

CITY OF FAIRFIELD, OHIO

Independent Auditors' Report on
Internal Controls and Compliance

December 31, 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Fairfield, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 23, 2007

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CITY OF FAIRFIELD, OHIO

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

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

City Council
City of Fairfield, Ohio:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, Ohio (City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

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 grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Fairfield, Ohio in a separate letter dated June 26, 2007.

This report is intended solely for the information and use of management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

CSH & Co

Middletown, Ohio

June 26, 2007



Mary Taylor, CPA
Auditor of State

CITY OF FAIRFIELD

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 4, 2007**



City of Fairfield, Ohio

Comprehensive Annual Financial Report

For The Year Ended December 31, 2006

City of Fairfield, Ohio

Comprehensive Annual Financial Report

For the Year Ended December 31, 2006

**Prepared By:
Department of Finance
Mary Hopton, Director**

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Introductory Section





June 30, 2007

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

The Comprehensive Annual Financial Report of the City of Fairfield, Ohio for the fiscal year ended December 31, 2006 is submitted herewith. The Department of Finance prepared the report. The responsibility for both the accuracy of the presented data and the completeness and the fairness of the presentation, including all disclosures, rests with the City of Fairfield, specifically with the Department of Finance. We believe that the enclosed data is accurate in all material respects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City. We further believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

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

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

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a list of public officials, the government's service delivery chart and the Certificate of Achievement for Excellence in Financial Reporting (GFOA) award. The financial section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and the Notes to the Basic Financial Statements that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements. The statistical section includes selected economic data, financial trend and demographic information, generally presented on a multi-year basis.

CITY OVERVIEW

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

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

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

Several employers continued on with expansion plans in 2006. During 2006, the Cincinnati Financial Corporation continued construction on a parking garage and a third office tower. This 435,000 sq. ft. office tower is to be completed in late 2007 and will bring over 550 new jobs to the City of Fairfield. In addition, Jungle Jim's International Market and Tedia Corporation expanded their existing operations. The City also welcomed CNT Design & Equipment Company and Duke Corporation purchased 57 acres of land along Union Center Boulevard of which 35 are in the City.

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

MAJOR INITIATIVES

The following were among the many diverse activities and/or programs to which both the elected officials and staff devoted their energies in 2006:

- 1) In May of 2006, the City completed construction of the new **Municipal Court and Police Services Building** at a cost of \$10 million. This building is a 50,033 sq. ft. single-story brick structure and houses both the Municipal Court and Police Departments. It is located across from the Municipal Building and adjacent to the Village Green area.
- 2) In March of 2006, the City completed the renovation of the old library building into a **Municipal Building Annex** at a cost of \$507,882. The Annex houses the City's Income Tax and Information Technology Divisions of the Finance Department.
- 3) The City of Fairfield received \$759,000 in grant funding from the State of Ohio Department for the streetscape enhancement along State Route 4 on the southern end of the City. This project is complete and consists of decorative pavers, plantings, irrigation, modern lighting and entrance signage in the median along the road. The improvement would provide a gateway definition in accordance with the City's Route 4 corridor design and the City's Year 2010 Master Plan. The total project's cost was \$1.2 million.
- 4) The City completed storm sewer expansion and improvement at Happy Valley Drive for \$482,421. This expansion will handle the additional drainage that occurs during wet weather and will help alleviate flooding issues in that area.
- 5) The City completed renovations of office space at the Public Utility's Wastewater Division at a cost of \$467,503.

FUTURE PROJECTS

Accomplishments and significant capital projects to look forward to in 2007 include the following:

- 1) In 2007, the City of Fairfield has contracted with the firm of MSA to redesign the Municipal Building to make more efficient use of the space. The project is estimated to cost \$1.8 million and construction will begin during the last quarter of 2007 and continue into 2008.
- 2) In early 2007, the City of Fairfield demolished the Golf Course Clubhouse and began reconstruction of the new Clubhouse. The cost of this construction is estimated at \$2.2 million. The original clubhouse was several decades old and in need of repair. It became apparent when the City added the Community Arts Center in 2005 that the Golf Course Clubhouse building was not up to our new standards. City Council approved the funds in 2006.
- 3) The Public Utilities Department continues on \$3 million in improvements to the wastewater system. These improvements include rebuilding secondary clarifiers to increase hydraulic capacity of the plant, the construction of wet weather relief improvements, the construction of an administration building and the renovation of various lift stations throughout the system.
- 4) The City has received a \$1.734 million grant from the Federal Emergency Management Agency (FEMA) for the purchase and demolition of 11 homes located along Pleasant Run Creek. During 2004, appraisals were made on all the properties where the owner expressed an interest in participating in the voluntary program.

INTERNAL ACCOUNTING AND BUDGETARY CONTROLS

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

Budgetary control is maintained at the fund level by the use of encumbrances for purchase order amounts to vendors. Open encumbrances are reported as reservations of the fund balance for the governmental fund types at December 31, 2006.

CASH MANAGEMENT

Excluding investments held by trustees, cash temporarily idle during the year 2006 was invested in State Treasury Asset Reserves or Repurchase Agreements (collateralized by U.S. Treasury Bills). As of year-end, State Treasury Asset Reserves made up 30% of the City's total cash, cash equivalents and investments, Freddie Mac 2%, Federal Home Loan Bank 34%, Fannie Mae 9%, Federal Farm Credit Bank 2% , and demand deposits 23%. Yields on these investment instruments ranged from 1.50% to 4.75% the amount of interest earned during the year was \$2,112,069 as compared to \$1,375,004 earned in 2005.

DEBT ADMINISTRATION

The ratio of net debt to assessed valuation and net debt per capita is useful indications of the City of Fairfield's debt position to all interested parties. The data for the City of Fairfield as of December 31, 2006 was as follows:

2006 Population (Estimated)	<u><u>42,370</u></u>
Assessed Valuation	<u><u>\$1,054,591,831</u></u>
Total General Obligation (G.O.) Debt	\$27,505,000
Less Amount Available in Debt Service Fund	<u><u>681,787</u></u>
Net General Obligation Debt	<u><u>\$26,823,213</u></u>
Ratio of Net G.O. Debt to Assessed Valuation	2.54%
Debt per Capita	<u><u>\$633.07</u></u>

The City's total debt at the close of 2006 included the above mentioned \$26,823,213 in net General Obligation debt and \$11,974,316 in enterprise debt. The City's General Obligation bonds continue to have an excellent rating, which they have carried for the past several years. In 2003, Moody's Investor's Service upgraded the City's bonds to carry an "Aa2" credit rating.

CITY INCOME TAX

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

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

	2006	2005
Allocated to General Fund	\$16,355,213	\$14,898,896
Allocated to .2% Street Improvement Fund	2,973,675	2,708,890
Allocated to .2% Capital Improvement Fund	2,973,675	2,708,890
	<hr/>	<hr/>
Gross Revenues	<u>\$22,302,563</u>	<u>\$20,316,676</u>

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

RISK MANAGEMENT

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairfield for its Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2005. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

Respectfully submitted,
CITY OF FAIRFIELD



Arthur E. Pizzano
City Manager



Mary Hopton
Director of Finance

**CITY OF FAIRFIELD
PUBLIC OFFICIALS**

MAYOR

Ron D'Epifanio

COUNCIL MEMBERS

Vice Mayor – Mike Snyder

Marty Judd
Steve Miller
Tim Meyers

Mitch Rhodus
Tim Abbott
Mike Oler

APPOINTED OFFICIALS

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

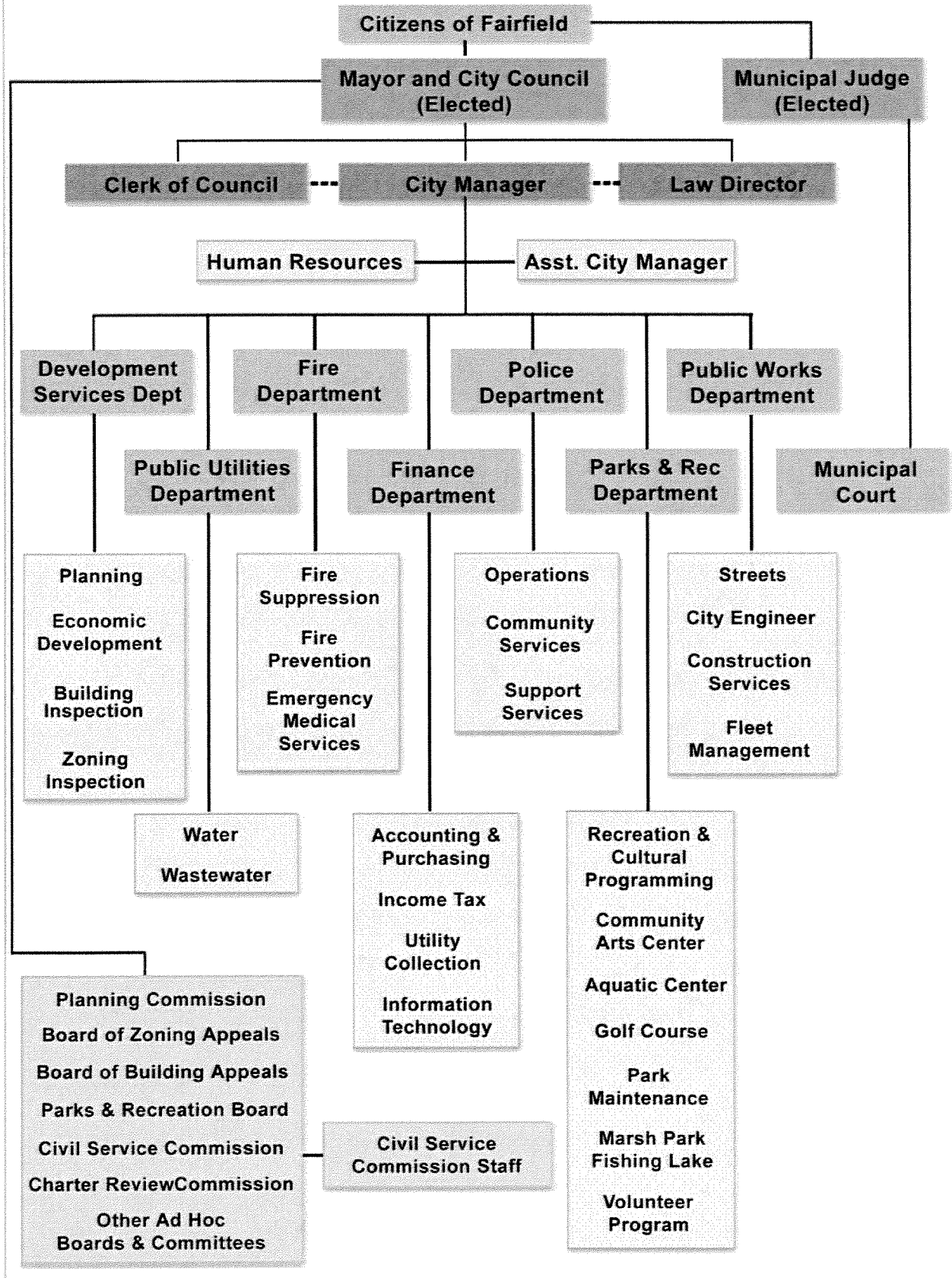
Arthur E. Pizzano
Dennis R. Stuckey
Mary Hopton
John H. Clemmons
David A. Bock
James Bell
J. Dwight Culbertson
Timothy Bachman
Michael Dickey
Donald Bennett
Dena Morsch

DEPARTMENT OF FINANCE

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

Mary Hopton
Tina Williams, CPA
Tom Hedge
Joseph Waldmann
Michelle Farthing
Karen Broughton

City of Fairfield, OH Service Delivery Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairfield
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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



President

Executive Director



Financial Section





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

INDEPENDENT AUDITORS' REPORT

City Council
City of Fairfield, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, Ohio (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, Ohio as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3-12 and 56-59, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hachett & Co.

Middletown, Ohio
June 26, 2007

City of Fairfield, Ohio

Management's Discussion and Analysis For The Year Ended December 31, 2006 (Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fairfield's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2006. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the transmittal letter and the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$4,999,756. Net assets of governmental activities increased \$4,745,956, net assets of business-type activities increased by \$253,800.
- The general fund reported a fund balance of \$10,585,076.
- Business-type operations reflected operating loss of \$157,715.
- The City issued \$7 million in General Obligation Bond Anticipation Notes for the City's new Justice Center, \$2.2 million in General Obligation Bond Anticipation Notes for golf course improvements and \$3 million in General Obligation Bond Anticipation Notes for improvements to the wastewater treatment plant.
- The City had \$36,165,905 in expenses relating to governmental activities; program revenues offset \$8,304,723 of these expenses. General revenues of \$32,607,138 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

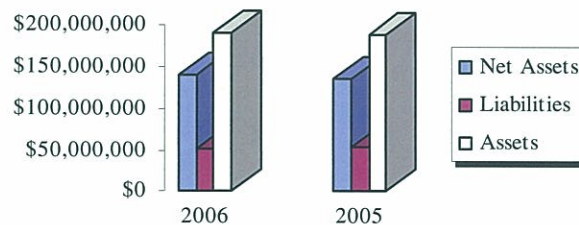
Fiduciary Funds - The City is the fiscal agent for the Municipal Court and Warranty Bonds. The City's fiduciary responsibility is reported in the Statement of Fiduciary Net Assets and Statement of Changes in Assets and Liabilities. We exclude these balances from the City's other financial statements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

The City as a Whole

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current Assets	\$41,869,545	\$40,031,370	\$15,756,866	\$17,134,537	\$57,626,411	\$57,165,907
Capital Assets, Net	80,222,463	77,775,672	51,502,976	51,965,970	131,725,439	129,741,642
Total Assets	122,092,008	117,807,042	67,259,842	69,100,507	189,351,850	186,907,549
Liabilities						
Long-Term Liabilities	15,800,552	16,628,083	14,382,665	15,328,428	30,183,217	31,956,511
Other Liabilities	16,740,949	16,374,408	3,537,048	4,685,750	20,277,997	21,060,158
Total Liabilities	32,541,501	33,002,491	17,919,713	20,014,178	50,461,214	53,016,669
Net Assets						
Invested in Capital						
Assets Net of Debt	57,602,463	54,410,081	34,692,293	34,091,302	92,294,756	88,501,383
Restricted	11,245,048	11,788,385	1,193,743	1,131,986	12,438,791	12,920,371
Unrestricted	20,702,996	18,606,085	13,454,093	13,863,041	34,157,089	32,469,126
Total Net Assets	\$89,550,507	\$84,804,551	\$49,340,129	\$49,086,329	\$138,890,636	\$133,890,880



Total net assets of the City as a whole increased \$4,999,756. Net assets of the City's governmental activities increased \$4,745,956, while the net assets of the City's business-type activities increased \$253,800 from 2005. The largest portion of the City's net assets reflect its investment in capital assets, less any related debt to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens of the City. The City had an unrestricted net assets balance of \$34,157,089 that may be used to meet the government's ongoing obligations to citizens and creditors.

The increase in Capital Assets, net reflects the continuing construction of the City's new Justice Center and other various equipment improvements throughout the City. The decrease in long term liabilities represents the City making scheduled payments on its long term debt obligations.

