<u>500</u>	<u>0</u>	<u>(500)</u>
Total Other Financing Sources (Uses)	<u>500</u>	<u>0</u>	<u>(500)</u>
Net Change in Fund Balance	(500)	409	909
Fund Balance at Beginning of Year	<u>2,088</u>	<u>2,088</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,588</u>	<u>\$ 2,497</u>	<u>\$ 909</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 136,000	\$ 126,455	\$ (9,545)
Total Revenues	<u>136,000</u>	<u>126,455</u>	<u>(9,545)</u>
Expenditures:			
Transportation			
Other Expenditures	39,500	35,828	3,672
Total Transportation	<u>39,500</u>	<u>35,828</u>	<u>3,672</u>
Capital Outlay	1,102,093	890,635	211,458
Total Expenditures	<u>1,141,593</u>	<u>926,463</u>	<u>215,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,005,593)	(800,008)	205,585
Other Financing Sources (Uses):			
Transfers In	635,922	816,742	180,820
Advances In	354,671	0	(354,671)
Total Other Financing Sources (Uses)	<u>990,593</u>	<u>816,742</u>	<u>(173,851)</u>
Net Change in Fund Balance	(15,000)	16,734	31,734
Fund Balance at Beginning of Year	32,062	32,062	0
Fund Balance at End of Year	<u>\$ 17,062</u>	<u>\$ 48,796</u>	<u>\$ 31,734</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 23,000	\$ 26,155	\$ 3,155
Total Revenues	<u>23,000</u>	<u>26,155</u>	<u>3,155</u>
Expenditures:			
Current:			
Security of Persons and Property:			
Law Enforcement			
Other Expenditures	15,000	975	14,025
Total Expenditures	<u>15,000</u>	<u>975</u>	<u>14,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,000	25,180	17,180
Fund Balance at Beginning of Year	<u>298,339</u>	<u>298,339</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 306,339</u>	<u>\$ 323,519</u>	<u>\$ 17,180</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 2,700	\$ 3,113	\$ 413
Total Revenues	<u>2,700</u>	<u>3,113</u>	<u>413</u>
Expenditures:			
Current:			
Security of Persons and Property:			
Law Enforcement			
Other Expenditures	<u>9,750</u>	<u>4,075</u>	<u>5,675</u>
Total Security of Persons and Property	<u>9,750</u>	<u>4,075</u>	<u>5,675</u>
Total Expenditures	<u>9,750</u>	<u>4,075</u>	<u>5,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,050)	(962)	6,088
Fund Balance at Beginning of Year	<u>10,126</u>	<u>10,126</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,076</u>	<u>\$ 9,164</u>	<u>\$ 6,088</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 4,844	\$ 7,570	\$ 2,726
Fines and Forfeitures	12,850	37,282	24,432
Total Revenues	<u>17,694</u>	<u>44,852</u>	<u>27,158</u>
Expenditures:			
Current:			
Security of Persons and Property:			
Law Enforcement			
Other Expenditures	20,590	7,065	13,525
Total Security of Persons and Property	<u>20,590</u>	<u>7,065</u>	<u>13,525</u>
Capital Outlay	13,950	13,758	192
Total Expenditures	<u>34,540</u>	<u>20,823</u>	<u>13,717</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,846)	24,029	40,875
Fund Balance at Beginning of Year	17,436	17,436	0
Fund Balance at End of Year	<u>\$ 590</u>	<u>\$ 41,465</u>	<u>\$ 40,875</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 85,000	\$ 91,889	\$ 6,889
All Other Revenues	0	334	334
Total Revenues	<u>85,000</u>	<u>92,223</u>	<u>7,223</u>
Expenditures:			
Current:			
Security of Persons and Property:			
Law Enforcement			
Personal Services	47,899	47,397	502
Other Expenditures	1,000	887	113
Total Security of Persons and Property	<u>48,899</u>	<u>48,284</u>	<u>615</u>
Capital Outlay	13,199	10,624	2,575
Total Expenditures	<u>62,098</u>	<u>58,908</u>	<u>3,190</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,902	33,315	10,413
Fund Balance at Beginning of Year	222,543	222,543	0
Prior Year Encumbrances	199	199	0
Fund Balance at End of Year	<u>\$ 245,644</u>	<u>\$ 256,057</u>	<u>\$ 10,413</u>

CITY OF FAIRBORN, OHIO

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

FAIRBORN SCHOOL TAX SHARING FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Current:			
General Government:			
Other Expenditures	37,553	37,552	1
Total General Government	<u>37,553</u>	<u>37,552</u>	<u>1</u>
Total Expenditures	<u>37,553</u>	<u>37,552</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,553)	(37,552)	1
Other Financing Sources (Uses):			
Transfers In	37,553	37,552	(1)
Total Other Financing Sources (Uses)	<u>37,553</u>	<u>37,552</u>	<u>(1)</u>
Net Change in Fund Balance	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF FAIRBORN, OHIO

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

	UNINSURED LOSS FUND		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 20,000	\$ 54,500	\$ 34,500
Total Revenues	<u>20,000</u>	<u>54,500</u>	<u>34,500</u>
Expenditures:			
Current:			
General Government:			
Other Expenditures	37,655	15,819	21,836
Total General Government	<u>37,655</u>	<u>15,819</u>	<u>21,836</u>
Capital Outlay	18,270	18,270	0
Total Expenditures	<u>55,925</u>	<u>34,089</u>	<u>21,836</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,925)	20,411	56,336
Fund Balance at Beginning of Year	97,576	97,576	0
Prior Year Encumbrances	1,445	1,445	0
Fund Balance at End of Year	<u>\$ 63,096</u>	<u>\$ 119,432</u>	<u>\$ 56,336</u>

