



Mary Taylor, CPA
Auditor of State

CITY OF FAIRBORN
GREENE COUNTY

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Mary Taylor, CPA

Auditor of State

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

City of Fairborn
Greene County
44 West Hebble Avenue
Fairborn, Ohio 45324-4999

To the Mayor and the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairborn, Greene County, (the 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 8, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated June 8, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-006 through 2006-008.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 8, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Mayor and the City Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 8, 2007

CITY OF FAIRBORN
GREENE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

Significant Deficiency - Capital Assets

The City's draft Fixed Asset Accounting Policies and Procedures stated that assets purchased will be recorded at historical cost. Historical cost includes the purchase price as well as other costs incurred to prepare the asset for its intended use such as freight and insurance. The depreciation section of the policy stated that general fixed assets and assets acquired and used by proprietary funds or nonexpendable trust funds will be depreciated over their useful life on a straight line basis. In the year of acquisition, and in the year of disposal, a half year of depreciation is recorded. Useful life for depreciating building improvements is listed at 360 months (30 years).

During 2006 the City did not use the correct useful life for depreciating building improvements. This led to the beginning accumulated depreciation being overstated by \$2,015,439 for business type activities and the current year's depreciation expense being overstated by \$132,070. An audit adjustment to the accompanying financial statements and notes to the financial statements was required to correctly present the balances. Additionally, the City did not capitalize all related costs incurred, including erosion controls, to prepare roads for their intended use and also did not depreciate the governmental infrastructure for half a year during the year of acquisition.

Policies and procedures should be developed and implemented to verify that all depreciable capital assets are depreciated using the correct useful lives and depreciation is taken in accordance with the City's Fixed Asset Accounting Policies and Procedures. All related costs associated with putting an asset in operation should be capitalized. Failure to do so could result in material misstatements in the financial statements and inaccurate valuation of assets on the City's system.

Officials Response: *The City will take steps to correct the depreciation in the fixed asset system upon implementing the new fixed asset accounting system in 2008. The City will adopt procedures to ensure that all subsequent assets are reported in the fixed asset system with the appropriate useful life and that all costs related to the assets are capitalized. A GAAP adjustment will be made for the depreciation related to prior period assets until the system is corrected in 2008.*

FINDING NUMBER 2006-002

Significant Deficiency - Other Revenue

Other revenue is money collected by the City from minor sources which do not form a significant part of its normal activities. The following receipts posted by the City as other revenue were not properly classified:

- Cable TV Franchise Fees – The City had a 5% franchise fee rate on the total revenues of the cable company. The illustrative statements in Governmental Accounting Standards Board (GASB) Statement 34 (Exhibit B-1, for example) display franchise “taxes” as a general revenue, and question 7.182 deals with revenue that is based on a percentage of business' gross receipts and concludes that it should be reported as general revenue. In this case the fees were like an income or sales tax. The total amount of franchise fees posted as other revenue was \$301,318 in the General Fund. This amount should be posted as other taxes.

**FINDING NUMBER 2006-002
(Continued)**

- The City charged various governmental entities for boarding prisoners in its jail. This amount should have been reported as charges for services as they were being paid for boarding the respective subdivision's inmates. Total amount of prisoner care posted as other revenue was \$48,735 in the General Fund.
- The City's General Fund loaned \$712,891 to the Special Assessments Construction Fund and \$110,294 to the County Motor Vehicle License Tax Fund in 2005. The Special Assessments Fund repaid the full amount of loan plus \$19,475 in interest for a total payment of \$732,366 to the General Fund in September 2006. The County Motor Vehicle License Tax Fund repaid \$36,765 of the principal and an additional \$4,798 in interest for a total payment of \$41,563 to the General Fund in October 2006. The receipts were posted as other revenue. These amounts should have been posted as other financing sources with a separate line item for principal and interest.
- The City's payroll department withheld the employee's portion of health insurance from its employees and remitted it to the City's general bank account. The City combined the employee and employer portion of the health insurance premiums and paid the insurance invoices in one check from the general account each month. The City receipted the employee's withholdings for health insurance as other revenue throughout the year thus overstating its revenues and expenditures since the employee's portion of the health insurance premiums had already been booked with gross salaries and then it was booked again as health insurance premium payments. The corresponding receipt of the employee's premiums as other revenue zeroed out the overstatement of expenditure for reconciliation purposes but resulted in the total receipts and expenditures being overstated by \$333,900.
- The City received contributions for the Victim Assistance program from various subdivisions and transferred money from the General Fund to the Victim Witness Fund. The City receipted this amount as other revenue. Money received from other governmental entities should be booked as intergovernmental and money transferred from the General Fund should be booked as Transfer In and Out in the respective funds. The total misstatement amount was \$56,700.
- The City billed and collected money for various services performed on individual properties. The amount was booked as other revenue but should have been booked as Charges for Services. The total misstatement amount was \$9,796.

Procedures should be established and implemented to verify that the City properly classifies all its revenues and expenditures. Failure to do so could result in material misstatements on the City's financial statements.

Officials Response: *The City will classify the Cable Franchise fees as other taxes on its cash basis statements beginning in 2007. The City will classify the prisoner care revenue as charges for services on its cash basis statements beginning in 2007. The City will classify the advance repayment as other financing sources on the cash basis statements beginning in 2007. The City will continue to write one check to the health/dental insurance provider each month. However, when the 15% is deducted from the employees' payroll, a revenue reduction will be done to eliminate the overstated revenue and to reduce the overstated expenditure. This will be implemented beginning in 2007. The City contribution to the Victim Witness Assistance program will be booked as a transfer from the General Fund to the Victim Witness Assistance Fund and the contributions from other agencies will be booked as intergovernmental revenue beginning in 2007. The City will book revenue derived from services performed on individual properties as charges for services.*

FINDING NUMBER 2006-003

Significant Deficiency - Income Tax Filings

The City of Fairborn has mandatory filing that requires all residents, 18 years of age or older to file a city tax return for each year (or partial year) of residency. There was no maximum age or minimum income limit to this requirement. Residents were required to file a tax return even if no tax is due.

Twenty five residents with utility accounts (Water, Sewer, Sanitation) were selected to verify that required tax returns had been filed. There was no indication that six or 24% of these residents filed their tax returns for 2005 and prior years. The City did not have procedures in place to verify that all required tax returns were filed.

Procedures should be developed and implemented to verify that all required returns are being filed by the April deadline. Implementation of such procedures would help detect tax evasions and delinquencies and should increase the tax revenue for the City.

Officials Response: *We are in agreement with this finding and have taken steps to correct this in the future. In the past, staffing levels have only allowed the City time to audit returns and not to perform many hard collection or cross matching activities to verify mandatory filing. In September 2007, the City will begin using the Regional Income Tax Agency to collect our income tax receipts. This will allow more time for in-house staff to conduct audits and identify non-filers.*

FINDING NUMBER 2006-004

Significant Deficiency - Health Serve SAS 70 Report

The City delegated emergency medical services (EMS) billing and collection services to a third-party administrator. The City prepared individual EMS run forms which were submitted to the service organization, in the name of the City, for billing and collection. Payments were received directly by the City and posted to the general ledger. The City did not establish procedures to determine whether the service organization had sufficient controls in place and operating effectively to reduce the risk that these services had not been completely and accurately processed in accordance with the City's contract.

The City should assure the completeness and accuracy (including eligibility and allowability) of health insurance claims processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness in accordance with SAS No. 70 should provide the City with reasonable assurance that health insurance claim transactions conform to the contract.

The City should consider specifying in their next contract with the third-party administrator that an annual Tier II SAS No. 70 audit report be performed and conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective state. The City should be provided a copy of the SAS 70 report timely and should review the report's content. If the third-party administrator refuses to provide a Tier II SAS 70 report, the City should only contract with a third-party administrator that will provide such a report.

Officials Response: *In the past the City has received a Tier I SAS 70 Report from HealthServ. However, based on this recommendation the City spoke with the Executive Vice President of Med3000 (formerly Healthserve) and Med3000 has agreed to have a Tier II SAS 70 audit performed during the summer of 2007.*

FINDING NUMBER 2006-005

Significant Deficiency - Special Assessments

A Special Assessment is a fee collected by the City for improvements or services the City provides that benefit an individual's property. In February 2006, the City billed the property owners for improvements/ services provided to their property during 2005. The property owners had until July 2006 to pay for the improvements/ services directly to the City; after July the Council approved forwarding unpaid bills to the County Auditor's office and placing assessments with the property taxes for collection.

During September 2006, the City closed the assessments forwarded to the County for collection by booking \$456,349 in memo expenditures in the General Bond Retirement fund and special assessment revenue in the Special Assessment fund. This closing procedure resulted in the City booking special assessment revenue twice; once during the above mentioned memo transaction and again during the next five years when assessments were collected by the County Auditor. The expenditures were also overstated by the memo expenditure amount.

Procedures should be established and implemented to verify that the City does not overstate its revenues and expenditures. Failure to do so could result in material misstatements on the City's financial statements.

Officials Response: *Procedures have been established to ensure that the City's revenues and expenditures are not overstated.*

FINDING NUMBER 2006-006

Noncompliance Citation

Ohio Rev. Code Sections 5705.14 & .16 state that except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required). Transfers require a resolution specifying the funds to pay and receive money. This resolution should be separate from appropriations.

The City Council did not approve any transfers during the fiscal year. Procedures should be established to verify that all transfers are approved by the Council for amounts and funds before the amounts are transferred. This would assist the Council in monitoring the activities of the City.