Table 2 shows the changes in net assets at year-end and revenue and expense comparisons to 2005.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	\$4,165,936	\$3,668,367	\$11,174,142	\$10,673,427	\$15,340,078	\$14,341,794
Operating Grants, Contributions	3,356,835	2,628,669	0	0	3,356,835	2,628,669
Capital Grants and Contributions	781,952	1,556,398	0	0	781,952	1,556,398
Total Program Revenues	8,304,723	7,853,434	11,174,142	10,673,427	19,478,865	18,526,861
General Revenue:						
Income Taxes	22,302,563	20,316,676	0	0	22,302,563	20,316,676
Property Taxes	4,972,546	4,954,867	0	0	4,972,546	4,954,867
Grants and Entitlements	3,197,933	2,263,680	0	0	3,197,933	2,263,680
Investment Earnings	1,464,849	946,699	647,220	428,305	2,112,069	1,375,004
Other	1,219,247	273,167	37,254	139,966	1,256,501	413,133
Total General Revenues	33,157,138	28,755,089	684,474	568,271	33,841,612	29,323,360
Total Revenues	41,461,861	36,608,523	11,858,616	11,241,698	53,320,477	47,850,221
Program Expenses:						
General Government	7,817,572	7,172,448	0	0	7,817,572	7,172,448
Public Safety	14,603,318	13,502,174	0	0	14,603,318	13,502,174
Leisure Time Activities	2,732,748	2,126,895	0	0	2,732,748	2,126,895
Community Development	1,232,188	1,043,526	0	0	1,232,188	1,043,526
Basic Utility Service	508,183	506,372	0	0	508,183	506,372
Transportation and Street Repair	8,377,486	10,240,547	0	0	8,377,486	10,240,547
Public Health and Welfare	24,363	25,007	0	0	24,363	25,007
Interest and Fiscal Charges	870,047	842,065	0	0	870,047	842,065
Water Utility	0	0	3,696,111	3,763,190	3,696,111	3,763,190
Sewer Utility	0	0	4,710,334	4,517,979	4,710,334	4,517,979
Solid Waste	0	0	1,851,371	1,751,984	1,851,371	1,751,984
Recreation	0	0	1,897,000	1,885,070	1,897,000	1,885,070
Total Program Expenses	36,165,905	35,459,034	12,154,816	11,918,223	48,320,721	47,377,257
Increase (Decrease) in Net Assets						
before Transfers	5,295,956	1,149,489	(296,200)	(676,525)	4,999,756	472,964
Transfers - Internal Activities	(550,000)	(650,000)	550,000	650,000	0	0
Change in Net Assets	4,745,956	499,489	253,800	(26,525)	4,999,756	472,964
Beginning Net Assets	84,804,551	84,305,062	49,086,329	49,112,854	133,890,880	133,417,916
Ending Net Assets	\$89,550,507	\$84,804,551	\$49,340,129	\$49,086,329	\$138,890,636	\$133,890,880

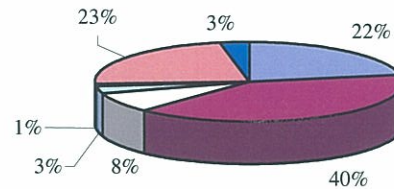
Governmental Activities

The City had an increase in Governmental Activities operating grants and contributions due to an increase in grant monies received by the City. The City also had an increase in investment earnings from 2005 due to the City’s continuing effort to get the best return on investment. Total expenses increased a modest 2% which was mostly due to general inflationary costs.

Council is active in promoting economic growth in Fairfield in 2006, as this economic growth does increase the earnings tax base as well. Fairfield has continued attracting employers to our city in the year 2006, thereby injecting the local economy with jobs and increasing the City’s commercial tax base. The 1.50% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent more than 67% of the City’s governmental activities general revenues. During 2006, when most communities were faced with budget cuts due to the economic downturn of the economy, the City’s 2006 earnings tax revenues increased approximately 9.8% over 2005 tax revenues.

Governmental activities program expenses for 2006 were as follows:

<u>Program Expenses</u>	<u>Percent of Total</u>
General Government	22%
Public Safety	40%
Leisure Time Activities	8%
Community Development	3%
Basic Utility Service	1%
Transportation and Street Repair	23%
Interest and Fiscal Charges	3%
Total	<u>100%</u>



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

Income Tax

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

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

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

Business-Type Activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City's Funds

The City has five major governmental funds: the General Fund, Fire Levy Fund, .2% Street Improvement Fund, .2% Capital Improvement Fund and Downtown Development Fund. Assets of the general fund comprised \$15,653,005 (37%), the fire levy fund comprised \$4,629,020 (11%), the .2% street improvement fund comprised \$9,215,704 (22%), the .2% capital improvement fund comprised \$5,559,066 (13%) and the downtown development fund comprised \$574,455 (1%) of the total \$41,824,962 governmental funds assets.

General Fund: Fund balance at December 31, 2006 was \$10,585,076 an increase in fund balance of \$1,267,096 from 2005. The general fund had an increase in taxes revenue due to an increase in the amount of income taxes revenues collected from 2005 to 2006. The general fund also had an increase in intergovernmental revenue due to an increase in inheritance (estate) tax from 2005.

Fire Levy Fund: Fund balance at December 31, 2006 was \$28,451 an increase in fund balance of \$28,831 from 2005. The fire levy fund had an increase in fund balance due to an increase in taxes revenue due to an increase in property taxes revenue received.

.2% Street Improvement Fund: Fund balance at December 31, 2006 was \$8,274,012 an increase in fund balance of \$1,123,404 from 2005. The .2% street improvement fund had an increase in fund balance primarily due to an increase in investment earnings due to the City's continuing to increase investment income and had an increase in taxes revenue primarily due to additional monies received in income tax collections.

.2% Capital Improvement Fund: Fund balance at December 31, 2006 was \$2,925,864 a decrease in fund balance of \$324,013 from 2005. The .2% capital improvement fund had a decrease in fund balance primarily due to an increase in capital outlay due to various improvements to the City.

Downtown Development Fund: Fund balance at December 31, 2006 was (\$6,660,721) a decrease in fund balance of (\$2,852,737) from 2005. The downtown development fund saw a decrease in fund balance mainly due to the City's increase in capital outlay due to the continuing construction of the City's new Justice Center (Municipal Court and Police Service Buildings).

General Fund Budgeting Highlights

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

As the City completed the year, its General Fund balance reported an actual fund balance of \$9,138,104, on a Non-GAAP Budgetary Basis.

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$13,064,894	\$12,767,521	\$1,497,829	\$1,497,829	\$14,562,723	\$14,265,350
Construction in Progress	206,821	6,118,987	915,640	1,591,846	1,122,461	7,710,833
Buildings and Improvements	42,403,783	33,796,713	46,432,493	45,964,990	88,836,276	79,761,703
Equipment	13,444,865	11,748,691	2,671,959	2,591,665	16,116,824	14,340,356
Infrastructure	73,692,942	73,339,355	30,269,224	28,861,143	103,962,166	102,200,498
Accumulated Depreciation	(62,590,842)	(59,995,595)	(30,284,169)	(28,541,503)	(92,875,011)	(88,537,098)
Total Net Capital Assets	<u>\$80,222,463</u>	<u>\$77,775,672</u>	<u>\$51,502,976</u>	<u>\$51,965,970</u>	<u>\$131,725,439</u>	<u>\$129,741,642</u>

Increases in Capital Assets were the result of the City continued construction of the new Justice Center.

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

Debt

The City had \$13,420,000 in unvoted general obligation bonds for Governmental Activities and \$13,859,316 in Business-Type Activities long-term debt.

Table 4
Outstanding Debt at Year End

	<u>2006</u>	<u>2005</u>
Governmental Activities		
Justice Center Bond	\$50,000	\$100,000
Fire Station Bond	315,000	380,000
Community Arts Center Bond	6,630,000	6,925,000
Various Purpose Special Assessment Bonds with Governmental Commitment	0	25,000
Various Purpose General Obligation Bonds	<u>6,425,000</u>	<u>6,870,000</u>
Total	<u><u>\$13,420,000</u></u>	<u><u>\$14,300,000</u></u>
Business Type Activities		
OWDA Wastewater Improvement Loan	8,694,316	9,321,282
Various Purpose Recreation Bonds	1,885,000	1,975,000
Water Refunding Mortgage Revenue Bond	<u>3,280,000</u>	<u>3,505,000</u>
Total	<u><u>\$13,859,316</u></u>	<u><u>\$14,801,282</u></u>

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

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, City of Fairfield, 5350 Pleasant Avenue, Fairfield, Ohio 45014.

City of Fairfield
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$29,188,676	\$13,339,754	\$42,528,430
Restricted Cash and Investments	0	1,193,743	1,193,743
Receivables:			
Taxes	10,311,018	0	10,311,018
Accounts	41,110	861,511	902,621
Interest	206,712	82,619	289,331
Intergovernmental	2,122,029	0	2,122,029
Deferred Bond Issuance Costs	0	0	0
Inventory	0	230,606	230,606
Deferred Bond Issuance Costs	0	48,633	48,633
Nondepreciable Capital Assets	13,271,715	2,413,469	15,685,184
Depreciable Capital Assets, Net	66,950,748	49,089,507	116,040,255
Total Assets	122,092,008	67,259,842	189,351,850
Liabilities:			
Accounts Payable	1,080,648	129,974	1,210,622
Accrued Wages and Benefits	1,095,195	163,565	1,258,760
Accrued Interest Payable	71,041	59,232	130,273
Unearned Revenue	5,281,961	0	5,281,961
Other Liabilities	0	129,306	129,306
Claims Payable	12,104	0	12,104
Due to Other Governments	0	54,971	54,971
Bond Anticipated Notes Payable	9,200,000	3,000,000	12,200,000
Long-Term Liabilities:			
Due Within One Year	945,802	984,812	1,930,614
Due In More Than One Year	14,854,750	13,397,853	28,252,603
Total Liabilities	32,541,501	17,919,713	50,461,214
Net Assets:			
Invested in Capital Assets, Net of Related Debt	57,602,463	34,692,293	92,294,756
Restricted for:			
Special Revenue	4,484,826	0	4,484,826
Debt Service	1,920,603	0	1,920,603
Capital Projects	4,839,619	0	4,839,619
Other Purposes	0	1,193,743	1,193,743
Unrestricted	20,702,996	13,454,093	34,157,089
Total Net Assets	\$89,550,507	\$49,340,129	\$138,890,636

See accompanying notes to the basic financial statements.

City of Fairfield
Statement of Activities
For the Fiscal Year Ended December 31, 2006

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$7,817,572	\$1,282,363	\$0	\$0
Public Safety	14,603,318	1,715,358	611,878	0
Leisure Time Activities	2,732,748	200,442	0	0
Community Development	1,232,188	487,966	0	459,927
Basic Utility Service	508,183	479,807	0	191,802
Transportation and Street Repair	8,377,486	0	2,744,957	130,223
Public Health and Welfare	24,363	0	0	0
Interest and Fiscal Charges	870,047	0	0	0
Total Governmental Activities	36,165,905	4,165,936	3,356,835	781,952
Business-Type Activities:				
Water Utility	3,696,111	3,468,314	0	0
Sewer Utility	4,710,334	4,569,010	0	0
Solid Waste	1,851,371	1,492,120	0	0
Recreation	1,897,000	1,644,698	0	0
Total Business-Type Activities	12,154,816	11,174,142	0	0
Totals	\$48,320,721	\$15,340,078	\$3,356,835	\$781,952

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

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$6,535,209)	\$0	(\$6,535,209)
(12,276,082)	0	(12,276,082)
(2,532,306)	0	(2,532,306)
(284,295)	0	(284,295)
163,426	0	163,426
(5,502,306)	0	(5,502,306)
(24,363)	0	(24,363)
(870,047)	0	(870,047)
<u>(27,861,182)</u>	<u>0</u>	<u>(27,861,182)</u>
0	(227,797)	(227,797)
0	(141,324)	(141,324)
0	(359,251)	(359,251)
0	(252,302)	(252,302)
<u>0</u>	<u>(980,674)</u>	<u>(980,674)</u>
<u>(\$27,861,182)</u>	<u>(\$980,674)</u>	<u>(\$28,841,856)</u>
22,302,563	0	22,302,563
1,293,193	0	1,293,193
3,679,353	0	3,679,353
3,197,933	0	3,197,933
1,464,849	647,220	2,112,069
1,219,247	37,254	1,256,501
(550,000)	550,000	0
<u>32,607,138</u>	<u>1,234,474</u>	<u>33,841,612</u>
4,745,956	253,800	4,999,756
<u>84,804,551</u>	<u>49,086,329</u>	<u>133,890,880</u>
<u>\$89,550,507</u>	<u>\$49,340,129</u>	<u>\$138,890,636</u>

City of Fairfield
Balance Sheet
Governmental Funds
December 31, 2006

	General	Fire Levy	.2% Street Improvement	.2% Capital Improvement
Assets:				
Equity in Pooled Cash and Investments	\$9,810,500	\$291,554	\$8,485,490	\$4,896,441
Receivables:				
Taxes	4,842,865	4,196,449	635,852	635,852
Accounts	41,110	0	0	0
Interest	84,574	1,003	94,362	26,773
Intergovernmental	873,956	140,014	0	0
Total Assets	15,653,005	4,629,020	9,215,704	5,559,066
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	169,872	12,097	536,723	67,334
Accrued Wages and Benefits	756,606	251,239	0	0
Compensated Absences	16,519	0	0	0
Deferred Revenue	4,124,932	4,337,233	404,969	365,868
Bond Anticipated Notes Payable	0	0	0	2,200,000
Total Liabilities	5,067,929	4,600,569	941,692	2,633,202
Fund Balances:				
Reserved for Encumbrances	74,657	20,952	1,601,062	2,482,071
Unreserved, Undesignated, Reported in:				
General Fund	10,510,419	0	0	0
Special Revenue Funds	0	7,499	0	0
Debt Service Funds	0	0	0	0
Capital Projects Funds	0	0	6,672,950	443,793
Total Fund Balances	10,585,076	28,451	8,274,012	2,925,864
Total Liabilities and Fund Balances	\$15,653,005	\$4,629,020	\$9,215,704	\$5,559,066

See accompanying notes to the basic financial statements.

<u>Downtown Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$574,455	\$5,085,653	\$29,144,093
0	0	10,311,018
0	0	41,110
0	0	206,712
0	1,108,059	2,122,029
<u>574,455</u>	<u>6,193,712</u>	<u>41,824,962</u>
235,176	58,014	1,079,216
0	67,384	1,075,229
0	0	16,519
0	782,510	10,015,512
<u>7,000,000</u>	<u>0</u>	<u>9,200,000</u>
<u>7,235,176</u>	<u>907,908</u>	<u>21,386,476</u>
111,524	1,038,882	5,329,148
0	0	10,510,419
0	2,610,230	2,617,729
0	1,991,644	1,991,644
<u>(6,772,245)</u>	<u>(354,952)</u>	<u>(10,454)</u>
<u>(6,660,721)</u>	<u>5,285,804</u>	<u>20,438,486</u>
<u>\$574,455</u>	<u>\$6,193,712</u>	<u>\$41,824,962</u>

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City of Fairfield
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 December 31, 2006

Total Governmental Fund Balance		\$20,438,486
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		80,222,463
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income Taxes	2,543,210	
Delinquent Property Taxes	260,168	
Interest	157,991	
Intergovernmental	<u>1,772,182</u>	
		4,733,551
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(64,463)
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(71,041)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,288,489)</u>	
		(2,288,489)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(13,420,000)</u>
Net Assets of Governmental Activities		<u>\$89,550,507</u>

See accompanying notes to the basic financial statements.

City of Fairfield
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2006

	General	Fire Levy	.2% Street Improvement	.2% Capital Improvement
Revenues:				
Taxes	\$17,351,952	\$3,935,248	\$2,909,160	\$2,909,160
Fines, Licenses & Permits	1,603,636	5,725	0	0
Charges for Services	724,355	800,837	0	0
Investment Earnings	585,125	12,464	376,519	114,579
Intergovernmental	2,798,421	324,300	82,900	292,916
Special Assessments	60,000	0	0	0
Other Revenues	176,047	2,694	1,133,422	0
Total Revenues	23,299,536	5,081,268	4,502,001	3,316,655
Expenditures:				
Current:				
General Government	6,749,635	0	0	0
Public Safety	8,540,312	5,020,236	0	0
Leisure Time Activities	2,083,769	0	0	0
Community Development	1,183,209	0	0	0
Basic Utility Service	508,183	0	0	0
Transportation and Street Repair	0	0	2,305,578	886,910
Public Health and Welfare	24,363	0	0	0
Capital Outlay	79,915	33,751	404,424	1,901,875
Debt Service:				
Principal Retirement	65,591	0	0	0
Interest and Fiscal Charges	1,662	0	0	0
Total Expenditures	19,236,639	5,053,987	2,710,002	2,788,785
Excess of Revenues Over (Under) Expenditures	4,062,897	27,281	1,791,999	527,870
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	20,199	1,550	0	0
Transfers In	0	0	0	0
Transfers (Out)	(2,816,000)	0	(668,595)	(851,883)
Total Other Financing Sources (Uses)	(2,795,801)	1,550	(668,595)	(851,883)
Net Change in Fund Balance	1,267,096	28,831	1,123,404	(324,013)
Fund Balance Beginning of Year	9,317,980	(380)	7,150,608	3,249,877
Fund Balance End of Year	\$10,585,076	\$28,451	\$8,274,012	\$2,925,864

See accompanying notes to the basic financial statements.