CITY OF FAIRBORN, OHIO

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

	ISSUE II IMPROVEMENT FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Total Revenues	<u>\$ 25,519</u>	<u>\$ 7,788</u>	<u>\$ (17,731)</u>
Expenditures:			
Debt Service:			
Principal Retirement	10,000	10,000	0
Interest and Fiscal Charges	<u>15,519</u>	<u>15,519</u>	<u>0</u>
Total Expenditures	<u>25,519</u>	<u>25,519</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,519)	(25,519)	0
Fund Balance at Beginning of Year	<u>17,731</u>	<u>17,731</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 17,731</u>	<u>\$ 0</u>	<u>\$ (17,731)</u>

CITY OF FAIRBORN, OHIO

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

MUNICIPAL COURT IMPROVEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 141,403	\$ 148,606	\$ 9,106
All Other Revenues	0	334	334
Total Revenues	<u>141,403</u>	<u>148,940</u>	<u>9,440</u>
Expenditures:			
Current:			
General Government:			
Personal Services	75,707	75,307	400
Other Expenditures	9,130	5,984	3,146
Total General Government	<u>84,837</u>	<u>81,291</u>	<u>3,546</u>
Capital Outlay	<u>93,177</u>	<u>57,438</u>	<u>35,739</u>
Total Expenditures	<u>178,014</u>	<u>138,729</u>	<u>39,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,611)	(10,211)	48,725
Fund Balance at Beginning of Year	5,510	5,510	0
Prior Year Encumbrances	31,790	31,790	0
Fund Balance at End of Year	<u>\$ 689</u>	<u>\$ 47,511</u>	<u>\$ 48,725</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 93,000	\$ 105,072	\$ 12,072
Total Revenues	<u>93,000</u>	<u>105,072</u>	<u>12,072</u>
Expenditures:			
Current:			
General Government:			
Other Expenditures	134,450	134,450	0
Total General Government	<u>134,450</u>	<u>134,450</u>	<u>0</u>
Total Expenditures	<u>134,450</u>	<u>134,450</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,450)	(29,378)	12,072
Fund Balance at Beginning of Year	63,751	63,751	0
Prior Year Encumbrances	<u>6,427</u>	<u>6,427</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 28,728</u>	<u>\$ 40,800</u>	<u>\$ 12,072</u>

CITY OF FAIRBORN, OHIO

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

GENERAL CAPITAL IMPROVEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 0	\$ 3,324	\$ 3,324
All Other Revenues	42,119	53,619	11,500
Total Revenues	<u>42,119</u>	<u>56,943</u>	<u>14,824</u>
Expenditures:			
Current:			
General Government:			
Other Expenditures	11,046	10,664	382
Total General Government	<u>11,046</u>	<u>10,664</u>	<u>382</u>
Capital Outlay	<u>401,146</u>	<u>324,814</u>	<u>76,332</u>
Debt Service:			
Principal Retirement	25,000	25,000	0
Interest and Fiscal Charges	7,000	7,000	0
Total Expenditures	<u>444,192</u>	<u>367,478</u>	<u>76,714</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(402,073)	(310,535)	91,538
Other Financing Sources (Uses):			
Sale of Capital Assets	30,000	17,192	(12,808)
Transfers In	143,093	133,411	(9,682)
Total Other Financing Sources (Uses)	<u>173,093</u>	<u>150,603</u>	<u>(22,490)</u>
Net Change in Fund Balance	(228,980)	(159,932)	69,048
Fund Balance at Beginning of Year	616,900	616,900	0
Prior Year Encumbrances	9,254	9,254	0
Fund Balance at End of Year	<u>\$ 397,174</u>	<u>\$ 466,222</u>	<u>\$ 69,048</u>

CITY OF FAIRBORN, OHIO

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

PARKS AND RECREATION IMPROVEMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Property Taxes	\$ 95,000	\$ 92,593	\$ (2,407)
Intergovernmental Revenues	485,663	266,316	(219,347)
Charges for Services	13,800	14,239	439
All Other Revenues	135,215	141,279	6,064
Total Revenues	<u>729,678</u>	<u>514,427</u>	<u>(215,251)</u>
Expenditures:			
Current:			
Leisure time Activities:			
Other Expenditures	10,484	10,430	54
Total Leisure Time Activities	10,484	10,430	54
Capital Outlay	808,637	631,312	177,325
Total Expenditures	<u>819,121</u>	<u>641,742</u>	<u>177,379</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(89,443)	(127,315)	(37,872)
Fund Balance at Beginning of Year	35,280	35,280	0
Prior Year Encumbrances	134,444	134,444	0
Fund Balance at End of Year	<u>\$ 80,281</u>	<u>\$ 42,409</u>	<u>\$ (37,872)</u>