Officials Response: *The City has taken legislation to Council for the transfers as budgeted in the 2007 appropriations ordinance. The detailed transfers will be approved in conjunction with all appropriations legislation in the future.*

FINDING NUMBER 2006-007

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FINDING NUMBER 2006-007
(Continued)

- a. **“Then and Now” Certificate:** If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.
- b. **Blanket Certificate:** Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- c. **Super Blanket Certificate:** The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The City did not properly certify the availability of funds prior to the purchase commitment for \$43,914 or 5.00% of the expenditures tested for 2006 and \$396,120 or 5.64% of the individually significant items and there was no evidence that the City followed the aforementioned exceptions. Failure to properly certify the availability of funds could result in misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility that City funds will exceed budgetary spending limitations, the City’s Fiscal Officer should certify that the funds are or will be available prior to the obligation by the City. When prior certification is not possible, “then and now” certification should be used. The City should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the City incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials Response: *The City understands that this is related to goods and services being ordered/invoiced prior to the purchase order date. The City is taking steps to address this issue. Additionally, the City will begin using a “super blanket” stamp for all blanket purchase orders where there is more than one blanket purchase order for any one particular line item as well as “then and now” certificates where applicable.*

FINDING NUMBER 2006-008

Noncompliance Citation

Ohio Rev. Code Section 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The City did not establish the required fund for the Police levy and all revenue derived from the levy was credited to the General Fund. To verify amounts generated from the levy are spent in accordance with the levy requirements, the City should establish a special fund for each special levy. Failure to do so could result in expenditures made from the levy receipts that are not in accordance with the levy requirements.

Officials Response: *The City has reviewed the police levy revenue and the police expenditures. The levy generates approximately \$157,000 per year or 2.7% of the \$5,854,000 annual police budget in 2007. Use of a separate fund would require large monthly transfers from the General Fund to a separate Police Fund to balance the departmental budget. The establishment of this fund and the additional administrative time required to process transfers to this fund throughout the year and at year end does not lend itself to the establishment of this fund on a cost benefit or internal control standard.*

**CITY OF FAIRBORN
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(B) – expenditures in excess of appropriations	No	Partially corrected, repeated as a management letter comment.
2005-002	Ohio Rev. Code Section 5705.10 – negative fund balances	No	Partially corrected, repeated as a management letter comment

CITY OF FAIRBORN, OHIO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2006

CITY OF FAIRBORN, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

Issued by:
Department of Finance

Bill Kucera
Financial Administrative Services Director



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FAIRBORN

TRADITION • INNOVATION



**CITY OF FAIRBORN
FINANCE DIVISION**

**44 W. Hebble Ave.
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June 8, 2007

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

Submitted for your review is the Comprehensive Annual Financial Report (CAFR) of the City of Fairborn, ("the City") for the year ended December 31, 2006. The report has been prepared in accordance with generally accepted accounting principles established by statements of the Governmental Accounting Standards Board (GASB), other authoritative pronouncements and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

Introduction

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

The Report

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

The Introductory Section includes this Letter of Transmittal which addresses the organization, accomplishments and operational structure of the City, a list of the Principal City Officials, an Organizational Chart, and the GFOA Certificate of Achievement;

The Financial Section contains the Independent Accountants' Report, Management's Discussion and Analysis, Basic Financial Statements, which include explanatory notes and provide an overview of the City's financial position and operating results, and the Combining Financial Statements of the Individual Funds that provide detailed information to the Basic Financial Statements;

The Statistical Section presents social, economic, and historical data which can be used to identify financial trends, and data relative to the fiscal capacity of the City.

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

The Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14/39, "*The Financial Reporting Entity*" in that the financial statements include all the organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

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

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

The City of Fairborn

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

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

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

Economic Condition and Outlook

The City of Fairborn continued to experience economic growth at a steady pace in 2006 as several new residential and commercial projects were established.

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

The local economy remained on track with construction activity similar to 2005 levels. The total value of all construction activity was higher, \$35.9 million compared to \$31.9 million the previous year.

The value of residential construction in 2006 was \$11.9 million versus \$14.8 million in 2005 representing an approximate 19.6% decrease. New single-family home construction numbers in 2006 were lower than those in 2005, 73 versus 96. Although a decrease from 2005 figures, the number of housing starts shows the single-family housing market remains robust. The majority of new residential construction activity in 2006 occurred within seven residential subdivisions: Ashbury Hill Estates, Candlelite Estates, Chapelgate, Cornerstone, Faircreek Ridge, Meadowlands Estates, Park Hills Crossing, and The Sanctuary. In 2006, work began on a 192 unit condominium project, Misty Creek, which is expected to be completed over a two year period.

The commercial and industrial development showed a significant increase with \$24.0 million in activity versus \$17.4 million in 2005. In 2005, several businesses announced plans to invest in new facilities. These plans became reality in 2006 and contributed to another busy commercial construction year. New businesses included two restaurants, a bank, pharmacy and gift stores in downtown Fairborn.

For the second year in a row, Valle Greene North realized the most commercial activity in terms of new restaurants. Additional office development is expected to occur along North Commerce Center Boulevard which has been recently extended north to Garland Avenue. A \$600,000 grant from the Ohio Department of Development and a \$285,000 grant from the Dayton Development Coalition were received to assist in the construction of this road. As a result of this road project, approximately 120 acres of land is now open for development.

In 2006, Fairborn Chiropractic on Channingway Drive in Valle Green North began construction, while Beaver Valley Self Storage on Beaver Valley Road was under construction and opened during the year. In 2006, the Point at Valle Greene, an office campus to serve medical professionals as well as military contractors, was approved. This development will bring approximately 155,000 square feet of prime Class A office space to the Fairborn area.

The city is also working with the Downtown Fairborn Business Association to determine the needs of business owners to continue the revitalization of downtown. Additionally, the City hired a consultant to perform a market analysis of Broad Street to help facilitate the redevelopment of this major commercial strip.

Major Initiatives

For the Year

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

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

During the same election, residents also approved a one-quarter of one percent income tax levy for fire facilities and equipment. The ten year tax levy will generate approximately \$18 million dollars to acquire land and construct two new fire facilities, renovate two existing fire stations, and purchase equipment for these stations. Construction began in April 2006 and the two new stations were open for operations in January 2007. The two renovated stations remained open during the renovation and were completed in March 2007. The City issued a \$10 million dollar revenue bond and a \$2.5 million dollar bond anticipation note to finance these fire facilities improvements and equipment purchases.

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

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

In an effort to attract new business in the near future, the City finished developing a three-quarter mile extension of Commerce Center Boulevard in the rapidly growing Southeast section of the City. This \$2.9 million infrastructure expansion, funded through tax increment financing and through State and local grants, created 140 acres for business development in the rapidly growing research and defense business segments. This roadway and infrastructure improvement was opened officially in August 2006.

In 2006, the City opened to the public the 190 acre Oakes Quarry Park. This park features a two mile rim walking trail, a two mile equestrian trail, and a twenty five acre native grass prairie. The park contains geologically significant areas that will benefit visitors to the park. These geological areas include glacial grooves, a preserved coral reef, and some of the world's largest crinoid fossils. The Parks Department is partnering with many universities to provide hands on education for students and faculty at this location. This new park is the second largest in the Fairborn park system and brings the total parkland managed by the City to 686 acres.

For the Future

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

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

Due to the uncertainty of the national defense policy, the City must continue its effort to retain existing businesses and attract new businesses in order to assure a healthy economy in the future. Recognizing that 76% – 80% of new employment is generated by existing business, the City is becoming a member of the Business First! Retention and Expansion Program. This program gives the opportunity for community leaders to visit existing businesses to determine their needs and potential for additional economic development growth.

Through the City's efforts to coordinate the revitalization of Downtown and Broad Street areas, the future is bright for a strong, viable community.

With the recent announcement of the BRAC initiatives, the City is in a position to accept new businesses, and ancillary contractors in the future. The City has adopted an aggressive approach to retaining existing businesses and attracting new businesses in order to assure a healthy, well diversified business base in the future.

Financial Information

Basis of Accounting

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

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

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

Internal Control Structure and Budgetary Controls

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

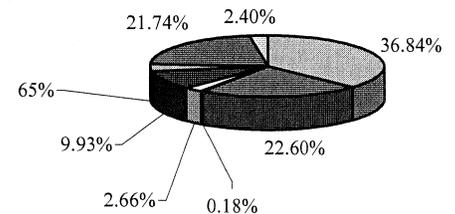
Budgetary control is maintained by the encumbrance of purchase amounts prior to the release of purchase orders to vendors. Purchase orders are not issued when insufficient appropriations preclude the encumbrance of the purchase amount. Each department head is furnished a monthly report showing the month's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

Cash Management

In July 1996, the City adopted changes to its investment policy and hired BondTech, Inc., as an investment consultant. With the guidance of BondTech, the City pursues an aggressive cash management program by expediting the receipt of revenues and prudently investing available cash pursuant to the City's investment policy. The total interest earned was \$1,080,180 for the year ended December 31, 2006. A majority of the City's deposits are collateralized by pooled collateral. By law, financial institutions may establish a collateral pool to cover all public deposits.