<u>Downtown Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$0	\$0	\$27,105,520
0	828,194	2,437,555
0	0	1,525,192
121,210	231,365	1,441,262
0	2,990,752	6,489,289
0	113,721	173,721
0	10,779	1,322,942
<u>121,210</u>	<u>4,174,811</u>	<u>40,495,481</u>
381,880	224,289	7,355,804
0	9,592	13,570,140
0	0	2,083,769
0	0	1,183,209
0	0	508,183
0	2,866,303	6,058,791
0	0	24,363
4,592,067	337,835	7,349,867
0	880,000	945,591
<u>378,448</u>	<u>618,775</u>	<u>998,885</u>
<u>5,352,395</u>	<u>4,936,794</u>	<u>40,078,602</u>
<u>(5,231,185)</u>	<u>(761,983)</u>	<u>416,879</u>
0	615,001	636,750
2,378,448	3,790,478	6,168,926
0	(2,468,448)	(6,804,926)
<u>2,378,448</u>	<u>1,937,031</u>	<u>750</u>
(2,852,737)	1,175,048	417,629
<u>(3,807,984)</u>	<u>4,110,756</u>	<u>20,020,857</u>
<u>(\$6,660,721)</u>	<u>\$5,285,804</u>	<u>\$20,438,486</u>

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City of Fairfield
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2006

Net Change in Fund Balance - Total Governmental Funds \$417,629

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	7,333,091	
Depreciation Expense	<u>(4,163,773)</u>	3,169,318

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (722,527)

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

Income Taxes	484,380	
Delinquent Property Taxes	(315,729)	
Interest	23,587	
Intergovernmental	801,048	
Other	<u>(26,906)</u>	966,380

Repayment of bond and capital lease principal is an expenditure
 in the governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 945,591

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 128,838

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

Compensated Absences	<u>(119,308)</u>	
		(119,308)

The internal service fund used by management to charge back costs
 to individual funds is not reported in the district-wide statement of
 activities. Governmental fund expenditures and the related internal
 service fund revenues are eliminated. The net revenue (expense) of
 the internal service fund is allocated among the governmental activities. (39,965)

Change in Net Assets of Governmental Activities \$4,745,956

See accompanying notes to the basic financial statements.

City of Fairfield
Statement of Net Assets
Proprietary Funds
December 31, 2006

	Business-Type Activities -Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities
Current Assets:				
Equity in Pooled Cash and Investments	\$9,092,826	\$4,031,708	\$4,442	\$210,778
Restricted Cash and Investments	1,193,743	0	0	0
Receivables:				
Accounts	238,878	459,246	163,387	0
Interest	67,085	15,534	0	0
Inventory	198,536	0	0	32,070
Total Current Assets	10,791,068	4,506,488	167,829	242,848
Noncurrent Assets:				
Deferred Bond Issuance Costs	48,633	0	0	0
Nondepreciable Capital Assets	906,428	1,000,041	0	507,000
Depreciable Capital Assets, Net	15,796,038	29,219,864	0	4,073,605
Total Noncurrent Assets	16,751,099	30,219,905	0	4,580,605
Total Assets	27,542,167	34,726,393	167,829	4,823,453
Liabilities:				
Current Liabilities:				
Accounts Payable	80,324	37,452	640	11,558
Accrued Wages and Benefits	62,826	70,471	725	29,543
Compensated Absences	0	7,283	0	0
Accrued Interest Payable	13,093	39,463	0	6,676
Other Liabilities	129,306	0	0	0
Claims Payable	0	0	0	0
Due to Other Governments	0	54,971	0	0
Bond Anticipated Notes Payable	0	3,000,000	0	0
Long-Term Liabilities Due Within One Year	235,000	652,529	0	90,000
Total Current Liabilities	520,549	3,862,169	1,365	137,777
Long-Term Liabilities:				
Compensated Absences	232,346	171,625	708	111,387
Bonds, Notes & Loans Payable	3,045,000	8,041,787	0	1,795,000
Total Noncurrent Liabilities	3,277,346	8,213,412	708	1,906,387
Total Liabilities	3,797,895	12,075,581	2,073	2,044,164
Net Assets:				
Invested in Capital Assets, Net of Related Debt	13,471,099	18,525,589	0	2,695,605
Restricted for:				
Other Purposes	1,193,743	0	0	0
Unrestricted	9,079,430	4,125,223	165,756	83,684
Total Net Assets	\$23,744,272	\$22,650,812	\$165,756	\$2,779,289

See accompanying notes to the basic financial statements.

Total Business-Type Activities	Governmental Activities- Internal Service Fund
\$13,339,754	\$44,583
1,193,743	0
861,511	0
82,619	0
230,606	0
<u>15,708,233</u>	<u>44,583</u>
48,633	0
2,413,469	0
49,089,507	0
<u>51,551,609</u>	<u>0</u>
<u>67,259,842</u>	<u>44,583</u>
129,974	1,432
163,565	19,966
7,283	0
59,232	0
129,306	0
0	12,104
54,971	0
3,000,000	0
977,529	0
<u>4,521,860</u>	<u>33,502</u>
516,066	75,544
12,881,787	0
<u>13,397,853</u>	<u>75,544</u>
<u>17,919,713</u>	<u>109,046</u>
34,692,293	0
1,193,743	0
13,454,093	(64,463)
<u>\$49,340,129</u>	<u>(\$64,463)</u>

City of Fairfield
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended December 31, 2006

	Business-Type Activities -Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities
Operating Revenues:				
Fines, Licenses & Permits	\$50,976	\$97,331	\$0	\$0
Charges for Services	3,417,338	4,471,679	1,492,120	1,644,698
Other Revenues	25,376	447	7,507	3,924
Total Operating Revenues	<u>3,493,690</u>	<u>4,569,457</u>	<u>1,499,627</u>	<u>1,648,622</u>
Operating Expenses:				
Personal Services	1,569,582	1,857,971	22,256	856,364
Contractual Services	814,794	809,343	1,828,788	511,989
Materials and Supplies	584,001	461,212	327	251,198
Depreciation	544,365	1,066,721	0	190,200
Total Operating Expenses	<u>3,512,742</u>	<u>4,195,247</u>	<u>1,851,371</u>	<u>1,809,751</u>
Operating Income (Loss)	<u>(19,052)</u>	<u>374,210</u>	<u>(351,744)</u>	<u>(161,129)</u>
Non-Operating Revenues (Expenses):				
Investment Earnings	425,914	215,254	0	6,052
Interest (Expense)	(184,619)	(515,087)	0	(87,249)
Gain (Loss) on Disposal of Capital Assets	1,250	0	0	0
Total Non-Operating Revenues (Expenses)	<u>242,545</u>	<u>(299,833)</u>	<u>0</u>	<u>(81,197)</u>
Income (Loss) Before Contributions and Transfers	223,493	74,377	(351,744)	(242,326)
Transfers In	<u>0</u>	<u>0</u>	<u>360,000</u>	<u>190,000</u>
Change in Net Assets	223,493	74,377	8,256	(52,326)
Net Assets Beginning of Year	<u>23,520,779</u>	<u>22,576,435</u>	<u>157,500</u>	<u>2,831,615</u>
Net Assets End of Year	<u>\$23,744,272</u>	<u>\$22,650,812</u>	<u>\$165,756</u>	<u>\$2,779,289</u>

See accompanying notes to the basic financial statements.

Total Business-Type Activities	Governmental Activities- Internal Service Fund
\$148,307	\$0
11,025,835	3,413,273
37,254	353
<u>11,211,396</u>	<u>3,413,626</u>
4,306,173	437,076
3,964,914	2,834,377
1,296,738	270,670
1,801,286	0
<u>11,369,111</u>	<u>3,542,123</u>
<u>(157,715)</u>	<u>(128,497)</u>
647,220	2,532
(786,955)	0
1,250	0
<u>(138,485)</u>	<u>2,532</u>
(296,200)	(125,965)
<u>550,000</u>	<u>86,000</u>
253,800	(39,965)
<u>49,086,329</u>	<u>(24,498)</u>
<u>\$49,340,129</u>	<u>(\$64,463)</u>

City of Fairfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2006

	Business-Type Activities -Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Management	Recreation Facilities
Cash Flows from Operating Activities:				
Cash Received from Customers	\$3,599,638	\$4,519,085	\$1,474,148	\$1,648,622
Cash Payments to Employees	(1,577,708)	(1,855,572)	(22,116)	(853,954)
Cash Payments to Suppliers	(1,445,572)	(1,384,781)	(1,829,592)	(756,248)
Net Cash Provided (Used) by Operating Activities	576,358	1,278,732	(377,560)	38,420
Cash Flows from Noncapital Financing Activities:				
Payments from Other Funds	0	0	360,000	190,000
Net Cash Provided (Used) by Noncapital Financing Activities	0	0	360,000	190,000
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions	(207,379)	(1,129,663)	0	0
Debt Proceeds	0	3,000,000	0	0
Debt Principal Payments	(225,000)	(4,626,966)	0	(90,000)
Debt Interest Payments	(169,610)	(530,291)	0	(87,568)
Net Cash Provided (Used) by Capital and Related Financing Activities	(601,989)	(3,286,920)	0	(177,568)
Cash Flows from Investing Activities:				
Earnings on Investments	397,038	214,235	0	6,052
Net Cash Provided (Used) by Cash Flows from Investing Activities	397,038	214,235	0	6,052
Net Increase (Decrease) in Cash and Cash Equivalents	371,407	(1,793,953)	(17,560)	56,904
Cash and Cash Equivalents Beginning of Year	9,915,162	5,825,661	22,002	153,874
Cash and Cash Equivalents End of Year	10,286,569	4,031,708	4,442	210,778
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	(19,052)	374,210	(351,744)	(161,129)
Adjustments:				
Depreciation	544,365	1,066,721	0	190,200
Changes in Assets & Liabilities:				
(Increase) Decrease in Receivables	60,748	(50,372)	(25,479)	0
(Increase) Decrease in Inventory	16,954	0	0	6,606
Increase (Decrease) in Payables	(18,531)	(114,226)	(477)	333
Increase (Decrease) in Accrued Liabilities	(8,126)	2,399	140	2,410
Net Cash Provided (Used) by Operating Activities	\$576,358	\$1,278,732	(\$377,560)	\$38,420

See accompanying notes to the basic financial statements.

Total Business-Type Activities	Governmental Activities- Internal Service Fund
\$11,241,493	\$3,413,626
(4,309,350)	(433,651)
<u>(5,416,193)</u>	<u>(3,103,921)</u>
1,515,950	(123,946)
<u>550,000</u>	<u>86,000</u>
550,000	86,000
(1,337,042)	0
3,000,000	0
(4,941,966)	0
<u>(787,469)</u>	<u>0</u>
<u>(4,066,477)</u>	<u>0</u>
<u>617,325</u>	<u>2,532</u>
<u>617,325</u>	<u>2,532</u>
(1,383,202)	(35,414)
<u>15,916,699</u>	<u>79,997</u>
<u>14,533,497</u>	<u>44,583</u>
(157,715)	(128,497)
1,801,286	0
(15,103)	0
23,560	0
(132,901)	1,126
<u>(3,177)</u>	<u>3,425</u>
<u>\$1,515,950</u>	<u>(\$123,946)</u>

City of Fairfield
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2006

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$104,656</u>
Total Assets	<u><u>\$104,656</u></u>
Liabilities:	
Other Liabilities	<u>104,656</u>
Total Liabilities	<u><u>\$104,656</u></u>

See accompanying notes to the basic financial statements.

City of Fairfield, Ohio

Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The services provided and used of the internal service fund are eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Fund Accounting

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

Governmental Funds

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

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

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

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

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

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

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

Proprietary Funds

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

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

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

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

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

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

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

Fiduciary Funds

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

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

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

Unearned Revenue

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

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

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

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during the fiscal year. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for at fiscal year end.

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during 2006 amounted to \$585,125 in the general fund, \$12,464 in the fire levy fund, \$376,519 in the .2% street improvement fund, \$114,579 in the .2% capital improvement fund, \$121,210 in the downtown development fund, \$231,365 in other governmental funds, \$425,914 in the water utility fund, \$215,254 in the sewer utility fund, \$6,052 in the recreation facilities fund and \$2,532 in the employees' benefits (internal service) fund.

Inventory

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

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

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

Restricted Assets

Restricted assets consist of resources whose use is restricted by bond covenant agreements and retainage for various contractors.

Net Assets

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

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the City's \$12,438,791 in restricted net assets, \$0 was restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2006, \$10,030,548 of the City's bank balance of \$10,530,548 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

Investments

As of December 31, 2006, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Freddie Mac	\$1,005,264	1.45
Federal Home Loan Bank	14,500,000	0.72
Fannie Mae	3,823,146	1.05
Federal Farm Credit Bank	1,000,000	0.82
STAROhio	<u>13,000,000</u>	0.00
Total Fair Value	<u>\$33,328,410</u>	
Portfolio Weighted Average Maturity		0.50

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

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

Concentration of credit risk – The City’s investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 3% of the City’s investments in Freddie Mac, 44% in Federal Home Loan Bank, 11% in Fannie Mae and 3% in Federal Farm Credit Bank and 39% in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City’s securities are either insured and registered in the name of the City or at least registered in the name of the City.

3. RECEIVABLES

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

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

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes were levied after October 1, 2005, on the value as of December 31, 2005. Collections were made in 2006. Tangible personal property assessments are 25 percent of true value.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reported on the 2006 and subsequent year returns is not subject to the personal property tax.

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

Real Property	\$925,830,030
Public Utility	28,118,140
Tangible Personal Property	<u>100,613,661</u>
Total Valuation	<u>\$1,054,561,831</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of year end for which there is an enforceable legal claim.

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2006. 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 2006 operations. The receivable is therefore offset by a credit to deferred revenue.