CITY OF FAIRBORN, OHIO

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

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 143,860	\$ 94,497	\$ (49,363)
All Other Revenues	0	49,240	49,240
Total Revenues	<u>143,860</u>	<u>143,737</u>	<u>(123)</u>
Expenditures:			
Current:			
General Government:			
Other Expenditures	<u>59,725</u>	<u>59,624</u>	<u>101</u>
Total General Government	<u>59,725</u>	<u>59,624</u>	<u>101</u>
Capital Outlay	<u>97,087</u>	<u>97,083</u>	<u>4</u>
Total Expenditures	<u>156,812</u>	<u>156,707</u>	<u>105</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,952)	(12,970)	(18)
Fund Balance at Beginning of Year	540	540	0
Prior Year Encumbrances	<u>12,430</u>	<u>12,430</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 18</u>	<u>\$ 0</u>	<u>\$ (18)</u>

CITY OF FAIRBORN, OHIO

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

BUILDINGS AND LAND FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Current:			
General Government:			
Other Expenditures	13,996	11,038	2,958
Total General Government	13,996	11,038	2,958
Capital Outlay	117,785	46,261	71,524
Debt Service:			
Principal Retirement	95,000	95,000	0
Interest and Fiscal Charges	33,021	33,020	1
Total Expenditures	259,802	185,319	74,483
Excess (Deficiency) of Revenues Over (Under) Expenditures	(259,802)	(185,319)	74,483
Other Financing Sources (Uses):			
Transfers In	197,390	200,116	2,726
Total Other Financing Sources (Uses)	197,390	200,116	2,726
Net Change in Fund Balance	(62,412)	14,797	77,209
Fund Balance at Beginning of Year	95,931	95,931	0
Prior Year Encumbrances	11,781	11,781	0
Fund Balance at End of Year	<u>\$ 45,300</u>	<u>\$ 122,509</u>	<u>\$ 77,209</u>

CITY OF FAIRBORN, OHIO

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

SPECIAL ASSESSMENT CONSTRUCTION FUND			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Special Assessments	\$ 728,570	\$ 22,544	\$ (706,026)
Total Revenues	<u>728,570</u>	<u>22,544</u>	<u>(706,026)</u>
Expenditures:			
Current:			
General Government:			
Other Expenditures	24,500	23,769	731
Total General Government	<u>24,500</u>	<u>23,769</u>	<u>731</u>
Capital Outlay	<u>704,070</u>	<u>670,065</u>	<u>34,005</u>
Total Expenditures	<u>728,570</u>	<u>693,834</u>	<u>34,736</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(671,290)	(671,290)
Other Financing Sources (Uses):			
Advances In	<u>0</u>	<u>712,891</u>	<u>712,891</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>712,891</u>	<u>712,891</u>
Net Change in Fund Balance	0	41,601	41,601
Fund Balance at Beginning of Year	<u>169,277</u>	<u>169,277</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 169,277</u>	<u>\$ 210,878</u>	<u>\$ 41,601</u>

Internal Service Funds

To account for the financing of goods and services provided by one department to other departments within the City.

Equipment Fund

To account for charges to the other funds for the labor, parts, and overhead to repair and maintain the City equipment and vehicles

Information Technology Fund

To account for charges to the other funds for Information Technology Services.

Employee Assistance Program

To account for the payment of employee assistance program and other human resource costs associated with employees health and benefits.

CITY OF FAIRBORN, OHIO

**Combining Statement of Net Assets
Internal Service Funds
December 31, 2005**

	Equipment	Information Technology	Employee Assistance Program	Total
Assets:				
Cash and Cash Equivalents	\$ 174,660	\$ 27,651	\$ 189,278	\$ 391,589
Investments	0	0	224,032	224,032
Accounts	77,277	0	0	77,277
Due from Other Funds	18,830	0	0	18,830
Inventory of Supplies at Cost	114,616	0	0	114,616
Prepaid Items	1,187	0	0	1,187
<i>Total Current Assets</i>	<u>386,570</u>	<u>27,651</u>	<u>413,310</u>	<u>827,531</u>
Capital Assets, Net	139,353	16,207	0	155,560
Total Assets	<u>525,923</u>	<u>43,858</u>	<u>413,310</u>	<u>983,091</u>
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	50,872	13,171	0	64,043
Accrued Wages and Benefits	16,372	8,713	0	25,085
Intergovernmental Payable	12,013	319	0	12,332
Due to Other Funds	60	39	0	99
<i>Total Current Liabilities</i>	<u>79,317</u>	<u>22,242</u>	<u>0</u>	<u>101,559</u>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	44,810	0	0	44,810
Total Liabilities	<u>124,127</u>	<u>22,242</u>	<u>0</u>	<u>146,369</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	139,353	16,207	0	155,560
Unrestricted	262,443	5,409	413,310	681,162
Total Net Assets	<u>\$ 401,796</u>	<u>\$ 21,616</u>	<u>\$ 413,310</u>	<u>\$ 836,722</u>