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

Cash Resources	2006	%
Cash	\$7,409,779	36.84%
STAR Ohio	4,544,864	22.60%
Investments (City's Debt)	36,111	0.18%
Treasury Obligation Fund	534,525	2.66%
Federal National Mortgage Association	1,997,350	9.93%
Federal National Mortgage Association (Disc)	734,250	3.65%
Federal Home Loan Bank	4,372,539	21.74%
Freddie Mac	483,599	2.40%
	\$20,113,017	100.00%



Risk Management

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

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

See Note 14 to the basic financial statements for a more detailed discussion of risk management.

Other Information

Independent Audit

The Fairborn City Charter requires an annual audit by independent certified public accountants. The State of Ohio elected to complete the audit this year rather than hire an independent accounting agency to complete the work. This is the first year the State of Ohio has performed the City's audit. The results of the audit are presented in the Independent Auditors' Report.

Employee Union Contracts

City employees are members of five different bargaining groups. The American Federation of State, County and Municipal Employees (AFSCME); Fraternal Order of Police (FOP), which includes separate contracts for Police Officers, Dispatchers and Sergeants; and International Association of Firefighters (IAFF). The AFSCME and FOP - Sergeants, Police Officers, and Dispatchers union contracts were renegotiated in 2005. The FOP contracts have an effective date of June 25, 2005, and expire June 20, 2008. The AFSCME union contract is effective April 2, 2005, and expires on March 28, 2008. The IAFF (Fire) union contract was renegotiated in 2003 with an effective date of January 1, 2004, and expired December 31, 2006. As of this date, the IAFF contract has not been settled.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairborn for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. This was the seventeenth year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate for the fiscal year ended December 31, 2006.

Acknowledgments

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

Respectfully submitted,



Bill Kucera
Financial Administrative Services Director

CITY OF FAIRBORN, OHIO

Listing of Principal City Officials

December 31, 2006

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Thomas H. Nagel, Mayor
Gary L. Woodward, Deputy Mayor

Fred L. Pumroy, Council Member
Joan Dautel, Council Member
Frank Cervone, Council Member
David O. Lower, Council Member
James R. Hapner, Council Member

CITY MANAGER

Michael Cornell

CITY SOLICITOR

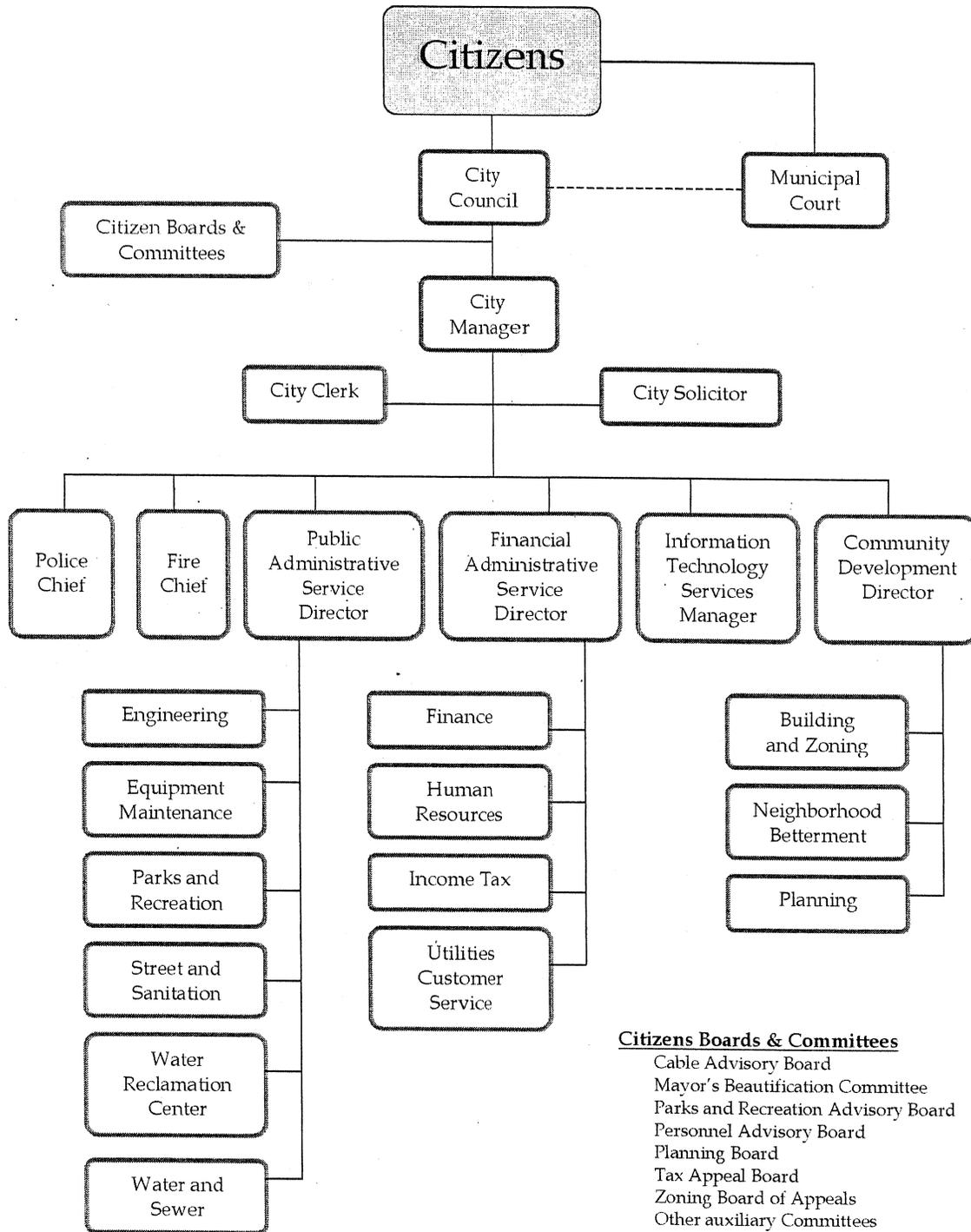
Michael Mayer

FINANCIAL ADMINISTRATIVE SERVICES DIRECTOR

Bill Kucera

FISCAL OFFICER

Annetta L. Williams



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairborn
Ohio

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



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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Fairborn
Greene County
44 West Hebble Avenue
Fairborn, Ohio 45324-4999

To the Mayor and the City Council:

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

June 8, 2007

City of Fairborn

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fairborn's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by \$1,016,397. Net assets of governmental activities increased by \$573,827, net assets of business-type activities increased by \$442,570.
- The General Fund reported an increase in fund balance of \$349,843.
- Business-type operations reflected an operating income of \$830,283.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements are presented so the reader can understand the City's financial situation as a whole and to 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 long-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 non-major 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 determine if the City of Fairborn 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 needs 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 program services are reported here including general government, public safety, leisure time activities, community development, transportation and street repair, public health and welfare, interest and fiscal charges. Income taxes, property taxes, intergovernmental revenue, charges for services, and interest finance most of these activities.
- **Business-Type Activities** - These services include Water, Sewer, and Sanitation. 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

Information about the City's major funds is presented in the Fund Financial Statements (see table of contents). 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 City, 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 and EMS, General Bond Retirement, Public Safety Equipment/Facility, Tax Increment, Water, Sewer, and Sanitation.

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 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.

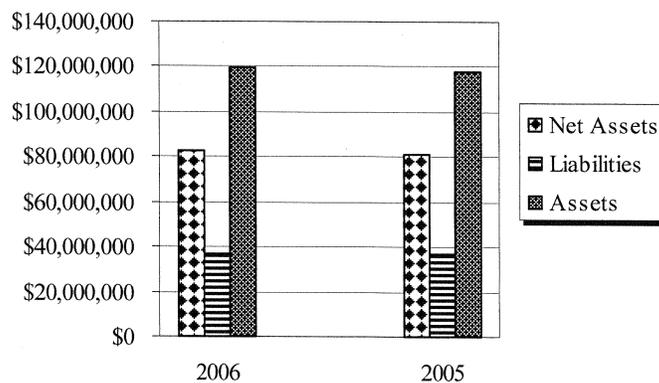
Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. All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

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 Restated	2006	2005 Restated	2006	2005 Restated
Assets						
Current Assets	\$24,234,281	\$28,307,631	\$7,916,642	\$8,984,473	\$32,150,923	\$37,292,104
Capital Assets, Net	65,452,328	58,348,269	23,930,314	24,429,561	89,382,642	82,777,830
Total Assets	89,686,609	86,655,900	31,846,956	33,414,034	121,533,565	120,069,934
Liabilities						
Long-Term Liabilities	12,938,836	13,767,010	9,544,307	10,675,681	22,483,143	24,442,691
Other Liabilities	9,819,110	6,534,054	4,884,567	5,762,841	14,703,677	12,296,895
Total Liabilities	22,757,946	20,301,064	14,428,874	16,438,522	37,186,820	36,739,586
Net Assets						
Invested in Capital						
Assets Net of Debt	51,965,247	53,092,671	10,747,963	9,458,159	62,713,210	62,550,830
Restricted	9,740,033	5,536,261	0	0	9,740,033	5,536,261
Unrestricted	5,223,383	7,725,904	6,670,119	7,517,353	11,893,502	15,243,257
Total Net Assets	\$66,928,663	\$66,354,836	\$17,418,082	\$16,975,512	\$84,346,745	\$83,330,348



Over time, net assets can serve as a useful indicator of a government's financial position. Total net assets of the City as a whole increased \$1,016,397, representing an improvement from the prior year.