Income Taxes

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

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

4. RISK MANAGEMENT

Description

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

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

Claim Liabilities

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

Unpaid Claim Liabilities

The following figures represent the changes in dental claims liabilities for the City from January 1, 2005 to December 31, 2006:

Claims Liability, 1/1/05	\$11,219
Claims net of changes in estimates	2,577,573
Payments	<u>(2,576,634)</u>
Claims Liability, 12/31/05	12,158
Claims net of changes in estimates	2,824,738
Payments	<u>(2,824,792)</u>
Claims Liability, 12/31/06	<u>\$12,104</u>

5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$12,767,521	\$297,373	\$0	\$13,064,894
Construction in Progress	6,118,987	4,364,587	10,276,753	206,821
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	33,796,713	10,724,358	2,117,288	42,403,783
Equipment	11,748,691	1,869,939	173,765	13,444,865
Infrastructure	73,339,355	353,587	0	73,692,942
Totals at Historical Cost	<u>137,771,267</u>	<u>17,609,844</u>	<u>12,567,806</u>	<u>142,813,305</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,806,168	1,141,799	1,440,932	11,507,035
Equipment	8,249,314	1,120,231	127,594	9,241,951
Infrastructure	39,940,113	1,901,743	0	41,841,856
Total Accumulated Depreciation	<u>\$59,995,595</u>	<u>\$4,163,773</u>	<u>\$1,568,526</u>	<u>\$62,590,842</u>
Governmental Activities Capital Assets, Net	<u><u>\$77,775,672</u></u>	<u><u>\$13,446,071</u></u>	<u><u>\$10,999,280</u></u>	<u><u>\$80,222,463</u></u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,497,829	\$0	\$0	\$1,497,829
Construction in Progress	1,591,846	1,170,209	1,846,415	915,640
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	45,964,990	467,503	0	46,432,493
Equipment	2,591,665	142,117	61,823	2,671,959
Infrastructure	28,861,143	1,408,081	0	30,269,224
Totals at Historical Cost	<u>80,507,473</u>	<u>3,187,910</u>	<u>1,908,238</u>	<u>81,787,145</u>
Less Accumulated Depreciation:				
Buildings and Improvements	16,336,128	946,135	0	17,282,263
Equipment	1,810,666	219,320	58,620	1,971,366
Infrastructure	10,394,709	635,831	0	11,030,540
Total Accumulated Depreciation	<u>\$28,541,503</u>	<u>\$1,801,286</u>	<u>\$58,620</u>	<u>\$30,284,169</u>
Business-Type Activities Capital Assets, Net	<u><u>\$51,965,970</u></u>	<u><u>\$1,386,624</u></u>	<u><u>\$1,849,618</u></u>	<u><u>\$51,502,976</u></u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$311,244
Public Safety	867,310
Leisure Time Activities	640,645
Transportation and Street Repair	31,123
Community Development	2,313,451
Total Depreciation Expense	<u>\$4,163,773</u>

6. COMPENSATED ABSENCES

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

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

7. NOTES PAYABLE

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
Downtown Development Fund:				
3.45% Justice Center Bond Anticipation Note	\$0	\$7,000,000	\$0	\$7,000,000
3.45% Justice Center Bond Anticipation Note	9,000,000	0	(9,000,000)	0
4.00% Golf Center Bond Anticipation Note	0	2,200,000	0	2,200,000
Enterprise Fund:				
3.85% Sewer Expansion	0	3,000,000	0	3,000,000
4.00% Sewer Expansion	<u>4,000,000</u>	<u>0</u>	<u>(4,000,000)</u>	<u>0</u>
Total Notes Payable	<u>\$13,000,000</u>	<u>\$12,200,000</u>	<u>(\$13,000,000)</u>	<u>\$12,200,000</u>

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

8. LONG-TERM DEBT

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

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds</u>						
Justice Center	7.00%	\$100,000	\$0	(\$50,000)	\$50,000	\$50,000
Fire Station	6.90%	380,000	0	(65,000)	315,000	70,000
Various Purpose - 1999	4.40%	3,340,000	0	(190,000)	3,150,000	200,000
Various Purpose - 2002	4.34%	3,530,000	0	(255,000)	3,275,000	270,000
Community Arts Center	2.00-4.20%	6,925,000	0	(295,000)	6,630,000	300,000
Total General Obligation Bonds		14,275,000	0	(855,000)	13,420,000	890,000
<u>Special Assessment Bonds</u>						
Woodbridge Road	7.625%	25,000	0	(25,000)	0	0
Capital Lease		65,591	0	(65,591)	0	0
Total Long-Term Liabilities Bonds and Lease		14,365,591	0	(945,591)	13,420,000	890,000
Compensated Absences		2,262,492	135,091	(17,031)	2,380,552	55,802
Total Governmental Activities		\$16,628,083	\$135,091	(\$962,622)	\$15,800,552	\$945,802
Business Type Activities						
<u>Loans</u>						
OWDA Wastewater Improvement	3.79-4.12%	\$9,321,282	\$0	(\$626,966)	\$8,694,316	\$652,529
<u>General Obligation Bonds</u>						
Various Purpose Recreation	4.34%	1,975,000	0	(90,000)	1,885,000	90,000
<u>Mortgage Revenue Bonds</u>						
Water Refunding	3.76-5.05%	3,505,000	0	(225,000)	3,280,000	235,000
Compensated Absences		527,146	22,560	(26,357)	523,349	7,283
Total Business-Type Activities		\$15,328,428	\$22,560	(\$968,323)	\$14,382,665	\$984,812

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

Year Ending December 31	General Obligation Bonds		Mortgage Revenue Bonds		OWDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$980,000	\$626,811	\$235,000	\$159,598	\$652,529	\$344,191
2008	965,000	589,081	245,000	149,022	679,134	317,585
2009	1,000,000	552,746	255,000	137,874	706,823	289,894
2010	1,045,000	514,366	265,000	126,018	735,643	261,075
2011	995,000	472,966	280,000	113,562	765,640	231,080
2012-2016	5,660,000	1,716,934	1,625,000	347,712	4,322,735	660,859
2017-2021	3,650,000	660,926	375,000	18,939	831,812	30,336
2022-2023	1,010,000	48,166	0	0	0	0
Total	\$15,305,000	\$5,181,996	\$3,280,000	\$1,052,725	\$8,694,316	\$2,135,020

9. DEFEASANCE OF BONDS

Mortgage Revenue Bonds

In prior years, the City defeased certain Mortgage Revenue Bonds by the deposit of Treasury Bonds and Notes with Trustees in an amount sufficient to meet principal and interest payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At year end, the defeased Mortgage Revenue Bonds were paid in full.

Special Assessment Bonds

The Special Assessment Fund purchased special assessment sidewalk bonds issued by the City. The value of the bonds at December 31, 2006 was \$61,911. The transaction has been eliminated for the financial statement purposes by removing any proceeds from the issuance of debt from the operating statement and the investment.

10. INDUSTRIAL AND ECONOMIC DEVELOPMENT REVENUE BONDS

The City issued \$55,712,748 in industrial and economic development revenue bonds for various projects between the years 1973 through 1990. In February of 2000, the City issued \$6,625,000 in industrial development revenue bonds. As of December 31, 2006 \$2,990,000 was outstanding. The bonds are not a liability nor are the proceeds of the issues assets of the City and, accordingly, they are not reflected on the City's financial records. Debt service on these issues is payable solely from the revenues of the Company and/or individual for whom the debt was issued.

11. CAPITAL LEASE

During the year, the City paid off its capital lease for telephone equipment.

12. PENSION PLANS

Ohio Public Employees Retirement System

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

Members have a choice of three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

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

Plan members are required to contribute 9.0% of their annual covered salary to fund pension obligations. The current year employer contribution rate was 13.7% of covered payroll; 9.2% was the portion paid for pension. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2006, 2005 and 2004 were \$1,502,126, \$1,413,818, and \$1,345,013, respectively. The full amount has been contributed for 2005 and 2004 and 93% has been contributed for 2006.

Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24% for firefighters. Contributions are authorized by State statute. The City's required contributions to the OP&F for the years ending December 31, 2006, 2005 and 2004 were \$835,022 for police \$445,164 for fire, \$797,769 for police, \$368,535 for fire, and \$742,092 for police and \$348,558 for fire, respectively. The full amount has been contributed for 2005 and 2004 and 73% for police and 71% for fire has been contributed for 2006.

13. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides retirement, disability, survivor, and postretirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The current year employer contribution rate was 13.70 percent of covered payroll; 4.50 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rates plus an additional factor ranging from 0.50 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond) healthcare costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

At December 31, 2006, the number of active contributing participants in the Traditional and Combined Plans totaled 369,214. The City's actual contributions for the current year, which were used to fund postemployment benefits were \$493,448. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

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

Ohio Police and Fire Pension Fund

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

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

The City's actual contributions for the current year that were used to fund postemployment benefits were \$331,504 for police and \$143,788 for fire. The OP&F’s total health care expenses for the year ended December 31, 2005, (the latest information available) were \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

14. CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at year end:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Commitment Remaining</u>
Golf Course Club House	\$81,000	\$2,064,200
S. Gilmore/Mack Road Intersection	0	945,184
Rt. 4 By-Pass Widening	0	614,735
Traffic Signal Upgrades	0	364,495
Municipal Court and Police Services Building	<u>9,786,871</u>	<u>319,430</u>
Totals	<u>\$9,867,871</u>	<u>\$4,308,044</u>

15. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2006, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$0	\$2,816,000
.2% Street Improvement	0	668,595
.2% Capital Improvement	0	851,883
Downtown Development	2,378,448	0
Solid Waste Management	360,000	0
Recreation Facilities	190,000	0
Internal Service Fund	86,000	0
Other Governmental Funds	<u>3,790,478</u>	<u>2,468,448</u>
Total All Funds	<u>\$6,804,926</u>	<u>\$6,804,926</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

16. COMPLIANCE AND ACCOUNTABILITY

Compliance

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 following funds had negative cash fund balances at year end:

Street Construction, Maintenance and Repair	\$123,074
State Issue II	580,344

Accountability

The following individual funds had deficit fund balances/net assets at year end:

Downtown Development	\$6,660,721
Municipal Garage	96,623

17. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2006, the City has implemented GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 44 establishes the objectives of the statistical section and provides guidance on the preparation of the statistical section.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$17,183,780	\$17,183,780	\$17,728,253	\$544,473
Licenses & Permits	357,050	357,050	413,050	56,000
Intergovernmental	2,484,854	2,484,854	2,796,274	311,420
Charges for Services	801,600	801,600	792,126	(9,474)
Fines and Forfeitures	923,000	923,000	1,190,586	267,586
Special Assessments	24,000	24,000	18,891	(5,109)
Investment Earnings	300,000	300,000	531,781	231,781
Other Revenues	394,500	394,500	176,357	(218,143)
Total Revenues	22,468,784	22,468,784	23,647,318	1,178,534
Expenditures:				
Current:				
General Government	7,604,638	7,770,963	7,009,052	761,911
Public Safety	9,107,562	9,072,643	8,588,079	484,564
Leisure Time Activities	2,228,448	2,267,320	2,131,814	135,506
Community Development	1,325,943	1,318,617	1,189,344	129,273
Basic Utility Service	597,000	597,000	532,614	64,386
Public Health & Welfare Services	30,000	30,000	24,363	5,637
Capital Outlay	122,382	551,486	504,546	46,940
Total Expenditures	21,015,973	21,608,029	19,979,812	1,628,217
Excess of Revenues Over (Under) Expenditures	1,452,811	860,755	3,667,506	2,806,751
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	12,000	12,000	20,199	8,199
Transfers (Out)	(2,000,000)	(3,000,000)	(2,816,000)	184,000
Total Other Financing Sources (Uses)	(1,988,000)	(2,988,000)	(2,795,801)	192,199
Net Change in Fund Balance	(535,189)	(2,127,245)	871,705	2,998,950
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	8,266,399	8,266,399	8,266,399	0
Fund Balance End of Year	\$7,731,210	\$6,139,154	\$9,138,104	\$2,998,950

See accompanying notes to the required supplementary information.

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Fire Levy Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,845,000	\$3,845,000	\$3,935,248	\$90,248
Licenses & Permits	7,500	7,500	5,725	(1,775)
Intergovernmental	282,500	282,500	324,300	41,800
Charges for Services	900,000	900,000	800,838	(99,162)
Investment Earnings	5,000	5,000	11,079	6,079
Other Revenues	25,000	25,000	2,694	(22,306)
Total Revenues	5,065,000	5,065,000	5,079,884	14,884
Expenditures:				
Current:				
Public Safety	4,464,382	5,107,839	5,019,914	87,925
Capital Outlay	11,924	42,747	41,370	1,377
Total Expenditures	4,476,306	5,150,586	5,061,284	89,302
Excess of Revenues Over (Under) Expenditures	588,694	(85,586)	18,600	104,186
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	500	500	1,550	1,050
Total Other Financing Sources (Uses)	500	500	1,550	1,050
Net Change in Fund Balance	589,194	(85,086)	20,150	105,236
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	238,355	238,355	238,355	0
Fund Balance End of Year	\$827,549	\$153,269	\$258,505	\$105,236

See accompanying notes to the required supplementary information.

1. BUDGETARY PROCESS

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

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

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

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

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

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

Net Change in Fund Balance

	<u>General</u>	<u>Fire Levy</u>
GAAP Basis	\$1,267,096	\$28,831
Net Adjustment for Revenue Accruals	347,782	(1,384)
Net Adjustment for Expenditure Accruals	(498,644)	25,752
Encumbrances	<u>(244,529)</u>	<u>(33,049)</u>
Budget Basis	<u>\$871,705</u>	<u>\$20,150</u>

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**COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Increment Equivalent - To account for the recording of revenues and expenditures related to the tax increment financing project with the Cincinnati Mills Mall.

Debt Service Funds

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

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

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

Capital Projects Funds

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

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

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

City of Fairfield
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,016,511	\$1,991,644	\$77,498	\$5,085,653
Receivables:				
Intergovernmental	937,093	0	170,966	1,108,059
Total Assets	3,953,604	1,991,644	248,464	6,193,712
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	17,367	0	40,647	58,014
Accrued Wages and Benefits	67,384	0	0	67,384
Deferred Revenue	782,510	0	0	782,510
Total Liabilities	867,261	0	40,647	907,908
Fund Balances:				
Reserved for Encumbrances	476,113	0	562,769	1,038,882
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	2,610,230	0	0	2,610,230
Debt Service Funds	0	1,991,644	0	1,991,644
Capital Projects Funds	0	0	(354,952)	(354,952)
Total Fund Balances	3,086,343	1,991,644	207,817	5,285,804
Total Liabilities and Fund Balances	\$3,953,604	\$1,991,644	\$248,464	\$6,193,712

City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended December 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Fines, Licenses & Permits	\$828,194	\$0	\$0	\$828,194
Investment Earnings	91,962	137,727	1,676	231,365
Intergovernmental	2,643,917	0	346,835	2,990,752
Special Assessments	80,602	33,119	0	113,721
Other Revenues	8,530	0	2,249	10,779
Total Revenues	3,653,205	170,846	350,760	4,174,811
Expenditures:				
Current:				
General Government	224,289	0	0	224,289
Public Safety	9,592	0	0	9,592
Transportation and Street Repair	2,582,226	0	284,077	2,866,303
Capital Outlay	106,389	0	231,446	337,835
Debt Service:				
Principal Retirement	0	880,000	0	880,000
Interest and Fiscal Charges	0	618,775	0	618,775
Total Expenditures	2,922,496	1,498,775	515,523	4,936,794
Excess of Revenues Over (Under) Expenditures	730,709	(1,327,929)	(164,763)	(761,983)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	615,001	0	615,001
Transfers In	270,000	3,520,478	0	3,790,478
Transfers (Out)	0	(2,468,448)	0	(2,468,448)
Total Other Financing Sources (Uses)	270,000	1,667,031	0	1,937,031
Net Change in Fund Balance	1,000,709	339,102	(164,763)	1,175,048
Fund Balance Beginning of Year	2,085,634	1,652,542	372,580	4,110,756
Fund Balance End of Year	\$3,086,343	\$1,991,644	\$207,817	\$5,285,804

City of Fairfield
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006

	Street Construction, Maintenance and Repair	State Highway Improvement	County Motor Vehicle Registration	Tax Recreation
Assets:				
Equity in Pooled Cash and Investments	\$1,828	\$46,698	\$563,168	\$275,098
Receivables:				
Intergovernmental	718,752	58,277	0	0
Total Assets	720,580	104,975	563,168	275,098
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	17,367	0	0	0
Accrued Wages and Benefits	43,072	4,420	0	0
Deferred Revenue	601,036	48,732	0	0
Total Liabilities	661,475	53,152	0	0
Fund Balances:				
Reserved for Encumbrances	107,533	0	364,495	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	(48,428)	51,823	198,673	275,098
Total Fund Balances	59,105	51,823	563,168	275,098
Total Liabilities and Fund Balances	\$720,580	\$104,975	\$563,168	\$275,098

Law Enforcement	Municipal Motor Vehicle Registration	Law Enforcement and Education	Drug and Alcohol Treatment	Local Law Enforcement	Probation Services	Court Computer
\$19,399	\$14,206	\$97,980	\$116,783	\$16,000	\$955,761	\$425,719
0	160,064	0	0	0	0	0
19,399	174,270	97,980	116,783	16,000	955,761	425,719
0	0	0	0	0	0	0
0	11,933	0	0	0	7,959	0
0	132,742	0	0	0	0	0
0	144,675	0	0	0	7,959	0
0	0	0	0	0	0	0
19,399	29,595	97,980	116,783	16,000	947,802	425,719
19,399	29,595	97,980	116,783	16,000	947,802	425,719
\$19,399	\$174,270	\$97,980	\$116,783	\$16,000	\$955,761	\$425,719

(Continued)