CITY OF FAIRBORN, OHIO

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

	<u>Equipment</u>	<u>Information Technology</u>	<u>Employee Assistance Program</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 1,144,833	\$ 384,019	\$ 479	\$ 1,529,331
Total Operating Revenues	<u>1,144,833</u>	<u>384,019</u>	<u>479</u>	<u>1,529,331</u>
Operating Expenses:				
Personal Services	467,904	151,324	0	619,228
Contractual Services	44,873	175,765	0	220,638
Materials and Supplies	534,890	18,877	0	553,767
Dental Insurance Claims	0	0	8,454	8,454
Depreciation	15,074	16,437	0	31,511
Total Operating Expenses	<u>1,062,741</u>	<u>362,403</u>	<u>8,454</u>	<u>1,433,598</u>
Operating Income (Loss)	82,092	21,616	(7,975)	95,733
Nonoperating Revenue (Expenses):				
Investment Earnings	<u>0</u>	<u>0</u>	<u>17,152</u>	<u>17,152</u>
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>0</u>	<u>17,152</u>	<u>17,152</u>
Change in Net Assets	82,092	21,616	9,177	112,885
Net Assets Beginning of Year	<u>319,704</u>	<u>0</u>	<u>404,133</u>	<u>723,837</u>
Net Assets End of Year	<u>\$ 401,796</u>	<u>\$ 21,616</u>	<u>\$ 413,310</u>	<u>\$ 836,722</u>

CITY OF FAIRBORN, OHIO

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2005**

	Equipment	Information Technology	Employee Assistance Program	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Receipts from Interfund Services Provided	\$1,092,226	\$384,019	\$479	\$1,476,724
Cash Payments for Goods and Services	(592,620)	(181,432)	0	(774,052)
Cash Payments to Employees	(465,684)	(142,292)	0	(607,976)
Cash Payments for Employee Medical/Dental Claims	0	0	(12,914)	(12,914)
Net Cash Provided (Used) by Operating Activities	33,922	60,295	(12,435)	81,782
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	0	(32,644)	0	(32,644)
Net Cash Used for Capital and Related Financing Activities	0	(32,644)	0	(32,644)
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	0	0	17,795	17,795
Sale of Investments	0	0	47,524	47,524
Net Cash Provided by Investing Activities	0	0	65,319	65,319
Net Increase in Cash and Cash Equivalents	33,922	27,651	52,884	114,457
Cash and Cash Equivalents at Beginning of Year	140,738	0	136,394	277,132
Cash and Cash Equivalents at End of Year	\$174,660	\$27,651	\$189,278	\$391,589
<u>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$82,092	\$21,616	(\$7,975)	\$95,733
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	15,074	16,437	0	31,511
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(49,683)	0	0	(49,683)
Increase in Due from Other Funds	(2,924)	0	0	(2,924)
Increase in Inventory	(39,353)	0	0	(39,353)
Decrease in Prepaid Items	3	0	0	3
Increase in Accounts Payable	26,547	13,171	0	39,718
Increase in Accrued Wages and Benefits	3,186	8,713	0	11,899
Increase (Decrease) in Due to Other Funds	(54)	39	0	(15)
Increase (Decrease) in Intergovernmental Payables	(2,872)	319	0	(2,553)
Increase in Compensated Absences Payable	1,906	0	0	1,906
Decrease in Claims Payable	0	0	(4,460)	(4,460)
Total Adjustments	(48,170)	38,679	(4,460)	(13,951)
Net Cash Provided (Used) by Operating Activities	\$33,922	\$60,295	(\$12,435)	\$81,782

Schedule of Noncash Investing, Capital and Financing Activities:

During 2005, the fair value of investments decreased by \$412 in the Employee Assistance Program Fund.

Fiduciary Funds

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

Agency Fund

Municipal Court Fund

To account for monies that flow through the Clerk of Courts office.

CITY OF FAIRBORN, OHIO

***Statement Of Changes In Assets And Liabilities
Agency Fund
For the Year Ended December 31, 2005***

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
<u>Municipal Court</u>				
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	\$331,764	\$3,215,262	(\$3,137,191)	\$409,835
Total Assets	<u>\$331,764</u>	<u>\$3,215,262</u>	<u>(\$3,137,191)</u>	<u>\$409,835</u>
Liabilities:				
Intergovernmental Payable	\$105,206	\$904,492	(\$881,590)	\$128,108
Undistributed Monies	226,558	2,310,770	(2,255,601)	281,727
Total Liabilities	<u>\$331,764</u>	<u>\$3,215,262</u>	<u>(\$3,137,191)</u>	<u>\$409,835</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*



CITY OF FAIRBORN, OHIO

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

<u>Capital Assets:</u>	
Land	\$12,792,356
Buildings	8,007,980
Improvements Other than Buildings	1,549,920
Machinery and Equipment	3,636,228
Vehicles	3,982,814
Infrastructure	63,058,531
Construction in Progress	2,220,096
	<hr/>
Total Capital Assets	<u>\$95,247,925</u>

<u>Investment in Capital Assets:</u>	
General Fund	\$3,760,453
Special Revenue Funds	1,683,874
Capital Project Funds	16,282,472
Enterprise Funds	131,661
Internal Service Funds	632,424
Donated Capital Assets	1,784,746
Acquired prior to January 1, 1989	5,276,164
Infrastructure and related Land acquired prior to January 1, 1989	65,696,131
	<hr/>
Total Investment in Capital Assets	<u>\$95,247,925</u>