Net Assets of the City's governmental activities increased \$573,827. Capital Assets, Net increased mainly due to the construction of two new fire stations and renovations of two others. Other liabilities increased due to the issuance of short-term bond anticipation notes.

Net Assets of the City's business-type activities increased \$442,570. The increase in Net Assets is due mostly to the decrease in long-term liabilities. The decrease in long-term liabilities is due to the City making regularly scheduled debt payments on their General Obligation Bonds and their Ohio Water Development Authority (OWDA) loans.

Table 2 shows the changes in net assets for the year ended December 31, 2006, and revenue and expense comparisons to 2005.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005 Restated	2006	2005 Restated	2006	2005 Restated
Program Revenues:						
Charges for Services	\$6,655,686	\$5,813,827	\$9,744,437	\$9,409,939	\$16,400,123	\$15,223,766
Operating Grants, Contributions	2,504,549	2,274,918	0	0	2,504,549	2,274,918
Capital Grants and Contributions	2,186,866	528,654	0	0	2,186,866	528,654
Total Program Revenues	11,347,101	8,617,399	9,744,437	9,409,939	21,091,538	18,027,338
General Revenue:						
Income Taxes	8,985,856	9,478,816	0	0	8,985,856	9,478,816
Property Taxes	5,002,343	3,340,960	0	0	5,002,343	3,340,960
Grants and Entitlements	1,432,939	1,917,607	0	0	1,432,939	1,917,607
Unrestricted Contributions	60,711	0	0	0	60,711	0
Investment Earnings	895,623	712,500	184,557	0	1,080,180	712,500
Refunds and Reimbursements	219,905	0	0	0	219,905	0
Other	240,363	860,658	96,979	0	337,342	860,658
Total General Revenues	16,837,740	16,310,541	281,536	0	17,119,276	16,310,541
Total Revenues	28,184,841	24,927,940	10,025,973	9,409,939	38,210,814	34,337,879
Program Expenses:						
General Government	10,762,826	9,772,999	0	0	10,762,826	9,772,999
Public Safety	13,282,937	11,379,893	0	0	13,282,937	11,379,893
Leisure Time Activities	486,746	257,014	0	0	486,746	257,014
Community Development	1,147,616	1,080,955	0	0	1,147,616	1,080,955
Transportation and Street Repair	1,214,199	1,187,932	0	0	1,214,199	1,187,932
Public Health and Welfare	109,854	172,154	0	0	109,854	172,154
Interest and Fiscal Charges	598,655	663,995	0	0	598,655	663,995
Water	0	0	3,026,054	3,204,297	3,026,054	3,204,297
Sewer	0	0	4,510,918	4,535,248	4,510,918	4,535,248
Sanitation	0	0	2,054,612	2,027,626	2,054,612	2,027,626
Total Program Expenses	27,602,833	24,514,942	9,591,584	9,767,171	37,194,417	34,282,113
Increase (Decrease) in Net Assets before Transfers	582,008	412,998	434,389	(357,232)	1,016,397	55,766
Transfers - Internal Activities	(8,181)	(11,614)	8,181	11,614	0	0
Change in Net Assets	573,827	401,384	442,570	(345,618)	1,016,397	55,766
Beginning Net Assets	66,354,836	65,953,452	16,975,512	17,321,130	83,330,348	83,274,582
Ending Net Assets	\$66,928,663	\$66,354,836	\$17,418,082	\$16,975,512	\$84,346,745	\$83,330,348

Governmental Activities

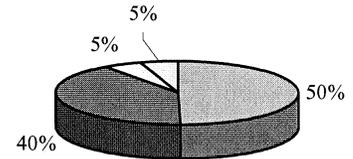
The City of Fairborn’s income taxes and property taxes are the largest source of revenue. These revenues represent 83% of the City’s governmental activities “Total General Revenue” and saw an approximate increase of 9% in 2006 compared to 2005. The change was due mostly to an increase in property tax collections. The City also had an increase in capital grants and contributions of \$1,658,212 mainly due to streets dedicated to the City. Public Safety increased as a result of maintenance to existing fire stations and increased security spending within the City.

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

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

Property taxes and income taxes made up 18% and 32% respectively of revenues for governmental activities for the City in fiscal year 2006. The City’s reliance upon tax revenues is demonstrated by the following graph indicating approximately 50% of total revenues from general tax revenues:

Revenue Sources	2006	Percent of Total
General Tax Revenues	\$13,988,199	50%
Program Revenues	11,347,101	40%
Grants and Entitlements	1,432,939	5%
Other Revenue	1,416,602	5%
Total	<u>\$28,184,841</u>	<u>100%</u>



Business-Type Activities

Business-type activities include Water, Sewer, and Sanitation. These programs had operating revenues of \$9,841,416 and operating expenses of \$9,011,133 for fiscal year 2006. Business activities receive no support from tax revenues. The business activities net assets at the end of the year was \$17,418,082, which increased \$442,570 from 2005. The increase in net assets was mainly due to an increase in charges for services revenue as expenses decreased.

The City's Funds

The City has five major governmental funds: General, Fire and EMS, General Bond Retirement, Public Safety Equipment/Facility, and Tax Increment Fund. Assets of the general fund comprised \$8,603,266 (36%), the Fire and EMS Fund comprised \$1,174,071 (5%), the general bond retirement fund comprised \$4,966,367 (21%), the public safety equipment/facility fund comprised \$4,004,850 (17%), and the tax increment fund comprised \$9,506 (0.04%) of the total \$23,647,940 governmental funds assets.

General Fund: Fund balance at December 31, 2006 was \$5,159,644, an increase in fund balance of \$349,843 from 2005.

Fire and EMS Fund: Fund balance at December 31, 2006 was \$348,570, an increase in fund balance of \$339,267 from 2005. Although the City spent additional money during the year the fund balance increased mostly due to a \$3,457,284 transfer in.

General Bond Retirement Fund: Fund balance at December 31, 2006, was \$669,100, an increase in fund balance of \$26,781 from 2005. Fund balance remained relatively consistent compared to prior year.

Public Safety Equipment/Facility Fund: Fund balance at December 31, 2006, was \$644,363, a decrease in fund balance of \$8,623,924 from 2005. The decrease in fund balance is due to an increase in capital outlay expenditures.

Tax Increment Fund: Fund balance at December 31, 2006, was (\$1,560,838), a decrease in fund balance of \$288,417 from 2005. The decrease in fund balance is primarily due to capital outlay expenditures for the year exceeding total revenues for the fund.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, the City amended its General Fund budget although none were considered significant.

For the General Fund, final budget basis revenue of \$16,809,391 did not significantly change over the original budget estimates of \$16,075,665. The General Fund had an adequate fund balance to cover expenditures.

Variations from the final budget amounts to the actual amounts are primarily due to the following reasons: The City used conservative estimates for taxes and intergovernmental revenue and fines, licenses and permits for 2006. The City overestimated the general government, public safety and transfers out expenditures for 2006.

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005 Restated	2006	2005 Restated	2006	2005 Restated
Land	\$13,039,628	\$12,725,200	\$178,104	\$178,104	\$13,217,732	\$12,903,304
Construction in Progress	9,093,507	2,220,096	347,045	1,438,093	9,440,552	3,658,189
Buildings	7,969,779	7,969,779	17,495,266	15,884,398	25,465,045	23,854,177
Improvements Other Than to Buildings	1,615,361	1,353,057	1,972,488	1,693,018	3,587,849	3,046,075
Machinery and Equipment	2,503,205	2,281,013	5,756,716	5,744,644	8,259,921	8,025,657
Vehicles	4,315,782	3,942,915	1,027,270	907,312	5,343,052	4,850,227
Infrastructure	63,707,032	63,058,531	21,814,652	21,612,392	85,521,684	84,670,923
Accumulated Depreciation	(36,791,966)	(35,202,322)	(24,661,227)	(23,028,399)	(61,453,193)	(58,230,721)
Total Net Capital Assets	<u>\$65,452,328</u>	<u>\$58,348,269</u>	<u>\$23,930,314</u>	<u>\$24,429,562</u>	<u>\$89,382,642</u>	<u>\$82,777,831</u>

The increase in net capital assets was the result of the increase in infrastructure as part of the Commerce Center Boulevard Street Extension and an increase in construction in progress related to the fire stations.

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

Debt

On December 31, 2006, the City had \$22,483,143 in debt outstanding, \$3,569,960 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2006, and 2005:

Table 4
Outstanding Debt at Year End

	2006	2005
Governmental Activities		
General Obligation Bonds	\$1,675,000	\$1,985,000
Special Assessment Notes	36,111	59,811
Special Assessment Bonds	1,485,000	1,105,000
Revenue Bond Payable	8,470,000	9,350,000
Unamortized Premium on Revenue Bond	225,164	253,309
Capital Leases	6,876	55,598
Compensated Absences	1,040,685	958,292
Total Governmental Activities	<u>12,938,836</u>	<u>13,767,010</u>
Business Type Activities		
General Obligation Bonds	6,565,684	7,310,564
Ohio Water Development Authority Loan	2,394,852	2,735,901
Ohio Public Works Commission Loan	150,170	166,855
Capital Leases	39,576	58,082
Landfill Closure and Postclosure Care	242,628	262,847
Compensated Absences	151,397	141,433
Total Business-Type Activities	<u>9,544,307</u>	<u>10,675,682</u>
Total Debt	<u>\$22,483,143</u>	<u>\$24,442,692</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. On December 31, 2006, the City's outstanding debt was below the legal limit.