City of Fairfield
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2006

	Special Projects	Mediation Services	Tax Increment Equivalent	Total Nonmajor Special Revenue Funds
Assets:				
Equity in Pooled Cash and Investments	\$244,224	\$159,045	\$80,602	\$3,016,511
Receivables:				
Intergovernmental	0	0	0	937,093
Total Assets	244,224	159,045	80,602	3,953,604
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	0	0	0	17,367
Accrued Wages and Benefits	0	0	0	67,384
Deferred Revenue	0	0	0	782,510
Total Liabilities	0	0	0	867,261
Fund Balances:				
Reserved for Encumbrances	4,085	0	0	476,113
Unreserved, Undesignated, Reported in: Special Revenue Funds	240,139	159,045	80,602	2,610,230
Total Fund Balances	244,224	159,045	80,602	3,086,343
Total Liabilities and Fund Balances	\$244,224	\$159,045	\$80,602	\$3,953,604

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City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended December 31, 2006

	Street Construction, Maintenance and Repair	State Highway Improvement	County Motor Vehicle Registration	Tax Recreation
Revenues:				
Fines, Licenses & Permits	\$0	\$0	\$0	\$7,800
Investment Earnings	0	0	7,355	11,606
Intergovernmental	1,786,634	142,559	375,000	0
Special Assessments	0	0	0	0
Other Revenues	8,530	0	0	0
Total Revenues	1,795,164	142,559	382,355	19,406
Expenditures:				
Current:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Transportation and Street Repair	2,132,838	121,410	0	0
Capital Outlay	9,122	0	3,248	0
Total Expenditures	2,141,960	121,410	3,248	0
Excess of Revenues Over (Under) Expenditures	(346,796)	21,149	379,107	19,406
Other Financing Sources (Uses):				
Transfers In	270,000	0	0	0
Total Other Financing Sources (Uses)	270,000	0	0	0
Net Change in Fund Balance	(76,796)	21,149	379,107	19,406
Fund Balance Beginning of Year	135,901	30,674	184,061	255,692
Fund Balance End of Year	\$59,105	\$51,823	\$563,168	\$275,098

Law Enforcement	Municipal Motor Vehicle Registration	Law Enforcement and Education	Drug and Alcohol Treatment	Local Law Enforcement	Probation Services	Court Computer
\$16,497	\$0	\$42,458	\$19,739	\$0	\$503,388	\$113,946
0	0	4,581	4,258	0	34,181	15,858
0	323,724	0	0	16,000	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
16,497	323,724	47,039	23,997	16,000	537,569	129,804
0	0	0	7,820	0	184,831	21,614
3,381	0	0	0	6,211	0	0
0	327,978	0	0	0	0	0
0	0	41,255	0	1,642	0	5,495
3,381	327,978	41,255	7,820	7,853	184,831	27,109
13,116	(4,254)	5,784	16,177	8,147	352,738	102,695
0	0	0	0	0	0	0
0	0	0	0	0	0	0
13,116	(4,254)	5,784	16,177	8,147	352,738	102,695
6,283	33,849	92,196	100,606	7,853	595,064	323,024
\$19,399	\$29,595	\$97,980	\$116,783	\$16,000	\$947,802	\$425,719

(Continued)

City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended December 31, 2006

	Special Projects	Mediation Services	Tax Increment Equivalent	Total Nonmajor Special Revenue Funds
Revenues:				
Fines, Licenses & Permits	\$67,806	\$56,560	\$0	\$828,194
Investment Earnings	9,806	4,317	0	91,962
Intergovernmental	0	0	0	2,643,917
Special Assessments	0	0	80,602	80,602
Other Revenues	0	0	0	8,530
Total Revenues	77,612	60,877	80,602	3,653,205
Expenditures:				
Current:				
General Government	6,232	3,792	0	224,289
Public Safety	0	0	0	9,592
Transportation and Street Repair	0	0	0	2,582,226
Capital Outlay	45,627	0	0	106,389
Total Expenditures	51,859	3,792	0	2,922,496
Excess of Revenues Over (Under) Expenditures	25,753	57,085	80,602	730,709
Other Financing Sources (Uses):				
Transfers In	0	0	0	270,000
Total Other Financing Sources (Uses)	0	0	0	270,000
Net Change in Fund Balance	25,753	57,085	80,602	1,000,709
Fund Balance Beginning of Year	218,471	101,960	0	2,085,634
Fund Balance End of Year	\$244,224	\$159,045	\$80,602	\$3,086,343

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City of Fairfield
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 December 31, 2006

	General Bond Retirement	Special Assessment	Total Nonmajor Debt Service Funds
Assets:			
Equity in Pooled Cash and Investments	\$681,787	\$1,309,857	\$1,991,644
Total Assets	<u>681,787</u>	<u>1,309,857</u>	<u>1,991,644</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:			
Unreserved, Undesignated, Reported in: Debt Service Funds	681,787	1,309,857	1,991,644
Total Fund Balances	<u>681,787</u>	<u>1,309,857</u>	<u>1,991,644</u>
Total Liabilities and Fund Balances	<u>\$681,787</u>	<u>\$1,309,857</u>	<u>\$1,991,644</u>

City of Fairfield
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Fiscal Year Ended December 31, 2006

	General Bond Retirement	Special Assessment	Total Nonmajor Debt Service Funds
Revenues:			
Investment Earnings	\$63,143	\$74,584	\$137,727
Special Assessments	0	33,119	33,119
Total Revenues	<u>63,143</u>	<u>107,703</u>	<u>170,846</u>
Expenditures:			
Debt Service:			
Principal Retirement	855,000	25,000	880,000
Interest and Fiscal Charges	608,218	10,557	618,775
Total Expenditures	<u>1,463,218</u>	<u>35,557</u>	<u>1,498,775</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,400,075)</u>	<u>72,146</u>	<u>(1,327,929)</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	615,001	0	615,001
Transfers In	3,520,478	0	3,520,478
Transfers (Out)	(2,468,448)	0	(2,468,448)
Total Other Financing Sources (Uses)	<u>1,667,031</u>	<u>0</u>	<u>1,667,031</u>
Net Change in Fund Balance	266,956	72,146	339,102
Fund Balance Beginning of Year	<u>414,831</u>	<u>1,237,711</u>	<u>1,652,542</u>
Fund Balance End of Year	<u>\$681,787</u>	<u>\$1,309,857</u>	<u>\$1,991,644</u>

City of Fairfield
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 December 31, 2006

	Flood Protection	State Issue II	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Investments	\$77,498	\$0	\$77,498
Receivables:			
Intergovernmental	6,732	164,234	170,966
Total Assets	84,230	164,234	248,464
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	0	40,647	40,647
Total Liabilities	0	40,647	40,647
Fund Balances:			
Reserved for Encumbrances	23,072	539,697	562,769
Unreserved, Undesignated, Reported in: Capital Projects Funds	61,158	(416,110)	(354,952)
Total Fund Balances	84,230	123,587	207,817
Total Liabilities and Fund Balances	\$84,230	\$164,234	\$248,464

City of Fairfield
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended December 31, 2006

	Flood Protection	State Issue II	Total Nonmajor Capital Projects Funds
Revenues:			
Investment Earnings	\$1,676	\$0	\$1,676
Intergovernmental	155,033	191,802	346,835
Other Revenues	2,249	0	2,249
Total Revenues	158,958	191,802	350,760
Expenditures:			
Current:			
Transportation and Street Repair	0	284,077	284,077
Capital Outlay	231,446	0	231,446
Total Expenditures	231,446	284,077	515,523
Net Change in Fund Balance	(72,488)	(92,275)	(164,763)
Fund Balance Beginning of Year	156,718	215,862	372,580
Fund Balance End of Year	\$84,230	\$123,587	\$207,817

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Street Construction, Maintenance and Repair Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$1,500,000	\$1,500,000	\$1,774,600	\$274,600
Investment Earnings	500	500	0	(500)
Other Revenues	16,500	16,500	8,530	(7,970)
Total Revenues	1,517,000	1,517,000	1,783,130	266,130
Expenditures:				
Current:				
Transportation & Street Repair	2,421,863	2,434,251	2,264,603	169,648
Capital Outlay	4,000	13,400	9,122	4,278
Total Expenditures	2,425,863	2,447,651	2,273,725	173,926
Excess of Revenues Over (Under) Expenditures	(908,863)	(930,651)	(490,595)	440,056
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	2,500	2,500	0	(2,500)
Transfers In	850,000	850,000	270,000	(580,000)
Total Other Financing Sources (Uses)	852,500	852,500	270,000	(582,500)
Net Change in Fund Balance	(56,363)	(78,151)	(220,595)	(142,444)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	97,521	97,521	97,521	0
Fund Balance End of Year	\$41,158	\$19,370	(\$123,074)	(\$142,444)

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	State Highway Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$130,000	\$130,000	\$141,583	\$11,583
Investment Earnings	250	250	0	(250)
Total Revenues	<u>130,250</u>	<u>130,250</u>	<u>141,583</u>	<u>11,333</u>
Expenditures:				
Current:				
Transportation & Street Repair	136,164	136,164	121,352	14,812
Total Expenditures	<u>136,164</u>	<u>136,164</u>	<u>121,352</u>	<u>14,812</u>
Net Change in Fund Balance	(5,914)	(5,914)	20,231	26,145
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>26,467</u>	<u>26,467</u>	<u>26,467</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$20,553</u></u>	<u><u>\$20,553</u></u>	<u><u>\$46,698</u></u>	<u><u>\$26,145</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	County Motor Vehicle Registration Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$100,000	\$365,000	\$375,000	\$10,000
Investment Earnings	10,000	10,000	7,355	(2,645)
Total Revenues	110,000	375,000	382,355	7,355
Expenditures:				
Current:				
Transportation & Street Repair	1,000	1,000	0	1,000
Capital Outlay	8,248	383,248	367,743	15,505
Total Expenditures	9,248	384,248	367,743	16,505
Net Change in Fund Balance	100,752	(9,248)	14,612	23,860
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	184,061	184,061	184,061	0
Fund Balance End of Year	\$284,813	\$174,813	\$198,673	\$23,860

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Tax Recreation Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Licenses & Permits	\$15,000	\$15,000	\$7,800	(\$7,200)
Investment Earnings	5,000	5,000	11,606	6,606
Total Revenues	20,000	20,000	19,406	(594)
Expenditures:				
Capital Outlay	2,500	2,500	0	2,500
Total Expenditures	2,500	2,500	0	2,500
Net Change in Fund Balance	17,500	17,500	19,406	1,906
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	255,692	255,692	255,692	0
Fund Balance End of Year	\$273,192	\$273,192	\$275,098	\$1,906

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Law Enforcement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$13,000	\$13,000	\$16,497	\$3,497
Investment Earnings	250	250	0	(250)
Total Revenues	13,250	13,250	16,497	3,247
Expenditures:				
Current:				
Public Safety	5,750	8,395	3,381	5,014
Total Expenditures	5,750	8,395	3,381	5,014
Net Change in Fund Balance	7,500	4,855	13,116	8,261
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,283	6,283	6,283	0
Fund Balance End of Year	\$13,783	\$11,138	\$19,399	\$8,261

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Municipal Motor Vehicle Registration Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$355,000	\$355,000	\$322,292	(\$32,708)
Investment Earnings	2,000	2,000	0	(2,000)
Total Revenues	<u>357,000</u>	<u>357,000</u>	<u>322,292</u>	<u>(34,708)</u>
Expenditures:				
Current:				
Transportation & Street Repair	367,641	367,641	327,649	39,992
Total Expenditures	<u>367,641</u>	<u>367,641</u>	<u>327,649</u>	<u>39,992</u>
Net Change in Fund Balance	(10,641)	(10,641)	(5,357)	5,284
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>19,563</u>	<u>19,563</u>	<u>19,563</u>	<u>0</u>
Fund Balance End of Year	<u>\$8,922</u>	<u>\$8,922</u>	<u>\$14,206</u>	<u>\$5,284</u>

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Law Enforcement and Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$10,000	\$10,000	\$42,458	\$32,458
Investment Earnings	250	250	4,581	4,331
Total Revenues	10,250	10,250	47,039	36,789
Expenditures:				
Current:				
Public Safety	5,000	5,000	0	5,000
Capital Outlay	35,000	80,007	41,255	38,752
Total Expenditures	40,000	85,007	41,255	43,752
Net Change in Fund Balance	(29,750)	(74,757)	5,784	80,541
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	92,196	92,196	92,196	0
Fund Balance End of Year	\$62,446	\$17,439	\$97,980	\$80,541

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Drug and Alcohol Treatment Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$20,000	\$20,000	\$19,739	(\$261)
Investment Earnings	1,500	1,500	4,258	2,758
Total Revenues	21,500	21,500	23,997	2,497
Expenditures:				
Current:				
General Government	10,000	10,000	7,820	2,180
Total Expenditures	10,000	10,000	7,820	2,180
Net Change in Fund Balance	11,500	11,500	16,177	4,677
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	100,606	100,606	100,606	0
Fund Balance End of Year	\$112,106	\$112,106	\$116,783	\$4,677

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Local Law Enforcement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$15,000	\$15,000	\$16,000	\$1,000
Investment Earnings	100	100	0	(100)
Total Revenues	15,100	15,100	16,000	900
Expenditures:				
Current:				
Public Safety	7,853	6,211	6,211	0
Capital Outlay	2,500	4,142	1,642	2,500
Total Expenditures	10,353	10,353	7,853	2,500
Net Change in Fund Balance	4,747	4,747	8,147	3,400
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	7,853	7,853	7,853	0
Fund Balance End of Year	\$12,600	\$12,600	\$16,000	\$3,400

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Probation Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$300,000	\$300,000	\$503,388	\$203,388
Investment Earnings	10,000	10,000	34,181	24,181
Total Revenues	<u>310,000</u>	<u>310,000</u>	<u>537,569</u>	<u>227,569</u>
Expenditures:				
Current:				
General Government	202,654	201,908	183,142	18,766
Total Expenditures	<u>202,654</u>	<u>201,908</u>	<u>183,142</u>	<u>18,766</u>
Net Change in Fund Balance	107,346	108,092	354,427	246,335
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>601,335</u>	<u>601,335</u>	<u>601,335</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$708,681</u></u>	<u><u>\$709,427</u></u>	<u><u>\$955,762</u></u>	<u><u>\$246,335</u></u>

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Court Computer Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$100,000	\$100,000	\$113,946	\$13,946
Investment Earnings	5,000	5,000	15,858	10,858
Total Revenues	105,000	105,000	129,804	24,804
Expenditures:				
Current:				
General Government	40,000	40,000	21,614	18,386
Capital Outlay	10,000	10,000	5,495	4,505
Total Expenditures	50,000	50,000	27,109	22,891
Net Change in Fund Balance	55,000	55,000	102,695	47,695
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	323,025	323,025	323,025	0
Fund Balance End of Year	\$378,025	\$378,025	\$425,720	\$47,695

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Special Projects Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$60,000	\$60,000	\$67,806	\$7,806
Investment Earnings	3,500	3,500	9,806	6,306
Total Revenues	63,500	63,500	77,612	14,112
Expenditures:				
Current:				
General Government	22,000	22,000	10,317	11,683
Capital Outlay	5,000	100,402	45,627	54,775
Total Expenditures	27,000	122,402	55,944	66,458
Net Change in Fund Balance	36,500	(58,902)	21,668	80,570
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	218,472	218,472	218,472	0
Fund Balance End of Year	\$254,972	\$159,570	\$240,140	\$80,570

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Mediation Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines and Forfeitures	\$55,000	\$55,000	\$56,560	\$1,560
Investment Earnings	2,500	2,500	4,317	1,817
Total Revenues	57,500	57,500	60,877	3,377
Expenditures:				
Current:				
General Government	20,000	20,000	3,793	16,207
Capital Outlay	18,273	0	0	0
Total Expenditures	38,273	20,000	3,793	16,207
Net Change in Fund Balance	19,227	37,500	57,084	19,584
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	101,960	101,960	101,960	0
Fund Balance End of Year	\$121,187	\$139,460	\$159,044	\$19,584

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Tax Increment Equivalent Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
General Government	0	0	0	0
Total Expenditures	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	General Bond Retirement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$10,000	\$10,000	\$63,143	\$53,143
Total Revenues	10,000	10,000	63,143	53,143
Expenditures:				
Debt Service:				
Principal Retirement	1,945,000	2,945,000	2,945,000	0
Interest and Fiscal Charges	829,300	1,046,300	986,666	59,634
Total Expenditures	2,774,300	3,991,300	3,931,666	59,634
Excess of Revenues Over (Under) Expenditures	(2,764,300)	(3,981,300)	(3,868,523)	112,777
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	0	600,000	615,001	15,001
Transfers In	2,550,000	3,550,000	3,520,478	(29,522)
Total Other Financing Sources (Uses)	2,550,000	4,150,000	4,135,479	(14,521)
Net Change in Fund Balance	(214,300)	168,700	266,956	98,256
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	414,829	414,829	414,829	0
Fund Balance End of Year	\$200,529	\$583,529	\$681,785	\$98,256