CITY OF FAIRBORN, OHIO

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

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
<u>Security of Persons and Property:</u>				
Police	\$0	\$0	\$1,272,629	\$10,350
Fire	336,532	524,069	328,918	0
Total	336,532	524,069	1,601,547	10,350
<u>Public Health and Welfare Services:</u>				
Cemetery	0	0	22,681	0
<u>Leisure Time Activities:</u>				
Parks	0	66,077	0	5,333
Parks and Recreation	2,272,278	187,551	697,203	1,476,566
Total	2,272,278	253,628	697,203	1,481,899
<u>Community Environment:</u>				
Building Inspection	0	0	0	0
Community Development	0	0	1,136	9,524
Total	0	0	1,136	9,524
<u>Transportation:</u>				
Street	13,616	30,656	209,500	2,500
State Highway	0	0	0	0
Total	13,616	30,656	209,500	2,500
<u>General Government:</u>				
City Manager	0	0	0	0
Audio Visual	0	0	0	0
Council	0	0	0	0
Municipal Court	0	0	1,318,600	0
Finance	0	0	0	0
Legal	0	0	0	0
Personnel	0	0	0	0
Engineering/Draft	9,632,348	1,411,743	0	0
Plant Maintenance	537,582	0	3,805,128	45,647
Electronic Maintenance	0	0	0	0
Library	0	0	57,500	0
Total	10,169,930	1,411,743	5,181,228	45,647
<u>Governmental Internal Service:</u>				
Information Technology	0	0	0	0
Equipment	0	0	294,685	0
Total	0	0	294,685	0
Total Capital Assets	\$12,792,356	\$2,220,096	\$8,007,980	\$1,549,920

CITY OF FAIRBORN, OHIO

<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$1,251,147	\$598,897	\$0	\$3,133,023
<u>544,145</u>	<u>2,324,447</u>	<u>0</u>	<u>4,058,111</u>
<u>1,795,292</u>	<u>2,923,344</u>	<u>0</u>	<u>7,191,134</u>
<u>24,867</u>	<u>23,890</u>	<u>0</u>	<u>71,438</u>
0	0	0	71,410
<u>278,667</u>	<u>30,085</u>	<u>0</u>	<u>4,942,350</u>
<u>278,667</u>	<u>30,085</u>	<u>0</u>	<u>5,013,760</u>
13,199	56,783	0	69,982
<u>81,641</u>	<u>0</u>	<u>210,000</u>	<u>302,301</u>
<u>94,840</u>	<u>56,783</u>	<u>210,000</u>	<u>372,283</u>
276,164	448,899	0	981,335
<u>23,892</u>	<u>68,787</u>	<u>0</u>	<u>92,679</u>
<u>300,056</u>	<u>517,686</u>	<u>0</u>	<u>1,074,014</u>
12,271	0	0	12,271
63,816	0	0	63,816
21,497	0	0	21,497
351,833	37,455	0	1,707,888
119,915	0	0	119,915
1,137	0	0	1,137
2,479	0	0	2,479
62,569	68,285	62,848,531	74,023,476
76,913	230,975	0	4,696,245
54,778	0	0	54,778
219,317	0	0	276,817
<u>986,525</u>	<u>336,715</u>	<u>62,848,531</u>	<u>80,980,319</u>
20,883	11,761	0	32,644
<u>135,098</u>	<u>82,550</u>	<u>0</u>	<u>512,333</u>
<u>155,981</u>	<u>94,311</u>	<u>0</u>	<u>544,977</u>
<u>\$3,636,228</u>	<u>\$3,982,814</u>	<u>\$63,058,531</u>	<u>\$95,247,925</u>

CITY OF FAIRBORN, OHIO

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

Function and Activity	December 31, 2004	Transfers	Additions	Deletions	December 31, 2005
<u>Security of Persons and Property:</u>					
Police	\$3,051,922	\$0	\$126,632	(\$45,531)	\$3,133,023
Fire	3,014,026	0	1,049,403	(5,318)	4,058,111
Total	6,065,948	0	1,176,035	(50,849)	7,191,134
<u>Public Health and Welfare Services:</u>					
Cemetery	71,438	0	0	0	71,438
<u>Leisure Time Activities:</u>					
Parks	71,410	0	0	0	71,410
Parks and Recreation	4,140,614	0	825,110	(23,374)	4,942,350
Total	4,212,024	0	825,110	(23,374)	5,013,760
<u>Community Environment:</u>					
Building Inspection	90,632	0	0	(20,650)	69,982
Community Development	302,301	0	0	0	302,301
Total	392,933	0	0	(20,650)	372,283
<u>Transportation:</u>					
Street	946,006	0	62,221	(26,892)	981,335
State Highway	92,679	0	0	0	92,679
Total	1,038,685	0	62,221	(26,892)	1,074,014
<u>General Government:</u>					
City Manager	12,271	0	0	0	12,271
Audio Visual	79,798	(13,482)	0	(2,500)	63,816
Council	21,497	0	0	0	21,497
Municipal Court	1,672,650	0	40,738	(5,500)	1,707,888
Finance	116,462	(11,761)	15,214	0	119,915
Legal	1,137	0	0	0	1,137
Personnel	2,479	0	0	0	2,479
Engineering/Draft	71,929,475	0	2,336,752	(242,751)	74,023,476
Plant Maintenance	4,736,076	0	21,795	(61,626)	4,696,245
Electronic Maintenance	54,778	0	0	0	54,778
Library	276,817	0	0	0	276,817
Total	78,903,440	(25,243)	2,414,499	(312,377)	80,980,319
<u>Governmental Internal Service:</u>					
Information Technology	0	25,243	7,401	0	32,644
Equipment	533,623	0	0	(21,290)	512,333
Total	533,623	25,243	7,401	(21,290)	544,977
Total Capital Assets	\$91,218,091	\$0	\$4,485,266	(\$455,432)	\$95,247,925