See Note 9 of 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 Mr. Bill Kucera, Financial Administrative Services Director at the Fairborn Government Center at 44 West Hebble Avenue, Fairborn, Ohio 45324, or call (937) 754-3005 or e-mail at bill.kucera@ci.fairborn.oh.us.

City of Fairborn, Ohio
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$12,987,916	\$6,545,191	\$19,533,107
Restricted Cash and Investments - Current	0	176,262	176,262
Receivables:			
Taxes	4,288,136	0	4,288,136
Accounts	786,727	807,990	1,594,717
Interest	42,997	14,379	57,376
Intergovernmental	1,875,168	0	1,875,168
Special Assessments	4,135,647	0	4,135,647
Internal Balances	(171,703)	171,703	0
Prepaid Items	55,512	9,061	64,573
Inventory	233,881	192,056	425,937
Nondepreciable Capital Assets	22,133,135	525,149	22,658,284
Depreciable Capital Assets, Net	43,319,193	23,405,165	66,724,358
Total Assets	89,686,609	31,846,956	121,533,565
Liabilities:			
Accounts Payable	329,100	287,302	616,402
Accrued Wages and Benefits	1,104,069	141,952	1,246,021
Refundable Deposits	0	176,262	176,262
Accrued Interest Payable	95,672	129,051	224,723
Contingent Liabilities	0	250,000	250,000
Unearned Revenue	2,608,254	0	2,608,254
Contracts Payable	932,015	0	932,015
General Obligation Notes Payable	4,750,000	3,900,000	8,650,000
Long-Term Liabilities:			
Due Within One Year	2,287,335	1,282,625	3,569,960
Due In More Than One Year	10,651,501	8,261,682	18,913,183
Total Liabilities	22,757,946	14,428,874	37,186,820
Net Assets:			
Invested in Capital Assets, Net of Related Debt	51,965,247	10,747,963	62,713,210
Restricted for:			
Special Revenue	3,233,009	0	3,233,009
Debt Service	4,702,567	0	4,702,567
Capital Projects	1,804,457	0	1,804,457
Unrestricted	5,223,383	6,670,119	11,893,502
Total Net Assets	\$66,928,663	\$17,418,082	\$84,346,745

See accompanying notes to the basic financial statements.

City of Fairborn, Ohio
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	\$10,762,826	\$4,804,288	\$10,077	\$936,224
Public Safety	13,282,937	1,498,951	667,298	0
Leisure Time Activities	486,746	65,446	0	111,988
Community Development	1,147,616	254,979	497,995	0
Transportation and Street Repair	1,214,199	0	1,301,365	1,138,654
Public Health and Welfare	109,854	32,022	0	0
Interest and Fiscal Charges	598,655	0	27,814	0
Total Governmental Activities	27,602,833	6,655,686	2,504,549	2,186,866
Business-Type Activities:				
Water	3,026,054	2,759,818	0	0
Sewer	4,510,918	4,840,354	0	0
Sanitation	2,054,612	2,144,265	0	0
Total Business-Type Activities	9,591,584	9,744,437	0	0
Totals	\$37,194,417	\$16,400,123	\$2,504,549	\$2,186,866

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

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$5,012,237)	\$0	(\$5,012,237)
(11,116,688)	0	(11,116,688)
(309,312)	0	(309,312)
(394,642)	0	(394,642)
1,225,820	0	1,225,820
(77,832)	0	(77,832)
(570,841)	0	(570,841)
<u>(16,255,732)</u>	<u>0</u>	<u>(16,255,732)</u>
0	(266,236)	(266,236)
0	329,436	329,436
0	89,653	89,653
<u>0</u>	<u>152,853</u>	<u>152,853</u>
<u>(\$16,255,732)</u>	<u>\$152,853</u>	<u>(\$16,102,879)</u>
8,985,856	0	8,985,856
2,458,468	0	2,458,468
2,303,320	0	2,303,320
160,196	0	160,196
80,359	0	80,359
1,432,939	0	1,432,939
60,711	0	60,711
895,623	184,557	1,080,180
219,905	0	219,905
240,363	96,979	337,342
(8,181)	8,181	0
<u>16,829,559</u>	<u>289,717</u>	<u>17,119,276</u>
573,827	442,570	1,016,397
<u>66,354,836</u>	<u>16,975,512</u>	<u>83,330,348</u>
<u>\$66,928,663</u>	<u>\$17,418,082</u>	<u>\$84,346,745</u>

City of Fairborn, Ohio
Balance Sheet
Governmental Funds
December 31, 2006

	General	Fire and EMS	General Bond Retirement	Public Safety Equipment / Facility	Tax Increment
Assets:					
Equity in Pooled Cash and Investments	\$4,185,962	\$360,151	\$667,786	\$3,718,160	\$9,506
Receivables:					
Taxes	2,998,513	410,121	154,562	261,905	0
Accounts	182,427	386,812	0	13,563	0
Interest	30,080	0	1,314	11,222	0
Intergovernmental	1,055,596	16,987	7,058	0	0
Special Assessments	0	0	4,135,647	0	0
Interfund	73,529	0	0	0	0
Prepaid Items	51,912	0	0	0	0
Inventory	25,247	0	0	0	0
Total Assets	8,603,266	1,174,071	4,966,367	4,004,850	9,506
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	37,721	16,183	0	0	0
Accrued Wages and Benefits	633,137	376,505	0	0	0
Compensated Absences	43,487	0	0	0	0
Accrued Interest Payable	0	0	0	17,659	20,344
Interfund Payable	0	0	0	0	0
Deferred Revenue	2,720,983	427,108	4,297,267	0	0
Contracts Payable	0	0	0	842,828	0
Due to Other Funds	8,294	5,705	0	0	0
General Obligation Notes Payable	0	0	0	2,500,000	1,550,000
Total Liabilities	3,443,622	825,501	4,297,267	3,360,487	1,570,344
Fund Balances:					
Reserved for Encumbrances	167,859	53,807	0	1,512,033	1,896
Reserved for Prepaid Items	51,912	0	0	0	0
Reserved for Inventory	25,247	0	0	0	0
Unreserved, Undesignated, Reported in:					
General Fund	4,914,626	0	0	0	0
Special Revenue Funds	0	294,763	0	0	0
Debt Service Funds	0	0	669,100	0	0
Capital Projects Funds	0	0	0	(867,670)	(1,562,734)
Total Fund Balances	5,159,644	348,570	669,100	644,363	(1,560,838)
Total Liabilities and Fund Balances	\$8,603,266	\$1,174,071	\$4,966,367	\$4,004,850	\$9,506

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$3,344,970	\$12,286,535
463,035	4,288,136
180,530	763,332
314	42,930
795,527	1,875,168
0	4,135,647
0	73,529
2,516	54,428
102,988	128,235
<u>4,889,880</u>	<u>23,647,940</u>
211,245	265,149
54,973	1,064,615
0	43,487
11,997	50,000
73,529	73,529
742,691	8,188,049
89,187	932,015
1,278	15,277
700,000	4,750,000
<u>1,884,900</u>	<u>15,382,121</u>
243,385	1,978,980
2,516	54,428
102,988	128,235
0	4,914,626
2,205,866	2,500,629
0	669,100
450,225	(1,980,179)
<u>3,004,980</u>	<u>8,265,819</u>
<u>\$4,889,880</u>	<u>\$23,647,940</u>



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

Total Governmental Fund Balance		\$8,265,819
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.		
Capital assets used in the operation of Governmental Funds	65,295,843	
Capital assets used in the operation of Internal Service Funds	<u>156,485</u>	65,452,328
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income Taxes	151,777	
Delinquent Property Taxes	229,696	
Intergovernmental	1,062,675	
Other	<u>4,135,647</u>	5,579,795
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, however a portion is also allocated to the Business-Type Activities.		
Internal Service Net Assets	850,191	
Capital assets used in the operation of Internal Service Funds	(156,485)	
Compensated Absences used related to Internal Service Funds	52,720	
Allocation to Business-Type Activities	<u>(174,684)</u>	571,742
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.		
		(45,672)
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 related to Governmental Funds	(944,478)	
Compensated Absences related to Internal Service Funds	<u>(52,720)</u>	(997,198)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(11,898,151)</u>
Net Assets of Governmental Activities		<u>\$66,928,663</u>

See accompanying notes to the basic financial statements.

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

	General	Fire and EMS	General Bond Retirement	Public Safety Equipment / Facility
Revenues:				
Taxes	\$9,483,626	\$424,575	\$154,293	\$1,956,889
Fines, Licenses & Permits	1,494,212	1,370	0	0
Charges for Services	2,227,820	1,563,692	0	13,563
Investment Earnings	903,623	0	792	(21,142)
Intergovernmental	1,987,577	443,790	0	0
Special Assessments	0	0	301,223	0
Other Revenues	284,242	78,878	0	0
Total Revenues	16,381,100	2,512,305	456,308	1,949,310
Expenditures:				
Current:				
General Government	5,946,627	0	60,818	0
Public Safety	5,104,814	5,631,321	0	1,215,604
Leisure Time Activities	218,165	0	0	143,044
Community Development	683,820	0	0	0
Transportation and Street Repair	0	0	0	0
Public Health and Welfare	0	0	0	0
Capital Outlay	0	0	0	7,918,103
Debt Service:				
Principal Retirement	6,603	0	278,700	940,000
Interest and Fiscal Charges	553	0	86,360	377,357
Total Expenditures	11,960,582	5,631,321	425,878	10,594,108
Excess of Revenues Over (Under) Expenditures	4,420,518	(3,119,016)	30,430	(8,644,798)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,351	999	0	9,118
Issuance of Long-Term Capital-Related Debt	12,080	0	4,532	0
Transfers In	0	3,457,284	0	11,756
Transfers (Out)	(4,069,130)	0	(8,181)	0
Total Other Financing Sources (Uses)	(4,054,699)	3,458,283	(3,649)	20,874
Net Change in Fund Balance	365,819	339,267	26,781	(8,623,924)
Fund Balance Beginning of Year	4,809,801	9,303	642,319	9,268,287
Change in Reserve for Inventory	(15,976)	0	0	0
Fund Balance End of Year	\$5,159,644	\$348,570	\$669,100	\$644,363

See accompanying notes to the basic financial statements.