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Special Assessment Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Special Assessments	\$60,000	\$60,000	\$57,823	(\$2,177)
Investment Earnings	25,000	25,000	72,023	47,023
Total Revenues	85,000	85,000	129,846	44,846
Expenditures:				
Debt Service:				
Principal Retirement	300,000	300,000	49,704	250,296
Interest and Fiscal Charges	20,400	20,400	10,557	9,843
Total Expenditures	320,400	320,400	60,261	260,139
Net Change in Fund Balance	(235,400)	(235,400)	69,585	304,985
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,241,375	1,241,375	1,241,375	0
Fund Balance End of Year	\$1,005,975	\$1,005,975	\$1,310,960	\$304,985

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Flood Protection Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$250,000	\$650,000	\$167,011	(\$482,989)
Investment Earnings	10,000	10,000	1,676	(8,324)
Other Revenues	1,000	1,000	2,250	1,250
Total Revenues	261,000	661,000	170,937	(490,063)
Expenditures:				
Capital Outlay	792,018	555,585	255,085	300,500
Total Expenditures	792,018	555,585	255,085	300,500
Net Change in Fund Balance	(531,018)	105,415	(84,148)	(189,563)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	138,576	138,576	138,576	0
Fund Balance End of Year	(\$392,442)	\$243,991	\$54,428	(\$189,563)

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	State Issue II Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$50,000	\$880,000	\$243,430	(\$636,570)
Total Revenues	50,000	880,000	243,430	(636,570)
Expenditures:				
Capital Outlay	293,330	873,674	823,774	49,900
Total Expenditures	293,330	873,674	823,774	49,900
Net Change in Fund Balance	(243,330)	6,326	(580,344)	(586,670)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	(\$243,330)	\$6,326	(\$580,344)	(\$586,670)

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	.2% Street Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,912,000	\$2,912,000	\$2,956,413	\$44,413
Intergovernmental	0	0	82,900	82,900
Investment Earnings	150,000	150,000	351,558	201,558
Other Revenues	51,000	51,000	1,133,422	1,082,422
Total Revenues	3,113,000	3,113,000	4,524,293	1,411,293
Expenditures:				
Current:				
General Government	100,000	58,000	57,947	53
Capital Outlay	1,085,391	4,396,361	4,343,279	53,082
Total Expenditures	1,185,391	4,454,361	4,401,226	53,135
Excess of Revenues Over (Under) Expenditures	1,927,609	(1,341,361)	123,067	1,464,428
Other financing sources (uses):				
Transfers (Out)	(425,000)	(668,595)	(668,595)	0
Total Other Financing Sources (Uses)	(425,000)	(668,595)	(668,595)	0
Net Change in Fund Balance	1,502,609	(2,009,956)	(545,528)	1,464,428
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,900,402	6,900,402	6,900,402	0
Fund Balance End of Year	\$8,403,011	\$4,890,446	\$6,354,874	\$1,464,428

City of Fairfield
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	.2% Capital Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,912,000	\$2,912,000	\$2,956,413	\$44,413
Intergovernmental	150,000	150,000	292,916	142,916
Investment Earnings	100,000	100,000	112,428	12,428
Other Revenues	250	250	0	(250)
Total Revenues	3,162,250	3,162,250	3,361,757	199,507
Expenditures:				
Current:				
General Government	100,000	100,000	57,947	42,053
Capital Outlay	1,186,620	5,627,442	5,386,015	241,427
Total Expenditures	1,286,620	5,727,442	5,443,962	283,480
Excess of Revenues Over (Under) Expenditures	1,875,630	(2,565,192)	(2,082,205)	482,987
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	5,000	5,000	0	(5,000)
Debt Proceeds and Premium	0	2,200,000	2,204,554	4,554
Transfers (Out)	(1,350,000)	(1,350,000)	(851,883)	498,117
Total Other Financing Sources (Uses)	(1,345,000)	855,000	1,352,671	497,671
Net Change in Fund Balance	530,630	(1,710,192)	(729,534)	980,658
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,080,710	3,080,710	3,080,710	0
Fund Balance End of Year	\$3,611,340	\$1,370,518	\$2,351,176	\$980,658

City of Fairfield
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Downtown Development Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$250,000	\$250,000	\$105,447	(\$144,553)
Other Revenues	5,000	5,000	0	(5,000)
Total Revenues	255,000	255,000	105,447	(149,553)
Expenditures:				
Capital Outlay	5,034,964	5,629,477	5,596,606	32,871
Total Expenditures	5,034,964	5,629,477	5,596,606	32,871
Net Change in Fund Balance	(4,779,964)	(5,374,477)	(5,491,159)	(116,682)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	5,719,401	5,719,401	5,719,401	0
Fund Balance End of Year	\$939,437	\$344,924	\$228,242	(\$116,682)

Internal Service Funds

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

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

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

Fiduciary Funds

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

Agency Funds

Warranty Bonds Fund - To account for warranty bonds collected.

Municipal Courts Fund - To account for funds collected by the court until such time as the funds can be distributed to individuals, private organizations, other governmental units and/or other funds.

City of Fairfield
Combining Statement of Net Assets
Internal Service Funds
December 31, 2006

	Employees' Benefits	Municipal Garage	Total Internal Service Funds
Current Assets:			
Equity in Pooled Cash and Investments	\$44,264	\$319	\$44,583
Total Assets	44,264	319	44,583
Liabilities:			
Current Liabilities:			
Accounts Payable	0	1,432	1,432
Accrued Wages and Benefits	0	19,966	19,966
Claims Payable	12,104	0	12,104
Total Current Liabilities	12,104	21,398	33,502
Long-Term Liabilities:			
Compensated Absences	0	75,544	75,544
Total Noncurrent Liabilities	0	75,544	75,544
Total Liabilities	12,104	96,942	109,046
Net Assets:			
Unrestricted	32,160	(96,623)	(64,463)
Total Net Assets	\$32,160	(\$96,623)	(\$64,463)

City of Fairfield
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended December 31, 2006

	Employees' Benefits	Municipal Garage	Total Internal Service Funds
Operating Revenues:			
Charges for Services	\$2,797,950	\$615,323	\$3,413,273
Other Revenues	0	353	353
Total Operating Revenues	<u>2,797,950</u>	<u>615,676</u>	<u>3,413,626</u>
Operating Expenses:			
Personal Services	0	437,076	437,076
Contractual Services	2,824,738	9,639	2,834,377
Materials and Supplies	0	270,670	270,670
Total Operating Expenses	<u>2,824,738</u>	<u>717,385</u>	<u>3,542,123</u>
Operating Income (Loss)	<u>(26,788)</u>	<u>(101,709)</u>	<u>(128,497)</u>
Non-Operating Revenues (Expenses):			
Investment Earnings	<u>2,532</u>	<u>0</u>	<u>2,532</u>
Total Non-Operating Revenues (Expenses)	<u>2,532</u>	<u>0</u>	<u>2,532</u>
Income (Loss) Before Contributions and Transfers	(24,256)	(101,709)	(125,965)
Transfers In	<u>0</u>	<u>86,000</u>	<u>86,000</u>
Change in Net Assets	(24,256)	(15,709)	(39,965)
Net Assets Beginning of Year	<u>56,416</u>	<u>(80,914)</u>	<u>(24,498)</u>
Net Assets End of Year	<u>\$32,160</u>	<u>(\$96,623)</u>	<u>(\$64,463)</u>

City of Fairfield
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended December 31, 2006

	Employees' Benefits	Municipal Garage	Total Internal Service Funds
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,797,950	\$615,676	\$3,413,626
Cash Payments to Employees	0	(433,651)	(433,651)
Cash Payments to Suppliers	(2,824,792)	(279,129)	(3,103,921)
Net Cash Provided (Used) by Operating Activities	(26,842)	(97,104)	(123,946)
Cash Flows from Noncapital Financing Activities:			
Payments from Other Funds	0	86,000	86,000
Net Cash Provided (Used) by Noncapital Financing Activities	0	86,000	86,000
Cash Flows from Investing Activities:			
Earnings on Investments	2,532	0	2,532
Net Cash Provided (Used) by Cash Flows from Investing Activities	2,532	0	2,532
Net Increase (Decrease) in Cash and Cash Equivalents	(24,310)	(11,104)	(35,414)
Cash and Cash Equivalents Beginning of Year	68,574	11,423	79,997
Cash and Cash Equivalents End of Year	44,264	319	44,583
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	(26,788)	(101,709)	(128,497)
Changes in Assets & Liabilities:			
Increase (Decrease) in Payables	(54)	1,180	1,126
Increase (Decrease) in Accrued Liabilities	0	3,425	3,425
Net Cash Provided (Used) by Operating Activities	(\$26,842)	(\$97,104)	(\$123,946)

City of Fairfield
Statement of Changes In Assets and Liabilities
Agency Funds
For the Fiscal Year Ended December 31, 2006

	Municipal Court			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$56,414	\$1,300,572	\$1,272,278	\$84,708
Total Assets	<u>56,414</u>	<u>1,300,572</u>	<u>1,272,278</u>	<u>84,708</u>
Liabilities:				
Other Liabilities	56,414	1,300,572	1,272,278	84,708
Total Liabilities	<u>\$56,414</u>	<u>\$1,300,572</u>	<u>\$1,272,278</u>	<u>\$84,708</u>

	Warranty Bonds			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$22,574	\$86	\$2,712	\$19,948
Total Assets	<u>22,574</u>	<u>86</u>	<u>2,712</u>	<u>19,948</u>
Liabilities:				
Other Liabilities	22,574	86	2,712	19,948
Total Liabilities	<u>\$22,574</u>	<u>\$86</u>	<u>\$2,712</u>	<u>\$19,948</u>

	Total All Agency Funds			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$78,988	\$1,300,658	\$1,274,990	\$104,656
Total Assets	<u>78,988</u>	<u>1,300,658</u>	<u>1,274,990</u>	<u>104,656</u>
Liabilities:				
Other Liabilities	78,988	1,300,658	1,274,990	104,656
Total Liabilities	<u>\$78,988</u>	<u>\$1,300,658</u>	<u>\$1,274,990</u>	<u>\$104,656</u>

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Statistical Section



STATISTICAL SECTION

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial position has changed over time.

Revenue Capacity

These schedules contain information to help the reader understand and assess the City's most significant local revenue source, the income tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources - Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that fiscal year.

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City of Fairfield
 Net Assets by Component
 Last Five Calendar Years (1)
 (accrual basis of accounting)
 Schedule 1

	Calendar Year				
	2002	2003	2004	2005	2006
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$49,060,051	\$42,799,518	\$55,787,920	\$54,410,081	\$57,602,463
Restricted	18,439,582	24,840,210	19,587,895	11,788,385	11,245,048
Unrestricted	8,736,673	7,213,215	8,929,247	18,606,085	20,702,996
Total governmental activities net assets	\$76,236,306	\$74,852,943	\$84,305,062	\$84,804,551	\$89,550,507
Business-type activities					
Invested in Capital Assets, Net of Related Debt	\$34,245,290	\$35,166,882	\$34,493,502	\$34,091,302	\$34,692,293
Restricted	0	0	1,438,321	1,131,986	1,193,743
Unrestricted	16,868,346	14,443,918	13,181,031	13,863,041	13,454,093
Total business-type activities net assets	\$51,113,636	\$49,610,800	\$49,112,854	\$49,086,329	\$49,340,129

Source: City Records

(1) - The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002

City of Fairfield
Changes in Net Assets
Last Five Calendar Years (1)
(accrual basis of accounting)
Schedule 2

	Calendar Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
General Government	\$6,377,765	\$5,569,878	\$7,274,175	\$7,172,448	\$7,817,572
Public Safety	12,033,560	12,233,671	13,603,790	13,502,174	14,603,318
Leisure Time Activities	2,051,333	1,914,984	2,794,947	2,126,895	2,732,748
Community Development	1,812,689	3,073,536	1,113,666	1,043,526	1,232,188
Basic Utility Service	521,909	481,265	509,633	506,372	508,183
Transportation and Street Repair	6,656,322	7,719,625	5,052,846	10,240,547	8,377,486
Public Health and Welfare	25,576	25,809	25,278	25,007	24,363
Interest and Fiscal Charges	539,959	615,988	676,748	842,065	870,047
Total governmental activities expenses	30,019,113	31,634,756	31,051,083	35,459,034	36,165,905
Business-type activities:					
Water Utility	3,696,360	3,830,735	3,964,028	3,763,190	3,696,111
Sewer Utility	4,164,390	4,330,106	4,616,131	4,517,979	4,710,334
Solid Waste Management	1,749,193	1,685,265	1,728,745	1,751,984	1,851,371
Recreation Facilities	1,680,839	1,735,131	1,790,010	1,885,070	1,897,000
Total business-type activities expenses	11,290,782	11,581,237	12,098,914	11,918,223	12,154,816
Total primary government expenses	\$41,309,895	\$43,215,993	\$43,149,997	\$47,377,257	\$48,320,721
Program Revenues					
Governmental Activities:					
Charges for Services and Sales:					
General Government	\$1,272,226	\$1,343,635	\$2,905,819	\$1,174,030	\$1,282,363
Public Safety	107,392	21,239	17,073	1,463,507	1,715,358
Leisure Time Activities	87,931	95,126	63,257	474,215	200,442
Community Development	530,645	487,169	394,855	65,027	487,966
Basic Utility Service	408,479	494,624	445,150	491,588	479,807
Operating Grants and Contributions	3,507,178	1,481,204	1,279,580	2,628,669	3,356,835
Capital Grants and Contributions	335,590	150,233	1,797,917	1,556,398	781,952
Total governmental activities program revenues	6,249,441	4,073,230	6,903,651	7,853,434	8,304,723
Business-type activities:					
Charges for Services and Sales:					
Water Utility	3,346,234	3,295,461	3,382,911	3,509,115	3,468,314
Sewer Utility	3,576,138	3,995,556	4,234,392	4,170,483	4,569,010
Solid Waste Management	1,508,115	1,371,403	1,410,475	1,460,257	1,492,120
Recreation Facilities	1,409,174	1,486,307	1,417,897	1,533,572	1,644,698
Operating Grants and Contributions	0	0	273,206	0	0
Total business-type activities program revenues	9,839,661	10,148,727	10,718,881	10,673,427	11,174,142
Total primary government program revenues	\$16,089,102	\$14,221,957	\$17,622,532	\$18,526,861	\$19,478,865

City of Fairfield
Changes in Net Assets
Last Five Calendar Years (1)
(accrual basis of accounting)
Schedule 2 (Continued)

	Calendar Year				
	2002	2003	2004	2005	2006
Net (Expense)/Revenue					
Governmental Activities	(\$23,769,672)	(\$27,561,526)	(\$24,147,432)	(\$27,605,600)	(\$27,861,182)
Business-type activities	(1,451,121)	(1,432,510)	(1,380,033)	(1,244,796)	(980,674)
Total primary government net expenses	<u>(\$25,220,793)</u>	<u>(\$28,994,036)</u>	<u>(\$25,527,465)</u>	<u>(\$28,850,396)</u>	<u>(\$28,841,856)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Income Taxes	\$19,114,762	\$18,457,637	\$20,228,063	\$20,316,676	\$22,302,563
Property Taxes Levied for:					
General Purposes	4,558,801	4,958,234	5,958,198	4,954,867	1,293,193
Special Revenue Purposes	0	449,200	0	0	3,679,353
Grants and Entitlements not Restricted	2,916,695	1,725,249	2,728,213	2,263,680	3,197,933
Unrestricted Contributions	1,400	33,320	0	0	0
Investment Earnings	729,920	543,188	380,569	946,699	1,464,849
Refunds & Reimbursements	304,120	47,791	0	0	0
Other Revenues	129,755	68,403	317,431	273,167	1,219,247
Transfers-Internal Activities	(550,000)	(396,000)	(650,000)	(650,000)	(550,000)
Total governmental activities	<u>27,205,453</u>	<u>25,887,022</u>	<u>28,962,474</u>	<u>28,105,089</u>	<u>32,607,138</u>
Business-type activities:					
Investment earnings	442,843	300,408	162,472	428,305	647,220
Other Revenues	387,152	37,895	69,615	139,966	37,254
Transfers-Internal Activities	550,000	396,000	650,000	650,000	550,000
Total business-type activities	<u>1,379,995</u>	<u>734,303</u>	<u>882,087</u>	<u>1,218,271</u>	<u>1,234,474</u>
Total primary government	<u>\$28,585,448</u>	<u>\$26,621,325</u>	<u>\$29,844,561</u>	<u>\$29,323,360</u>	<u>\$33,841,612</u>
Change in Net Assets					
Governmental Activities	\$3,435,781	(\$1,674,504)	\$4,815,042	\$499,489	\$4,745,956
Business-type activities	(71,126)	(698,207)	(497,946)	(26,525)	253,800
Total primary government	<u>\$3,364,655</u>	<u>(\$2,372,711)</u>	<u>\$4,317,096</u>	<u>\$472,964</u>	<u>\$4,999,756</u>