**S
T
A
T
I
S
T
I
C
A
L

S
E
C
T
I
O
N**



STATISTICAL TABLES

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

CITY OF FAIRBORN, OHIO

GENERAL FUND EXPENDITURES BY FUNCTION LAST TEN YEARS

Year	Security of Persons and Property	Public Health Services	Leisure Time Activities	Community Environment	General Government	Capital Outlay	Debt Service	Total
1996	\$7,116,947	\$71,153	\$155,852	\$387,947	\$4,261,869	\$212,708	\$1,264	\$12,207,740
1997	7,575,202	70,017	155,675	417,378	4,209,186	247,566	7,501	12,682,525
1998	7,697,492	73,050	176,781	437,740	4,454,711	462,750	2,146	13,304,670
1999	7,962,947	67,886	171,794	477,321	4,914,849	385,490	180	13,980,467
2000	8,415,019	72,023	174,572	522,914	5,255,363	603,793	0	15,043,684
2001	9,257,665	73,873	171,151	384,818	5,178,492	388,839	0	15,454,838
2002	9,418,101	74,624	124,315	477,969	5,445,508	450,082	301	15,990,900
2003	9,571,121	71,439	166,251	572,434	5,541,941	446,098	5,383	16,374,667
2004	9,865,302	73,222	173,757	578,939	5,447,207	130,593	0	16,269,020
2005	10,355,517	70,093	186,639	626,581	5,670,318	158,177	0	17,067,325

SOURCE: Finance Office, City of Fairborn

CITY OF FAIRBORN, OHIO

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

<u>Year</u>	<u>Property Taxes</u>	<u>Municipal Income Taxes</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Licenses and Permits</u>	<u>Investment Earnings</u>	<u>Fines and Forfeitures</u>	<u>All Other Revenues</u>	<u>Total</u>
1996	\$1,908,867	\$4,972,990	\$2,244,408	\$1,998,890	\$150,375	\$408,274	\$1,072,148	\$105,884	\$12,861,836
1997	2,130,308	4,953,189	2,735,826	1,939,160	287,460	510,156	1,091,511	211,986	13,859,596
1998	2,183,432	5,197,699	2,522,807	2,092,009	305,522	541,442	1,091,726	417,117	14,351,754
1999	2,173,588	5,532,125	2,526,711	2,550,169	321,738	457,760	1,187,002	190,684	14,939,777
2000	2,332,918	5,964,964	3,049,305	2,489,030	305,606	764,261	1,179,021	167,010	16,252,115
2001	2,317,030	5,993,509	3,042,854	3,100,331	268,937	598,566	1,056,012	357,486	16,734,725
2002	2,432,365	6,150,816	2,648,924	3,247,570	245,372	336,062	1,105,497	349,275	16,515,881
2003	2,513,266	6,481,150	2,709,772	3,411,932	302,624	212,503	1,012,527	290,075	16,933,849
2004	2,806,297	6,200,461	2,384,548	3,867,779	288,295	205,238	885,289	352,055	16,989,962
2005	2,864,300	9,373,465	2,639,960	4,055,999	272,937	445,151	964,572	319,441	20,935,825

SOURCE: Finance Office, City of Fairborn

CITY OF FAIRBORN, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections (1)</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Accumulated Delinquent Taxes To Total Tax Levy (1)</u>
1996	\$2,073,854	\$1,937,412	93.4%	\$116,916	5.6%
1997	2,219,353	2,144,459	96.6%	75,700	3.4%
1998	2,232,743	1,965,008	88.0%	76,862	3.4%
1999	2,267,425	1,906,485	84.1%	104,351	4.6%
2000	2,644,251	2,443,725	92.4%	154,434	5.8%
2001	2,378,075	2,283,316	96.0%	100,850	4.2%
2002	2,312,652	2,236,001	96.7%	86,813	3.8%
2003	2,391,232	2,295,337	96.0%	76,827	3.2%
2004	2,525,070	2,436,033	96.5%	117,142	4.6%
2005	2,577,182	2,390,628	92.8%	126,340	4.9%

SOURCE: County Auditor; Green County, Ohio

(1) County Auditor cannot split tax collections between current and delinquent.

CITY OF FAIRBORN, OHIO

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

Year	Assessed Real	Assessed Public Utility Real	* Assessed Tangible Personal	Exemptions (1)	Total Assessed Value	Estimated True Value	Percentage of Assessed Value To Estimated True Value
1996	\$413,973,720	\$19,089,980	\$29,346,396	(\$84,655,070)	\$377,755,026	\$1,112,554,092	33.95%
1997	422,618,920	19,908,590	29,748,447	(88,125,310)	384,150,647	1,097,573,277	35.00%
1998	429,132,780	21,750,640	28,479,115	(89,344,780)	390,017,755	1,114,336,443	35.00%
1999	455,514,920	22,875,640	28,685,873	(91,143,620)	415,932,813	1,188,379,466	35.00%
2000	469,317,930	19,736,500	34,479,275	(91,540,420)	431,993,285	1,170,233,589	36.92%
2001	484,894,510	15,055,150	29,381,672	(95,739,760)	433,591,572	1,184,267,100	36.61%
2002	584,467,950	15,803,490	29,402,399	(133,469,880)	496,203,959	1,363,121,142	36.40%
2003	591,637,070	15,059,190	28,546,698	(133,790,350)	501,452,608	1,379,706,441	36.34%
2004	599,579,410	14,726,390	28,562,585	(133,948,720)	508,919,665	1,401,011,385	36.33%
2005	641,753,590	13,420,850	27,961,223	(139,676,170)	543,459,493	1,500,813,423	36.21%

SOURCE: County Auditor; Greene County, Ohio

* Includes Assessed Tangible Public Utility

(1) Exemptions include property utilized by the local and federal governments and nonprofit organizations.