<u>Tax Increment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$80,359	\$2,241,039	\$14,340,781
0	339,947	1,835,529
0	452,359	4,257,434
0	12,350	895,623
635,000	2,098,559	5,164,926
0	242,168	543,391
0	158,519	521,639
<u>715,359</u>	<u>5,544,941</u>	<u>27,559,323</u>
21,015	422,726	6,451,186
0	612,433	12,564,172
0	48,901	410,110
0	376,135	1,059,955
0	1,018,784	1,018,784
0	89,967	89,967
904,414	2,567,973	11,390,490
0	162,119	1,387,422
78,347	83,941	626,558
<u>1,003,776</u>	<u>5,382,979</u>	<u>34,998,644</u>
<u>(288,417)</u>	<u>161,962</u>	<u>(7,439,321)</u>
0	52,832	65,300
0	488,388	505,000
0	608,590	4,077,630
0	(8,500)	(4,085,811)
<u>0</u>	<u>1,141,310</u>	<u>562,119</u>
(288,417)	1,303,272	(6,877,202)
(1,272,421)	1,712,269	15,169,558
<u>0</u>	<u>(10,561)</u>	<u>(26,537)</u>
<u>(\$1,560,838)</u>	<u>\$3,004,980</u>	<u>\$8,265,819</u>

City of Fairborn, Ohio
 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		(\$6,877,202)
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 Funds	10,358,123	
Capital assets used in Internal Service Funds	33,335	
Depreciation Expense - Governmental Funds	(2,506,116)	
Depreciation Expense - Internal Service Funds	<u>(11,013)</u>	7,874,329
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.		
		(770,271)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income Taxes	(381,022)	
Delinquent Property Taxes	133,240	
Intergovernmental	(474,790)	
Other	<u>209,436</u>	(513,136)
Repayment of bond, note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,387,422
Interest expense in the statement of activities differs from the amount reported in governmental funds for two reasons. Additional accrued interest was calculated for bonds and notes payable, and the difference arising from the advance refunding due to premium and bond issuance costs.		
Accrued Interest	<u>(242)</u>	(242)
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.		
Change in Compensated Absences - Governmental Funds	(30,995)	
Change in Compensated Absences - Internal Service Funds	(7,910)	
Amortization of Bond Premium	28,145	
Change in Inventory	<u>(26,537)</u>	(37,297)
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.		
Change in Net Assets - Internal Service Funds	34,866	
Capital asset additions - Internal Service Funds	(33,335)	
Depreciation Expense - Internal Service Funds	11,013	
Change in Compensated Absences - Internal Service Funds	7,910	
Change in portion of Internal Service Fund Net Assets allocated to Business-Type Activities	<u>(5,230)</u>	15,224
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.		
		<u>(505,000)</u>
Change in Net Assets of Governmental Activities		<u>\$573,827</u>

See accompanying notes to the basic financial statements.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,312,332	\$9,273,764	\$9,429,529	\$155,765
Fines, Licenses & Permits	1,291,020	1,291,020	1,410,030	119,010
Intergovernmental	1,928,788	1,968,716	2,132,329	163,613
Charges for Services	2,925,680	2,925,680	2,901,651	(24,029)
Investment Earnings	350,000	350,000	918,206	568,206
Other Revenues	252,845	252,845	287,348	34,503
Total Revenues	16,060,665	16,062,025	17,079,093	1,017,068
Expenditures:				
Current:				
General Government	6,341,662	6,404,534	6,157,383	247,151
Public Safety	5,628,289	5,676,188	5,507,366	168,822
Leisure Time Activities	230,827	230,827	215,612	15,215
Community Development	637,784	674,784	660,195	14,589
Debt Service:				
Principal Retirement	6,603	6,603	6,603	0
Interest and Fiscal Charges	553	553	553	0
Total Expenditures	12,845,718	12,993,489	12,547,712	445,777
Excess of Revenues Over (Under) Expenditures	3,214,947	3,068,536	4,531,381	1,462,845
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	15,000	15,000	2,351	(12,649)
Issuance of Long-Term Capital-Related Debt	0	0	12,080	12,080
Advances In	0	732,366	773,929	41,563
Transfers (Out)	(4,145,906)	(4,191,569)	(4,069,129)	122,440
Total Other Financing Sources (Uses)	(4,130,906)	(3,444,203)	(3,280,769)	163,434
Net Change in Fund Balance	(915,959)	(375,667)	1,250,612	1,626,279
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,757,267	2,757,267	2,757,267	0
Fund Balance End of Year	\$1,841,308	\$2,381,600	\$4,007,879	\$1,626,279

See accompanying notes to the basic financial statements.

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

	Fire and EMS Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$419,810	\$412,000	\$433,878	\$21,878
Fines, Licenses & Permits	250	250	1,370	1,120
Intergovernmental	418,000	418,000	443,790	25,790
Charges for Services	951,610	951,610	1,176,880	225,270
Other Revenues	83,584	83,584	78,878	(4,706)
Total Revenues	1,873,254	1,865,444	2,134,796	269,352
Expenditures:				
Current:				
Public Safety	5,330,541	5,421,881	5,292,862	129,019
Total Expenditures	5,330,541	5,421,881	5,292,862	129,019
Excess of Revenues Over (Under) Expenditures	(3,457,287)	(3,556,437)	(3,158,066)	398,371
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	0	0	999	999
Transfers In	3,457,287	3,556,437	3,457,284	(99,153)
Total Other Financing Sources (Uses)	3,457,287	3,556,437	3,458,283	(98,154)
Net Change in Fund Balance	0	0	300,217	300,217
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$300,217	\$300,217

See accompanying notes to the basic financial statements.

City of Fairborn, Ohio
Statement of Net Assets
Proprietary Funds
December 31, 2006

	Business-Type Activities -Enterprise Funds				Governmental Activities- Internal Service Fund
	Water	Sewer	Sanitation	Total Business-Type Activities	
Assets:					
Equity in Pooled Cash and Investments	\$2,070,513	\$3,676,956	\$797,722	\$6,545,191	\$701,381
Restricted Cash and Investments - Current	58,754	58,754	58,754	176,262	0
Receivables:					
Accounts	251,270	385,580	171,140	807,990	23,395
Interest	6,452	7,927	0	14,379	67
Due from Other Funds	0	0	0	0	18,425
Prepaid Items	3,417	5,644	0	9,061	1,084
Inventory	122,602	69,454	0	192,056	105,646
Total Current Assets	2,513,008	4,204,315	1,027,616	7,744,939	849,998
Nondepreciable Capital Assets	220,495	304,654	0	525,149	0
Depreciable Capital Assets, Net	7,721,827	15,454,118	229,220	23,405,165	156,485
Total Noncurrent Assets	7,942,322	15,758,772	229,220	23,930,314	156,485
Total Assets	10,455,330	19,963,087	1,256,836	31,675,253	1,006,483
Liabilities:					
Current Liabilities:					
Accounts Payable	23,432	50,284	213,586	287,302	63,951
Accrued Wages and Benefits	57,205	80,915	3,832	141,952	39,454
Compensated Absences	0	0	0	0	0
Refundable Deposits	58,754	58,754	58,754	176,262	0
Accrued Interest Payable	52,040	77,011	0	129,051	0
Contingent Liabilities	0	250,000	0	250,000	0
Due to Other Funds	1,313	1,123	545	2,981	167
General Obligation Notes Payable	1,500,000	2,400,000	0	3,900,000	0
Long-Term Liabilities Due Within One Year	398,364	863,871	20,390	1,282,625	40,083
Total Current Liabilities	2,091,108	3,781,958	297,107	6,170,173	143,655
Long-Term Liabilities:					
Compensated Absences	52,488	12,568	3	65,059	12,637
Bonds, Notes & Loans Payable	2,408,637	5,545,349	0	7,953,986	0
Capital Leases Payable	0	20,228	0	20,228	0
Landfill Postclosure Care Liability	0	0	222,409	222,409	0
Total Noncurrent Liabilities	2,461,125	5,578,145	222,412	8,261,682	12,637
Total Liabilities	4,552,233	9,360,103	519,519	14,431,855	156,292
Net Assets:					
Invested in Capital Assets, Net of Related Debt	3,610,771	6,907,972	229,220	10,747,963	156,485
Unrestricted	2,292,326	3,695,012	508,097	6,495,435	693,706
Total Net Assets	\$5,903,097	\$10,602,984	\$737,317	\$17,243,398	\$850,191
Adjustment to reflect the consolidation of Internal Service Fund activities related to Business-Type Activities				\$174,684	
Net Assets of Business-Type Activities				\$17,418,082	

See accompanying notes to the basic financial statements.