Source: City Records

(1) - The City began to report accrual information when it implemented GASB Statement 34 in 2002

City of Fairfield
Fund Balances, Governmental Funds
Last Ten Calendar Years
(modified accrual basis of accounting)
Schedule 3

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$212,882	\$616,570	\$554,703	\$522,932	\$818,400	\$160,638	\$161,563	\$121,876	\$43,987	\$74,657
Unreserved	3,358,520	6,737,593	5,138,937	6,215,653	6,979,338	7,933,176	6,821,257	7,911,739	9,273,993	10,510,419
Total General Fund	3,571,402	7,354,163	5,693,640	6,738,585	7,797,738	8,093,814	6,982,820	8,033,615	9,317,980	10,585,076
All Other Governmental Funds										
Reserved	1,064,138	5,810,869	7,589,883	8,076,069	4,379,646	5,783,624	10,885,107	6,512,144	6,792,569	5,254,491
Unreserved, Reported in:										
Special Revenue Funds	703,960	1,917,573	1,738,326	1,243,907	1,463,759	1,439,711	1,243,418	1,364,045	2,062,987	2,617,729
Debt Service Funds	0	0	0	0	0	0	1,551,097	1,582,749	1,652,542	1,991,644
Capital Projects Funds	(1,395,724)	4,033,239	7,986,546	8,905,054	8,061,210	10,030,048	10,562,319	8,371,053	194,779	(10,454)
Total all Other Governmental Funds	\$372,374	\$11,761,681	\$17,314,755	\$18,225,030	\$13,904,615	\$17,253,383	\$24,241,941	\$17,829,991	\$10,702,877	\$9,853,410

Source: City Records

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City of Fairfield
 Changes in Fund Balances, Governmental Funds
 Last Ten Calendar Years
 (modified accrual basis of accounting)
 Schedule 4

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes	\$2,707,798	\$20,178,989	\$21,847,050	\$23,935,601	\$22,042,604	\$22,579,590	\$23,392,077	\$26,220,071	\$25,961,492	\$27,105,520
Fines, Licenses & Permits	5,239,247	1,149,584	1,149,910	1,197,181	1,402,165	1,462,843	1,596,540	2,858,235	1,974,885	2,437,555
Charges for Services	4,718,008	325,553	432,979	399,394	450,036	610,245	645,196	851,781	1,573,729	1,525,192
Investment Earnings	1,959,997	1,092,893	1,442,894	1,705,009	1,376,349	718,590	541,134	379,609	815,309	1,441,262
Intergovernmental	287,460	789,011	484,917	1,159,005	6,478,071	5,311,046	4,803,384	4,504,553	6,767,918	6,489,289
Special Assessments	272,718	196,335	194,228	180,190	170,028	157,814	84,479	63,649	61,048	173,721
Other Revenues	316,543	543,004	156,298	1,382,632	1,597,086	787,342	295,901	274,294	436,861	1,322,942
Total Revenues	\$15,501,771	\$24,275,369	\$25,708,276	\$29,959,012	\$33,516,339	\$31,627,470	\$31,358,711	\$35,152,192	\$37,591,242	\$40,495,481
Expenditures:										
Current:										
General Government	\$7,977,919	\$3,053,126	\$3,449,168	\$4,217,147	\$5,081,666	\$6,049,495	\$6,055,799	\$6,036,322	\$6,451,328	\$7,355,804
Public Safety	129,258	7,144,615	8,200,367	9,158,689	10,104,904	11,861,430	11,855,307	12,344,876	12,958,223	13,570,140
Leisure Time Activities	173,891	772,473	788,275	842,935	994,972	1,754,887	1,219,328	1,314,111	1,887,376	2,083,769
Community Development	801,423	807,002	955,929	915,681	886,016	5,283,792	2,297,100	1,033,798	1,107,022	1,183,209
Basic Utility Service	724,963	338,654	342,155	402,185	401,395	521,909	481,265	509,030	506,372	508,183
Transportation and Street Repair		1,732,903	1,998,534	1,980,761	2,280,900	5,612,924	2,817,083	2,528,611	7,908,631	6,058,791
Public Health and Welfare	4,467,743	27,822	27,521	27,315	26,731	25,576	25,809	25,278	25,007	24,363
Capital Outlay	2,861,606	7,197,696	10,081,517	10,554,288	16,326,623	0	6,480,035	14,417,429	10,226,385	7,349,867
Debt Service:										
Principal Retirement	326,000	540,000	335,000	350,000	355,000	651,910	658,519	914,716	953,756	945,591
Interest and Fiscal Charges	320,988	289,815	359,868	361,833	472,071	539,959	615,988	676,748	642,186	998,885
Total Expenditures	\$17,783,791	\$21,904,106	\$26,538,334	\$28,810,834	\$36,930,278	\$32,301,882	\$32,506,233	\$39,800,919	\$42,666,286	\$40,078,602

City of Fairfield
 Changes in Fund Balances, Governmental Funds
 Last Ten Calendar Years
 (modified accrual basis of accounting)
 Schedule 4 (Continued)

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Excess (Deficiency) of Revenues Over Expenditures	(\$2,282,020)	\$2,371,263	(\$830,058)	\$1,148,178	(\$3,413,939)	(\$674,412)	(\$1,147,522)	(\$4,648,727)	(\$5,075,044)	\$416,879
Other Financing Sources (Uses)										
Proceeds from Sale of Capital Assets	\$0	\$0	\$0	\$0	\$0	\$28,662	\$21,086	\$37,572	\$17,295	\$636,750
Proceeds from Capital Lease	0	0	0	0	394,645	0	0	0	0	0
Proceeds of Long-Term Capital-Related Debt	7,743	0	0	0	0	4,500,000	7,500,000	0	0	0
Proceeds of Debt	0	0	4,500,000	0	0	0	0	0	0	0
Proceeds from Sale of Assets	0	0	627,309	30,615	208,032	0	0	0	0	0
Transfers In	371,713	6,582,830	5,203,657	3,761,082	2,331,616	2,824,720	3,469,673	2,958,603	3,092,588	6,168,926
Transfers (Out)	(371,713)	(6,882,830)	(5,608,657)	(4,311,082)	(2,781,616)	(3,424,720)	(3,965,673)	(3,708,603)	(3,877,588)	(6,804,926)
Total Other Financing Sources (Uses)	7,743	(300,000)	4,722,309	(519,385)	152,677	3,928,662	7,025,086	(712,428)	(767,705)	750
Net Change in Fund Balances	(\$2,274,277)	\$2,071,263	\$3,892,251	\$628,793	(\$3,261,262)	\$3,254,250	\$5,877,564	(\$5,361,155)	(\$5,842,749)	\$417,629
Debt service as a percentage of noncapital expenditures (1)	7.0%	4.3%	4.3%	4.2%	4.2%	3.3%	4.2%	4.7%	3.5%	4.6%

Source: City Records

(1) - Noncapital expenditures is total expenditures minus capital outlay

City of Fairfield
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Calendar Years
 Schedule 5

Calendar Year	Real Property	Tangible Personal Property	Public Utilities Personal	Total	Total	Total
	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Estimated Actual Value	Direct Rate
1997	\$599,299,360	\$82,509,703	\$38,503,940	\$720,313,003	\$2,058,037,151	4.54
1998	617,858,990	89,418,897	37,236,850	744,514,737	2,127,184,963	4.54
1999	631,172,270	88,625,751	37,098,140	756,896,161	2,162,560,460	4.54
2000	698,696,370	94,392,458	37,139,060	830,227,888	2,372,079,680	4.54
2001	713,313,820	86,791,735	33,922,640	834,028,195	2,382,937,700	5.94
2002	726,716,790	96,412,084	26,214,800	849,343,674	2,426,696,211	5.94
2003	842,270,440	89,464,979	26,456,830	958,192,249	2,737,692,140	5.94
2004	855,233,590	92,277,743	26,640,650	974,151,983	2,783,291,380	5.94
2005	860,513,110	96,878,011	28,395,480	985,786,601	2,816,533,146	5.94
2006 (1)	925,860,030	100,613,661	28,118,140	1,054,591,831	3,079,635,732	5.94

Source: County Auditor

(1) - Both Tangible Personal Property and Public Utility Personal Property are expected to further decrease over the next three years due to a change made by the State of Ohio in its tax structure. Currently the State is reimbursing the City for these lost revenues and plans to reimburse 100% of these losses through 2010 at which time the reimbursement is expected to be reduced until 2017.

Note: The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property is assessed at 25 percent for everything except inventories, which are assessed at 23 percent. Property is assessed annually.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue to be received in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10 percent, 2 1/2 percent and homestead exemptions before being billed.

City of Fairfield
 Direct and Overlapping Property Tax Rates
 Last Ten Calendar Years
 Schedule 6

Calendar Year	Total Direct Rate	Overlapping Rates		
		County Levy	School Levy	Voactional School Levy
1997	4.54	8.45	53.56	1.93
1998	4.54	8.45	53.56	1.93
1999	4.54	8.44	54.16	1.93
2000	4.54	8.45	54.46	1.93
2001	5.94	8.45	54.23	1.93
2002	5.94	8.75	54.10	1.93
2003	5.94	8.75	53.82	1.93
2004	5.94	8.74	53.82	1.93
2005	5.94	8.74	58.66	1.93
2006	5.94	9.44	58.60	1.93

Source: County Auditor

Note: Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

City of Fairfield
Principal Property Tax Payers
Current Year and Prior Year (1)
Schedule 7

2006 (2)		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
Cincinnati Gas & Electric Company	\$21,331,980	2.02%
CFC Investment Company	16,913,280	1.60%
Sam Boymel Trustee	9,720,740	0.92%
Ohio Casualty Insurance	7,733,750	0.73%
Faith-Village Park Apartments	5,709,930	0.54%
Alliance TP Portfolio LTD	5,540,810	0.53%
TGM Camelot, Inc.	5,260,550	0.50%
Teacher Retirement System	5,105,830	0.48%
Cincinnati-Oxford Assn.	4,917,700	0.47%
Meijer Stores LTD PRT	4,689,620	0.44%
	<u>\$86,924,190</u>	<u>8.23%</u>

2005 (3)		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
Cincinnati Gas & Electric Company	\$20,629,170	2.09%
CFC Investment Company	15,927,450	1.62%
Sam Boymel Trustee	9,142,420	0.93%
Ohio Casualty Insurance	6,952,730	0.71%
Faith-Village Park Apartments	5,437,970	0.55%
Cincinnati Bell Telephone	5,309,690	0.54%
Alliance TP Portfolio LTD	5,243,500	0.53%
Teacher Retirement System	5,045,490	0.51%
TGM Camelot, Inc.	5,009,330	0.51%
Cincinnati-Oxford Assn.	4,655,000	0.47%
	<u>\$83,352,750</u>	<u>8.46%</u>

Source: County Auditor

(1) - Current and prior year information only available

(2) - 2006 tax year

(3) - 2005 tax year

City of Fairfield
Property Tax Levies and Collections
Last Ten Calendar Years
Schedule 8

Calendar Year	Taxes Levied for the Calendar Year	Collected within the Calendar Year of the Levy		Delinquent Taxes Collected	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$2,311,387	\$2,265,159	98.00%	\$45,366	\$2,310,525	99.96%
1998	2,343,575	2,323,993	99.16%	65,411	2,389,404	101.96%
1999	2,403,795	2,391,493	99.49%	69,951	2,461,444	102.40%
2000	2,565,713	2,481,304	96.71%	45,275	2,526,579	98.47%
2001	4,424,612	4,213,486	95.23%	114,510	4,327,996	97.82%
2002	5,027,858	4,451,961	88.55%	130,067	4,582,028	91.13%
2003	4,701,032	4,723,070	100.47%	147,215	4,870,285	103.60%
2004	4,831,100	4,618,793	95.61%	133,406	4,752,199	98.37%
2005	4,761,737	4,632,520	97.29%	98,853	4,731,373	99.36%
2006	5,598,860	5,256,965	93.89%	166,681	5,423,646	96.87%

Source: County Auditor

City of Fairfield
 Income Tax by Payer Type and Income Tax Rate
 Last Ten Calendar Years
 (cash basis of accounting)
 Schedule 9

Calendar Year	Income Tax Rate	Percentage of Total							
		Withholding	Business	Individuals	Total	Withholding	Business	Individuals	Total
1997	1.50%	\$9,307,130	\$1,101,190	\$2,477,265	\$12,885,585	72.2%	8.5%	19.2%	100.0%
1998	1.50%	9,816,916	1,224,949	2,754,278	13,796,143	71.2%	8.9%	20.0%	100.0%
1999	1.50%	11,215,932	1,508,454	2,695,471	15,419,857	72.7%	9.8%	17.5%	100.0%
2000	1.50%	12,208,006	1,640,703	2,995,555	16,841,779	72.5%	9.7%	17.8%	100.0%
2001	1.50%	13,578,070	1,484,352	3,060,897	18,123,319	74.9%	8.2%	16.9%	100.0%
2002	1.50%	13,613,373	1,513,207	3,100,696	18,227,276	74.7%	8.3%	17.0%	100.0%
2003	1.50%	14,323,319	2,033,946	2,628,683	18,985,948	75.4%	10.7%	13.8%	100.0%
2004	1.50%	15,268,560	2,149,376	3,013,100	20,431,036	74.7%	10.5%	14.7%	100.0%
2005	1.50%	16,077,087	2,481,067	2,861,497	21,419,651	75.1%	11.6%	13.4%	100.0%
2006	1.50%	16,835,490	2,453,588	2,884,054	22,173,132	75.9%	11.1%	13.0%	100.0%

Source: City Finance Department

City of Fairfield
Principal Income Taxpayers
Current and Prior Year(1)
(cash basis of accounting)
Schedule 10

<u>2006</u>	
<u>Name</u>	<u>Amount</u>
Cincinnati Insurance	\$2,556,982
Ohio Casualty Group	1,132,127
Mercy Regional Health System	737,669
Fairfield Board of Education	632,349
Medco Health Solutions	510,152
City of Fairfield	259,417
Pacific Mfg Ohio Inc.	226,750
FedEx Freight East Inc	182,398
Koch Meat Co Inc	228,501
PNG Telecommunications Inc	<u>159,146</u>
Total Collections - Principal Taxpayers	<u>\$6,625,490</u>
Total Collections	\$22,173,132
Combined percentage of total income taxes	29.9%

<u>2005</u>	
<u>Name</u>	<u>Amount</u>
Cincinnati Insurance	\$2,334,290
Ohio Casualty Group	1,098,268
Mercy Regional Health System	678,983
Fairfield Board of Education	611,055
Medco Health Solutions	468,951
City of Fairfield	251,053
Pacific Mfg Ohio Inc	200,874
FedEx Freight East Inc	169,021
PNG Telecommunications Inc	148,731
Tri-County Exended Care Ct	<u>146,928</u>
Total Collections - Principal Taxpayers	<u>\$6,108,153</u>
Total Collections	\$21,419,651
Combined percentage of total income taxes	28.5%