CITY OF FAIRBORN, OHIO

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

Collection Year	City of Fairborn				Fairborn City Schools (2)	Greene County (2)	Joint Vocational School (2)	General Health District (2)	Bath Township (2)	Fairborn Library (2)
	General Fund	Bond Retirement Fund	Street Lighting Fund	Total City (1)						
1996	8.30	0.80	0.90	10.00	41.80	8.78	3.45	0.30	0.30	0.35
1997	8.30	0.80	0.90	10.00	43.00	8.78	3.45	0.30	0.30	0.35
1998	8.30	0.80	0.90	10.00	41.80	8.78	3.45	0.30	0.30	0.35
1999	8.30	0.70	0.90	9.90	41.80	8.78	3.45	0.30	0.40	0.35
2000	8.30	0.51	0.90	9.71	44.70	8.73	3.45	0.30	0.40	0.35
2001	8.30	0.53	0.90	9.73	44.64	9.98	3.45	0.30	0.40	0.35
2002	8.30	0.40	0.90	9.60	44.70	9.98	3.45	0.30	0.40	0.35
2003	8.30	0.20	0.90	9.40	44.70	9.98	3.45	0.55	0.40	0.35
2004	8.30	0.30	0.90	9.50	44.40	9.72	3.45	0.50	0.40	0.35
2005	8.30	0.30	0.90	9.50	44.40	10.95	3.45	0.50	0.40	0.35

SOURCE: (1) City of Fairborn's Operating Budget
(2) County Auditor; Greene County, Ohio

CITY OF FAIRBORN, OHIO

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS LAST TEN YEARS

<u>Collection Year</u>	<u>Billed (1)</u>	<u>Amount Collected (2)</u>	<u>Percent Collected</u>
1996	\$408,048	\$280,982	68.86%
1997	494,384	315,111	63.74%
1998	489,248	430,341	87.96%
1999	468,385	414,418	88.48%
2000	525,638	354,667	67.47%
2001	533,882	516,937	96.83%
2002	390,140	359,756	92.21%
2003	334,105	332,774	99.60%
2004	424,269	393,506	92.75%
2005	379,141	347,871	91.75%

SOURCE: (1) County Auditor; Greene County, Ohio
(2) City's Tax Settlement Sheets

This table reflects only those special assessments collected through the County Auditor's office. It does not reflect lump sum payments received by the City.

CITY OF FAIRBORN, OHIO

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

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$543,459,493	\$543,459,493
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	57,063,247	29,890,272
Applicable City Debt Outstanding (2)	1,985,000	775,000
Less: Applicable Debt Service Fund Amounts	<u>(642,319)</u>	<u>(642,319)</u>
Net Indebtedness Subject to Limitation	<u>1,342,681</u>	<u>132,681</u>
Legal Debt Margin	<u><u>\$55,720,566</u></u>	<u><u>\$29,757,591</u></u>

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code

(2) City Debt Outstanding Includes Non Self-Supporting General Obligation Bonds
Enterprise Debt is Not Considered in the Computation of the Legal Debt Margin

CITY OF FAIRBORN, OHIO

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

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Debt Service Funds Available</u>	<u>Debt Payable From Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
1996	a 31,469	\$377,755,026	\$6,885,000	\$515,802	\$4,995,000	\$1,374,198	0.36%	\$43.67
1997	a 31,469	384,150,647	6,415,000	501,844	4,690,000	1,223,156	0.32%	38.87
1998	a 31,469	390,017,755	6,505,000	655,099	4,370,000	1,479,901	0.38%	47.03
1999	a 33,260	415,932,813	6,400,000	600,376	4,040,000	1,759,624	0.42%	52.91
2000	b 32,054	431,993,285	5,833,000	679,335	3,695,000	1,458,665	0.34%	45.51
2001	b 32,054	433,591,572	7,485,000	769,706	5,485,000	1,230,294	0.28%	38.38
2002	b 32,054	496,203,959	6,800,000	629,634	5,030,000	1,140,366	0.23%	35.58
2003	b 32,054	501,452,608	7,803,000	549,673	5,515,000	1,738,327	0.35%	54.23
2004	b 32,054	508,919,665	10,340,000	572,652	8,050,000	1,717,348	0.34%	53.58
2005	b 32,054	543,459,493	9,325,000	642,319	7,340,000	1,342,681	0.25%	41.89

SOURCE: (1) a - Miami Valley Regional Planning Commission
b - U.S. Department of Commerce, Bureau of Census - 2000 Census.
(2) Excludes special assessment general obligation debt.