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

	Business-Type Activities - Enterprise Funds			Total Business-Type Activities	Governmental Activities- Internal Service Fund
	Water	Sewer	Sanitation		
Operating Revenues:					
Charges for Services	2,759,818	4,840,354	2,144,265	9,744,437	1,623,958
Other Revenues	69,235	26,879	865	96,979	5,177
Total Operating Revenues	2,829,053	4,867,233	2,145,130	9,841,416	1,629,135
Operating Expenses:					
Personal Services	967,277	1,288,869	69,780	2,325,926	913,359
Contractual Services	1,124,941	1,654,231	1,926,042	4,705,214	3,905
Materials and Supplies	40,670	199,534	18,362	258,566	578,787
Depreciation	735,632	945,367	40,428	1,721,427	11,013
Dental Insurance Claims	0	0	0	0	8,604
Total Operating Expenses	2,868,520	4,088,001	2,054,612	9,011,133	1,515,668
Operating Income (Loss)	(39,467)	779,232	90,518	830,283	113,467
Non-Operating Revenues (Expenses):					
Investment Earnings	73,582	110,975	0	184,557	17,014
Interest (Expense)	(166,041)	(422,975)	0	(589,016)	(95,615)
Gain (Loss) on Disposal of Capital Assets	3,277	58	0	3,335	0
Total Non-Operating Revenues (Expenses)	(89,182)	(311,942)	0	(401,124)	(78,601)
Income (Loss) Before Contributions and Transfers	(128,649)	467,290	90,518	429,159	34,866
Transfers In	0	8,181	0	8,181	0
Change in Net Assets	(128,649)	475,471	90,518	437,340	34,866
Net Assets Beginning of Year, Restated	6,031,746	10,127,513	646,799	16,806,058	815,325
Net Assets End of Year	<u>\$5,903,097</u>	<u>\$10,602,984</u>	<u>\$737,317</u>	<u>\$17,243,398</u>	<u>\$850,191</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Business-Type Activities				5,230	
Change in Net Assets - Total Business-Type Activities				<u>\$442,570</u>	

See accompanying notes to the basic financial statements.

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

	Business-Type Activities -Enterprise Funds			Total Business-Type Activities	Governmental Activities- Internal Service Fund
	Water	Sewer	Sanitation		
Cash Flows from Operating Activities:					
Cash Received from Customers	\$2,819,931	\$4,842,972	\$2,133,455	\$9,796,358	\$1,683,422
Cash Deposits Received	26,825	26,825	26,825	80,475	0
Cash Payments to Employees	(959,291)	(1,286,698)	(69,518)	(2,315,507)	(915,884)
Cash Payments to Suppliers	(1,191,402)	(1,908,108)	(1,958,488)	(5,057,998)	(561,171)
Cash Deposits Returned	(25,468)	(25,468)	(25,468)	(76,404)	0
Dental Insurance Claims	0	0	0	0	(8,604)
Net Cash Provided (Used) by Operating Activities	670,595	1,649,523	106,806	2,426,924	197,763
Cash Flows from Capital and Related Financing Activities:					
Payments for Capital Acquisitions	(378,458)	(843,722)	0	(1,222,180)	(33,335)
Debt Proceeds	1,500,000	2,400,000	0	3,900,000	0
Debt Principal Payments	(2,628,485)	(3,192,755)	0	(5,821,240)	0
Debt Interest Payments	(192,056)	(430,861)	0	(622,917)	(95,615)
Sale of Capital Assets	3,277	58	0	3,335	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,695,722)	(2,067,280)	0	(3,763,002)	(128,950)
Cash Flows from Investing Activities:					
Earnings on Investments	72,325	112,398	0	184,723	16,947
Net Cash Provided (Used) by Cash Flows from Investing Activities	72,325	112,398	0	184,723	16,947
Net Increase (Decrease) in Cash and Cash Equivalents	(952,802)	(305,359)	106,806	(1,151,355)	85,760
Cash and Cash Equivalents Beginning of Year	3,082,069	4,041,069	749,670	7,872,808	615,621
Cash and Cash Equivalents End of Year	2,129,267	3,735,710	856,476	6,721,453	701,381
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	(39,467)	779,232	90,518	830,283	113,467
Adjustments:					
Depreciation	735,632	945,367	40,428	1,721,427	11,013
Changes in Assets & Liabilities:					
(Increase) Decrease in Receivables	(9,122)	(25,608)	(11,675)	(46,405)	53,882
(Increase) Decrease in Inventory	7,701	(41,552)	0	(33,851)	8,970
(Increase) Decrease in Due From Other Funds	0	1,347	0	1,347	405
(Increase) Decrease in Prepaid Items	322	532	0	854	103
Increase (Decrease) in Accrued Wages and Benefits	23,395	36,306	2,133	61,834	14,369
Increase (Decrease) in Compensated Absences	11,375	(1,187)	(223)	9,965	7,910
Increase (Decrease) in Due to Other Funds	(501)	(228)	324	(405)	68
Increase (Decrease) in Landfill Closure Costs	0	0	(20,219)	(20,219)	0
Increase (Decrease) in Refundable Deposits Payable	1,357	1,357	1,357	4,071	0
Increase (Decrease) in Payables	(33,313)	(262,990)	5,811	(290,492)	(92)
Increase (Decrease) in Contingent Liabilities	0	250,000	0	250,000	0
Increase (Decrease) in Intergovernmental Payable	(26,784)	(33,053)	(1,648)	(61,485)	(12,332)
Net Cash Provided (Used) by Operating Activities	\$670,595	\$1,649,523	\$106,806	\$2,426,924	\$197,763
Schedule of Noncash Investing, Capital and Financing Activities:					
Fair value of investments decreased	\$1,146	\$2,011	\$0	\$3,157	\$227

See accompanying notes to the basic financial statements.

City of Fairborn, Ohio
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2006

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$403,648</u>
Total Assets	<u>\$403,648</u>
Liabilities:	
Undistributed Monies	<u>403,648</u>
Total Liabilities	<u>\$403,648</u>

See accompanying notes to the basic financial statements.

City of Fairborn

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2006 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14/39, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

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

The City also participates in the Miami Valley Regional Planning Commission (the Commission), the Northern Miami Valley Local Government Association (NMVLGA), the Regional Emergency Response Team (RERT), the Greene County Agencies for Combined Enforcement (ACE Task Force), and the Community Improvement Corporation of Fairborn (CIC), which are defined as jointly governed organizations. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. These organizations are presented in Note 17.

B. Basis of Presentation - Fund Accounting

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

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

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

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

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

Fire & EMS Fund - To account for revenue derived from the EMS and Fire related revenues.

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

Public Safety Equipment/Facility Fund - To account for revenues received from the 1/4% of 1% income tax levy, emergency response auto-collect and other revenue sources to provide funding for Fire facilities and equipment.

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

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

Proprietary Funds

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

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

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

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

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

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

Fiduciary Funds

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

C. Basis of Presentation - Financial Statements

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 2006 but which are not intended to finance 2006 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 3.

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

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

E. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is by fund by department. Budgetary control is maintained by not permitting expenditures to exceed appropriations by department within each fund without the approval of City Council. Administrative control is maintained through the establishment of more detailed line-item budgets. Budgetary modifications above the department level by fund may only be made by ordinance of the City Council. During 2006, all appropriations were approved as required.

1. Tax Budget

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

2. Estimated Resources

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

The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or fall short of current estimates. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amount 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 certificate requested during 2006.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and line item level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified by the County Budget Commission. The City Manager is authorized to transfer appropriations within line items within the same department, within the same fund provided total appropriations for each line item do not exceed the amount approved by City Council. All other modifications may only be made by ordinance of City Council. During the year supplemental appropriation measures were passed. The amounts reported as the original budgeted amounts reflected the first appropriations resolution for that fund that covered the entire year. Prior year encumbrances are automatically carried forward. The amounts reported as final budgeted amounts represent the final appropriations including all amendments and modifications.

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance	
	General Fund	Fire and EMS
GAAP Basis	\$365,819	\$339,267
Net Adjustment for Revenue Accruals	1,471,922	(377,509)
Net Adjustment for Expenditure Accruals	(406,990)	398,393
Encumbrances	(180,139)	(59,934)
Budgetary Basis	\$1,250,612	\$300,217

F. 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 balance sheet.

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, all investments of the cash management pool are considered to be cash equivalents.

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues during 2006 amounted to \$1,080,180. The general fund interest revenue was \$903,623, which includes \$728,670 assigned from other City funds.

G. Inventory of Supplies

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Restricted Assets

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

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more.

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment - Business Type Activities

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

3. Depreciation

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

<u>Description</u>	Governmental and Business-Type
	Activities <u>Estimated Lives</u>
Buildings and Improvements	20-45 years
Improvements Other Than Buildings	10-20 years
Infrastructure	8-100 years
Machinery and Equipment	5-15 years
Vehicles	6-20 years

K. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for compensated Absences*," vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

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

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

L. Accrued Liabilities and Long-Term Debt

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

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. 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 \$9,740,033 in restricted net assets, \$0 was restricted by enabling legislation.

N. Reservations of Fund Balance

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

O. Intergovernmental Revenues

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

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

P. Interfund Receivables/Payables

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

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

Q. Interfund Activity

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

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

R. 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.

S. Operating Revenues and Expenses

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2006, the City did not report either an extraordinary item or a special item.