Source: City Finance Department

(1) - Only current and prior year information available

City of Fairfield
Ratios of Outstanding Debt by Type
Last Ten Calendar Years
Schedule 11

Calendar Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Special Assessment Bonds	Capital Leases	Loans	General Obligation Bonds	Mortgage Revenue Bonds	Notes Payable			
1997	\$1,635,000	\$1,750,000	\$600,000	\$0	\$11,016,333	\$0	\$2,330,000	\$2,750,000	\$20,081,333	0.25%	\$819
1998	1,195,000	2,900,000	500,000	0	13,100,042	0	6,925,000	2,350,000	26,970,042	0.32%	1,034
1999	5,455,000	995,000	405,000	0	13,679,505	0	6,500,000	1,900,000	28,934,505	0.32%	1,053
2000	5,205,000	745,000	305,000	0	12,975,110	0	6,060,000	3,000,000	28,290,110	0.30%	989
2001	4,945,000	4,500,000	210,000	382,998	11,827,062	0	5,600,000	2,550,000	30,015,060	0.31%	1,039
2002	8,945,000	0	130,000	311,088	11,162,823	2,220,000	5,115,000	1,500,000	29,383,911	0.30%	1,004
2003	15,930,000	0	75,000	222,569	10,502,496	2,140,000	4,605,000	1,500,000	34,975,065	0.34%	1,165
2004	15,120,000	0	50,000	149,347	9,923,688	2,060,000	4,070,000	1,500,000	32,873,035	0.30%	1,049
2005	14,275,000	9,000,000	25,000	65,591	9,321,282	1,975,000	3,505,000	4,000,000	42,166,873	N/A	N/A
2006	13,420,000	9,200,000	0	0	8,694,316	1,885,000	3,280,000	3,000,000	39,479,316	N/A	N/A

Source: City Finance Department

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements

N/A - Information not available

City of Fairfield
 Ratios of General Bonded Debt Outstanding
 Last Ten Calendar Years
 Schedule 12

Calendar Year	<u>General Bonded Debt Outstanding</u> General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1997	\$1,635,000	0.23%	\$39
1998	1,195,000	0.06%	29
1999	5,455,000	0.25%	130
2000	5,205,000	0.22%	124
2001	4,945,000	0.21%	115
2002	8,945,000	0.37%	206
2003	15,930,000	0.58%	358
2004	15,120,000	0.54%	360
2005	14,275,000	0.51%	337
2006	13,420,000	0.44%	317

Source: City Finance Department

Notes: Details regarding the city's outstanding debt can be found in the notes to the basic financial statements

City of Fairfield
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2006
 Schedule 13

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Amount Applicable to City of Fairfield
Fairfield City	\$27,505,000	100.00%	\$27,505,000
Butler County	72,353,870	13.45%	9,731,596
Fairfield City School District	34,090,655	72.17%	24,603,226
Lakota L School District	161,918,950	0.48%	777,211
Northwest L School District	21,040,000	0.01%	2,104
Butler Technology & Career Center Jt. Voc. School District	3,095,000	15.35%	475,083
Total Direct and Overlapping Debt	\$320,003,475		\$63,094,219

Source: Ohio Municipal Advisory Council

(1) - Percentages were determined by dividing the assessed valuation of the overlapping government located within the boundaries of the City by the total assessed valuation of the government.

City of Fairfield
 Legal Debt Margin Information
 Last Ten Calendar Years
 Schedule 14

Legal Debt Margin Calculation for Calendar Year 2006

Assessed value	\$1,054,591,831	\$1,054,591,831
Statutory legal debt limitation (1)	10.5%	5.5%
Total debt limitation	110,732,142	58,002,551
Debt applicable to limit:		
Gross Indebtedness	13,420,000	13,420,000
Less: Bond Retirement Fund Balance	681,787	681,787
Total net debt applicable to limit	12,738,213	12,738,213
Legal debt margin	\$97,993,929	\$45,264,338

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Debt Limit (1)										
Debt Limit (10.5%)	\$75,625,515	\$78,174,047	\$79,474,097	\$87,173,928	\$87,572,960	\$89,181,086	\$100,610,186	\$102,285,958	\$103,507,593	\$110,732,142
Total Net Debt Applicable to Limit	3,037,444	3,740,193	6,096,616	5,580,076	9,281,783	8,478,368	15,512,938	14,707,804	13,860,169	12,738,213
Legal Debt Margin	\$72,588,071	\$74,433,854	\$73,377,481	\$81,593,852	\$78,291,177	\$80,702,718	\$85,097,248	\$87,578,154	\$89,647,424	\$97,993,929
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.0%	4.8%	7.7%	6.4%	10.6%	9.5%	15.4%	14.4%	13.4%	11.5%

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Unvoted Debt Limit (1)										
Debt Limit (5.5%)	\$39,613,365	\$40,948,311	\$41,629,289	\$45,662,534	\$45,871,551	\$46,713,902	\$52,700,574	\$53,578,359	\$54,218,263	\$58,002,551
Total Net Debt Applicable to Limit	3,037,444	3,740,193	6,096,616	5,580,076	9,281,783	8,478,368	15,512,938	14,707,804	13,860,169	12,738,213
Legal Debt Margin	\$36,575,921	\$37,208,118	\$35,532,673	\$40,082,458	\$36,589,768	\$38,235,534	\$37,187,636	\$38,870,555	\$40,358,094	\$45,264,338
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.7%	9.1%	14.6%	12.2%	20.2%	18.1%	29.4%	27.5%	25.6%	22.0%

Source: City Records

(1) - Direct debt limitation based upon Section 133, the Uniform Bond Act of the Ohio Revised Code. Total debt limit should not exceed 10.5% of net assessed property value.
 Total unvoted debt limit should not exceed 5.5% of net assessed property value.

City of Fairfield
Pledged-Revenue Coverage
Last Ten Calendar Years
Schedule 15

Calendar Year	Special Assessment Bonds			
	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
1997	\$180,717	\$600,000	\$45,756	0.28
1998	188,127	500,000	38,130	0.35
1999	202,191	405,000	30,885	0.46
2000	186,351	305,000	23,259	0.57
2001	174,797	210,000	16,015	0.77
2002	160,275	130,000	10,587	1.14
2003	53,988	75,000	5,719	0.67
2004	76,098	50,000	3,813	1.41
2005	161,327	25,000	1,906	6.00
2006	N/A	0	0	N/A

Source: County Auditor

Note: Details regarding the city's outstanding debt can be found in the notes to the basic financial statements.

N/A - Information not available

City of Fairfield
Demographic and Economic Statistics - Butler County
Last Ten Calendar Years
Schedule 16

Calendar Year	Population	Personal Income (Thousands of Dollars) (1)	Per Capita Personal Income (2)	Unemployment Rate (3)
1997	41,551	\$7,983,144	\$24,531	2.40%
1998	41,759	8,560,958	26,079	2.30%
1999	41,968	9,087,357	27,475	2.20%
2000	42,097	9,547,252	28,608	2.90%
2001	43,149	9,729,127	28,881	3.20%
2002	43,365	9,938,473	29,273	4.30%
2003	44,449	10,285,549	30,014	4.60%
2004	41,981	10,844,563	31,332	4.80%
2005	42,370	N/A	N/A	4.70%
2006	42,370	N/A	N/A	4.50%

Sources: (1) - Personal Income information provided by Bureau of Economic Analysis: Regional Economic Accounts
(2) - Per Capita Personal Income information provided by Bureau of Economic Analysis: Regional Economic Accounts
(3) - Ohio Bureau of Employment Services

N/A - Information not available

City of Fairfield
 Principal Employers (3)
 Current Year (1)
 Schedule 17

2006 (2)

Employer	Number of Employees (3)	Percentage of Total City Employment (3)
Miami University	4,250	2.35%
AK Steel	3,142	1.74%
Cincinnati Insurance Co.	2,600	1.44%
Butler County Government	2,000	1.11%
Ft. Hamilton Memorial Hospital	2,000	1.11%
Middletown Regional Hospital	1,800	1.00%
Mercy Regional Hospital	1,601	0.89%
Lakota School District	1,600	0.88%
Ohio Casualty Insurance Co.	1,300	0.72%
Hamilton City School District	1,150	0.64%
	21,443	11.85%

Source: City Economic Development Division

- (1) - Only current fiscal year information available
- (2) - Data current as of December, 2006
- (3) - Data for all of Butler County

City of Fairfield
 Full-Time Equivalent City Government Employees by Function/Program
 Last Ten Calendar Years
 Schedule 18

Function/Program	Full-Time Equivalent Employees as of December 31									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
City Administration	5	6	6	6	6	5	6	6	5	5
City Council	1	1	1	2	2	2	2	2	2	2
Engineering	5	6	7	7	8	8	8	8	7	7
Facility/Janitors	2	2	2	2	2	2	2	2	2	2
Municipal Court	12	13	12	16	18	17	19	19	18	19
Finance	13	14	15	16	19	19	19	20	21	20
Public Safety										
Police										
Officers	50	48	52	57	50	59	60	59	61	60
Non-Sworn	17	16	19	18	18	19	20	20	19	20
Fire	6	6	15	21	23	23	24	24	27	30
Leisure Time Activities										
Parks and recreation	14	14	14	14	18	17	21	21	23	22
Community Development										
Planning and Zoning	6	5	6	6	5	5	4	4	4	4
Building Inspection	7	7	8	8	7	7	7	8	8	9
Economic Development	0	0	0	0	0	1	1	1	1	1
Basic Utility Service										
Water	20	20	20	20	21	21	22	22	21	20
Storm Sewers	0	0	0	0	0	0	0	0	0	0
Wastewater	20	21	24	22	21	23	22	23	21	22
Transportation and Street Repair	23	23	23	24	27	27	26	30	30	30
Total	201	202	224	239	245	255	263	269	270	273

Source: City Finance Department

City of Fairfield, Ohio
 Operating Indicators by Function/Program
 Last Ten Calendar Years
 Schedule 19

Function/Program	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Community Environment										
Planning and Development										
Building permits issued	2,502	2,719	1,735	2,203	2,011	2,164	2,140	2,237	2,192	1,910
Building inspections conducted	(b)	(b)	6,629	5,699	5,959	6,847	5,343	5,733	4,895	4,030
Economic Development										
Value of Residential Construction	\$14,512,949	\$22,323,114	\$10,435,556	\$14,853,756	\$13,891,545	\$15,291,021	\$19,381,595	\$18,884,763	\$19,727,985	\$15,292,249
Value of Commercial Construction	\$42,571,748	\$59,017,601	\$28,133,086	\$32,012,242	\$36,009,579	\$39,900,230	\$76,493,987	\$28,039,382	\$45,152,931	\$68,682,460
General Government										
Finance Department - Income Tax										
Income Tax Refunds	985	800	1,016	1,008	1,166	1,228	1,322	1,122	1,126	1,050
Dollar Amount of Refunds	\$216,782	\$175,323	\$332,367	\$461,841	\$446,399	\$400,338	\$551,286	\$490,110	\$514,281	\$435,208
Average Refund Amount	\$220	\$219	\$327	\$458	\$383	\$326	\$417	\$437	\$457	\$414
Court										
Number of Criminal Cases	3,106	2,794	2,479	2,356	2,024	2,759	4,111	2,744	3,432	4,066
Number of Civil Cases	1,038	1,076	1,107	1,114	1,217	1,540	1,638	1,928	1,876	1,905
Construction Services										
Square Footage of Sidewalk Repairs	4,023	4,740	11,071	10,835	16,787	47,330	12,823	14,769	1,110	16,439
Securities of Persons and Property										
Police										
Physical arrests:										
Adult	1,873	1,550	1,528	1,514	1,299	1,387	1,483	1,236	1,223	1,178
Juvenile	477	376	438	462	394	393	385	382	474	565
Citations	8,333	7,129	8,099	9,058	8,922	7,207	7,036	5,428	7,354	5,758
Accidents	1,716	1,717	1,744	1,611	1,615	1,563	1,516	1,516	1,470	1,514
Fire										
Emergency responses	2,594	2,602	2,914	3,041	3,226	3,484	3,574	3,681	3,818	4,247
Fire Calls	166	154	182	169	153	167	172	143	3,172	4,461
Inspections	2,800	2,820	2,800	2,850	2,900	3,000	3,300	3,200	3,560	3,600
Transportation										
Public Works										
Number of Street Miles Resurfaced	(b)	(b)	7	8	6	8	9	6	6	5
Tons of Street Salt Used	(b)	1,599	3,412	5,284	1,449	3,240	6,725	4,159	3,811	949
Cubic Yards of Leaves Picked-up	(b)	7,139	8,066	6,264	5,697	7,346	3,053	5,770	5,985	8,054
Leisure										
Parks and Recreation										
Number of Theater Patrons	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	8,113	11,842
Number of Pool Admissions	26,000	28,757	29,197	31,708	34,810	36,550	38,000	40,139	42,614	43,124
Program Attendance:										
Youth/Preschool	4,500	6,872	5,939	6,784	6,823	7,224	8,168	9,259	15,245	18,968
Fitness	(b)	995	223	185	172	320	725	950	6,800	8,311
Senior Activities	(b)	(b)	250	250	275	320	350	420	5,500	9,883

City of Fairfield, Ohio
 Operating Indicators by Function/Program
 Last Ten Calendar Years
 Schedule 19 (Continued)

Function/Program	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Water										
Water main breaks	39	32	53	47	35	43	43	55	55	35
Average daily consumption (millions of gallons)	4.92	4.843	5.512	5.572	5.017	5.057	4.789	4.986	5.125	5.040
Peak daily consumption (millions of gallons)	6.96	5.940	6.983	6.430	5.670	7.020	5.366	5.739	6.076	6.546
Wastewater										
Average daily sewage treatment (millions of gallons)	5.410	5.535	5.237	5.553	5.389	5.724	5.717	5.605	5.977	5.308

Source: Various City Departments

(a) - Not available. The City's Community Arts Center Theater opened May, 2005.

(b) - Not available.

City of Fairfield, Ohio
 Capital Asset Statistics by Function/Program
 Last Ten Calendar Years
 Schedule 20

Function/Program	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Municipal Building (square footage)	19,284	19,284	19,284	19,284	19,284	19,284	19,284	19,284	19,284	19,284
Municipal Building Annex (square footage)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Square Footage of Building	17,795	17,795	17,795	17,795	17,795	17,795	17,795	17,795	17,795	50,033
Police Cruisers	19	19	19	20	20	20	21	21	21	26
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Number of Fire Engines	4	4	4	4	4	4	4	4	4	4
Number of EMS Vehicles	4	4	4	4	4	4	4	4	4	4
Public Works										
Area of City (square miles)	20.18	20.18	20.18	20.18	20.18	20.18	20.18	20.18	20.18	20.18
Streets (miles)	330	330	330	330	367	367	367	380	380	380
Highways (miles)	10.43	10.43	10.43	10.43	10.43	10.43	10.43	10.43	10.43	10.43
Streetlights	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525	1,525
Traffic signals	40	42	46	47	49	52	53	53	53	55
Parks and Recreation										
Number of Parks	18	19	20	22	24	24	24	24	24	25
Area of Parks (acreage)	396.00	436.00	436.00	438.05	438.50	438.50	438.50	438.50	438.50	469
Playgrounds	8	8	8	9	9	10	11	11	12	12
Baseball/softball diamonds	16	16	16	16	16	16	16	16	16	16
Soccer/football fields	10	10	10	10	11	11	11	11	11	11
Aquatic Center /Swimming pools	1	1	1	1	1	1	1	1	1	1
Community Arts centers	0	0	0	0	0	0	0	0	1	1
Golf Courses	1	1	1	1	1	2	2	2	2	2
Municipal Water										
Storage Capacity (millions of gallons)	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Water Mains (miles)	172.00	172.00	172.00	172.00	172.00	172.00	172.00	172.00	172.00	172.00
Fire hydrants	2,135	2,165	2,217	2,221	2,238	2,255	2,278	2,299	2,301	2,326
Sewers										
Treatment Capacity (millions of gallons)	6.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Sanitary Sewers (miles)	143.50	152.30	153.80	157.20	159.80	160.20	160.40	161.00	164.00	166.10

Source: Various City Departments

(a) - Not available. Building was renovated in 2006 to house the City's Income Tax Division and IT Division.