CITY OF FAIRBORN, OHIO

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

<u>Year</u>	<u>Debt Principal and Interest</u>	<u>General Fund Expenditures</u>	<u>Ratio of Debt Principal and Interest to General Fund Expenditures</u>
1996	\$300,503	\$12,207,740	2.5%
1997	295,426	12,682,525	2.3%
1998	344,900	13,304,670	2.6%
1999	360,009	13,980,467	2.6%
2000	364,342	15,043,684	2.4%
2001	355,176	15,454,838	2.3%
2002	311,803	15,990,900	1.9%
2003	323,344	16,374,667	2.0%
2004	372,620	16,269,020	2.3%
2005	401,198	17,067,325	2.4%

SOURCE: Finance Office, City of Fairborn

CITY OF FAIRBORN, OHIO

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

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Fairborn</u>	<u>Amount Applicable to the City of Fairborn</u>
Direct:			
City of Fairborn	\$1,342,681	100.00%	\$1,342,681
Overlapping:			
Greene County	21,689,000	34.00%	<u>7,374,260</u>
		Total	<u><u>\$8,716,941</u></u>

NOTE: The percentage of net indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed value within the City by the subdivision's total assessed valuation.

CITY OF FAIRBORN, OHIO

DEMOGRAPHIC STATISTICS LAST TEN YEARS

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate Greene County (3)</u>
1996 a	31,469	6,251	3.80 %
1997 a	31,469	5,935	3.70 %
1998 a	31,469	5,640	3.30 %
1999 a	33,260	5,825	3.30 %
2000 b	32,054	5,765	3.20 %
2001 b	32,054	5,742	3.40 %
2002 b	32,054	5,546	4.50 %
2003 b	32,054	5,429	5.00 %
2004 b	32,054	4,952	5.30 %
2005 b	32,054	4,749	5.40 %

SOURCE: (1) a - Miami Valley Regional Planning Commission
 b - U.S. Department of Commerce, Bureau of Census - 2000 Census.
(2) Fairborn Board of Education
(3) Ohio Bureau of Employment Services

CITY OF FAIRBORN, OHIO

PROPERTY VALUES AND CONSTRUCTION PERMITS LAST TEN YEARS

Year	Residential Construction (1)		Commercial Construction (1)	
	Number of Permits	Value	Number of Permits	Value
1996	60	\$8,922,200	8	\$3,089,000
1997	134	20,279,810	10	1,536,986
1998	124	15,738,746	7	4,292,500
1999	112	19,325,451	14	8,491,620
2000	90	16,986,720	15	11,269,491
2001	80	12,870,250	20	4,260,177
2002	150	14,536,247	1	54,000
2003	130	14,000,205	5	3,819,000
2004	131	13,749,915	5	3,189,859
2005	96	11,711,653	5	3,934,850

SOURCE: (1) City of Fairborn Building Department

CITY OF FAIRBORN, OHIO

**PRINCIPAL TAXPAYERS
DECEMBER 31, 2005**

<u>Taxpayer</u>	<u>2005 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Dayton Power & Light	\$7,395,220	1.36%
2. Charter Woods, LLC	6,155,900	1.13%
3. MG-Mapleview LTD	4,838,520	0.89%
4. 2377 Commerce Center Blvd LLC	3,956,090	0.73%
5. Ohio Bell Telephone	3,872,460	0.71%
6. Trebein Limted ADK II	3,519,900	0.65%
7. Highland Apartments	3,134,650	0.58%
8. Property Associates LLC	3,098,380	0.57%
9. Miami Valley Publishing	3,045,800	0.56%
10. Ali Industries	2,996,550	0.54%
Subtotal	42,013,470	7.72%
All Others	501,446,023	92.28%
Total	\$543,459,493	100.00%

Note: Based on valuation of property taxes levied in 2005.
Source: County Auditor; Greene County, Ohio

CITY OF FAIRBORN, OHIO

MISCELLANEOUS STATISTICS DECEMBER 31, 2005

Year of Incorporation	1951	Area - square miles	13.41
Form of Government	Council-Manager	Miles of Streets	288.81
		Number of Street Lights	1,995
Number of Employees (excluding police and fire)		Sewers:	
Classified	64	Miles of Sanitary Sewers	135.24
Unclassified	80	Miles of Storm Sewers	109.71
Exempt	28	Number of Treatment Plants	1
		Number of Service Connections	12,461
Recreation and Culture:		Daily Average Treatment in Gallons	4,260,000
Number of Parks	18	Maximum Daily Capacity of Plant in Gallons	16,000,000
Park Acreage	652	Water:	
Bikeway	1	Miles of Water Mains	147.69
Number of Tennis Courts	14	Number of Service Connections	12,430
Fire Protection:		Number of Fire Hydrants	1,414
Number of Stations	3	Daily average consumption in gallons	3,792,000
Number of Fire Personnel and Officers	50	Maximum Daily Capacity of Plant in Gallons	5,000,000
Number of Calls Answered	5,736	Education:	
Number of Inspections Conducted	1,141	Number of Elementary Schools	2
Police Protection:		Number of Elementary School Instructors	145
Number of Stations	1	Number of Secondary Schools	2
Number of Policemen and Officers	43	Number of Secondary School Instructors	168
Number of Patrol Units	31	Number of Universities	1
Number of Citations Issued:			
Criminal Arrests	2,817		
Traffic	2,513		
Parking Citations	1,141		

SOURCE: Finance Office, City of Fairborn



City of Fairborn
Finance Department
44 West Hebble Avenue
Fairborn, OH 45324
Telephone: (937) 754-3005





**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF FAIRBORN

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 24, 2006**