NOTE 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, \$8,313,026 of the City's bank balance of \$8,613,026 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>
STAR Ohio	\$4,544,864	0.00
City's Debt	36,111	0.00
Treasury Obligation Fund	534,525	0.00
Federal National Mortgage Association	1,997,350	1.44
Federal National Mortgage Association (Disc)	734,250	0.42
Federal Home Loan Bank	4,372,539	1.75
Freddie Mac	483,599	3.94
Total Fair Value	<u>\$12,703,238</u>	
Portfolio Weighted Average Maturity		1.00

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 Federal National Mortgage Association, Federal Home Loan Bank and Freddie Mac Funds were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investors Service. Investments in STAR Ohio were rated AAAM by Standard & Poor's. The City's Long-Term Debt held by the City is not rated.

Concentration of credit risk – The City's investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 36% of the City's investments in STAR Ohio, less than 1% in the City's debt, 4% in Treasury Obligation Funds, 16% in Federal National Mortgage Association, 6% in Federal National Mortgage Association (Disc), 34% in Federal Home Loan Bank and 4% in Freddie Mac.

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.

NOTE 3 – TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2006. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20 unless extended.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30 with the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fairborn. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2006, was \$9.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which the 2005 property tax levy, collected in 2006, were based are as follows:

Real Property Assessed Valuation	\$641,753,590
Public Utility Real Property Assessed Valuation	13,420,850
Tangible Personal Property Assessed Valuation	27,961,223
Less: Exemptions	<u>(139,676,170)</u>
Total Valuation	<u>\$543,459,493</u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2005. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2006 operations. The receivable is therefore offset by a credit to deferred revenue.

B. Income Tax

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by City Council. In 2006, the proceeds of the City's income tax collections were allocated to the General Fund. However, of the 1/2% effective January 1, 2005, 1/4% is for Fire Equipment and Facilities and 1/4% is for Thoroughfare and Residential Street Improvements and was therefore allocated to their respective capital project funds.

NOTE 4 – RECEIVABLES

Receivables at December 31, 2006, consisted of taxes, interfund receivables, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, interest on investments, and accounts. All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2006:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$12,725,200	\$314,428	\$0	\$13,039,628
Construction in Progress	2,220,096	8,569,438	1,696,027	9,093,507
<i>Capital Assets, being depreciated:</i>				
Buildings	7,969,779	0	0	7,969,779
Improvements Other Than to Buildings	1,353,057	262,304	0	1,615,361
Machinery and Equipment	2,281,013	254,817	32,625	2,503,205
Vehicles	3,942,915	703,440	330,573	4,315,782
Infrastructure	63,058,531	1,983,058	1,334,557	63,707,032
Totals at Historical Cost	<u>93,550,591</u>	<u>12,087,485</u>	<u>3,393,782</u>	<u>102,244,294</u>
Less Accumulated Depreciation:				
Buildings	4,265,371	301,173	0	4,566,544
Improvements Other Than to Buildings	1,058,250	35,967	0	1,094,217
Machinery and Equipment	1,631,661	202,205	22,701	1,811,165
Vehicles	2,258,037	268,970	249,997	2,277,010
Infrastructure	25,989,003	1,708,814	654,787	27,043,030
Total Accumulated Depreciation	<u>\$35,202,322</u>	<u>\$2,517,129</u>	<u>\$927,485</u>	<u>\$36,791,966</u>
Governmental Activities Capital Assets, Net	<u>\$58,348,269</u>	<u>\$9,570,356</u>	<u>\$2,466,297</u>	<u>\$65,452,328</u>

Depreciation expenses were charged to governmental functions as follows:

General Government	\$1,972,958
Public Safety	378,944
Leisure Time	71,542
Transportation	62,776
Public Health and Welfare	4,017
Community Development	26,892
Total Depreciation Expense	<u>\$2,517,129</u>

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2006:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$178,104	\$0	\$0	\$178,104
Construction in Progress	1,438,093	235,635	1,326,683	347,045
<i>Capital Assets, being depreciated:</i>				
Buildings	15,884,398	1,610,868	0	17,495,266
Improvements other than Buildings	1,693,018	279,470	0	1,972,488
Machinery and Equipment	5,744,644	46,441	34,369	5,756,716
Vehicles	907,312	175,184	55,226	1,027,270
Infrastructure	21,612,392	202,260	0	21,814,652
Totals at Historical Cost	<u>47,457,961</u>	<u>2,549,858</u>	<u>1,416,278</u>	<u>48,591,541</u>
Less Accumulated Depreciation:				
Buildings	5,801,521	449,663	0	6,251,184
Improvements other than Buildings	319,639	174,000	0	493,639
Machinery and Equipment	4,050,435	345,552	34,369	4,361,618
Vehicles	650,381	55,977	54,230	652,128
Infrastructure	12,206,423	696,235	0	12,902,658
Total Accumulated Depreciation	<u>\$23,028,399</u>	<u>\$1,721,427</u>	<u>\$88,599</u>	<u>\$24,661,227</u>
Business-Type Activities Capital Assets, Net	<u>\$24,429,562</u>	<u>\$828,431</u>	<u>\$1,327,679</u>	<u>\$23,930,314</u>

NOTE 6 - DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.7% of covered payroll, 9.2% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the OPERS for the years ending December 31, 2006, 2005, and 2004 were \$954,292, \$914,156 and \$905,381, respectively, 76.1 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member directed plan for 2006 were \$6,192 made by the City and \$4,068 made by Plan members.

The OPERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the OPERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$313,453.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 6% for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 369,214 as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuary valuation was 358,804. The actuarial value of the net assets available for OPEB at December 31, 2006 is \$11.1 billion. Based on the actuarial valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, 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.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$536,811, \$518,624 and \$517,248 for police and \$786,354, \$762,748 and \$720,953 for firefighters, respectively. The full amount has been contributed for 2005 and 2004, 74.62 percent has been contributed for 2006.

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

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$213,348 representing 7.75% of covered payroll for police and \$253,927 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 (latest information available) were \$108,039,449, which was net of member contributions of \$55,271,881.

NOTE 7 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Medical, Dental and Life Insurance Benefits

The City provides medical, dental and life insurance benefits for all full-time (30+ hours per week) employees. The non-union, and AFSCME personnel can select from one of three medical plans, either Anthem PPO plan (base), Anthem PPO (buy-up) or an Anthem Health Savings Account (HSA). The FOP had the Anthem HMO plan but were converted to the same program options offered to non-union and AFSCME personnel with the March 1, 2006 renewal. IAFF personnel maintained their Anthem HMO plan throughout 2006.

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

The City also provides through Ohio AFSCME Care Plan dental insurance for AFSCME, FOP & IAFF personnel. Dental Insurance for non-union personnel is provided by Superior Dental effective January 1, 2006.

NOTE 8 - NOTES PAYABLE

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

	Maturity Date	Interest Rate	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities						
<u>Notes Payable:</u>						
Commerce Blvd. Extension - Ban	9/13/2006	2.97%	\$2,110,000	\$0	(\$2,110,000)	\$0
Commerce Blvd. Extension - Ban	9/13/2007	4.50%	0	1,550,000	0	1,550,000
Fire Improvement - Ban	11/1/2007	4.25%	0	2,500,000	0	2,500,000
Special Assessment - Ban	8/16/2007	4.25%	0	700,000	0	700,000
Business-Type Activities						
<u>Notes Payable:</u>						
Water Improvement	6/28/2006	4.00%	2,300,000	0	(2,300,000)	0
Sewer Improvement	6/28/2006	4.00%	2,400,000	0	(2,400,000)	0
Water Improvement	6/27/2007	4.50%	0	1,500,000	0	1,500,000
Sewer Improvement	6/27/2007	4.50%	0	2,400,000	0	2,400,000
Total Notes Payable			<u>\$6,810,000</u>	<u>\$8,650,000</u>	<u>(\$6,810,000)</u>	<u>\$8,650,000</u>

The Commerce Blvd. Extension – BAN is a refinancing of the Tax Increment Financing Revenue notes necessary to finance roadway, curb and sidewalk improvements extending Commerce Center Blvd to Garland Avenue. The Fire Improvement – BAN is a final financing note to allow for final payments for the construction of two new fire stations and renovation of two existing fire stations and equipping the aforementioned fire stations and for acquiring various fire and EMS equipment. The Special Assessment – BAN is an issuance of special assessment notes in anticipation of the issuance of bonds for the purpose of constructing and repairing curbs, sidewalks and driveway approaches. Upon completion of the project and invoicing of property owners, five year bonds will be issued and outstanding charges will be assessed to the property owners over a five-year period. The Water Improvement is an issuance of notes for the purpose of constructing and improving a wellfield and the Sewer Improvement is an issuance of notes for designing and improving a water reclamation building and office lab; constructing aeration improvements to treatment plant; designing, constructing and improving a main pump station and force main; and designing, constructing and improving an influent screening building.

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NOTE 9 - LONG-TERM OBLIGATIONS

Detail of the changes in the bonds, notes, capital leases and compensated absences of the City for the year ended December 31, 2006 is as follows:

	Maturity Date	Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities							
<u>Bonds Payable:</u>							
1998 Police/Fire Dispatch	12/1/2007	4.45%-4.50%	\$145,000	\$0	(\$70,000)	\$75,000	\$75,000
1999 Street Improvement	12/1/2009	5.00%	115,000	0	(25,000)	90,000	30,000
2001 Fairborn Library	10/1/2011	3.0%-4.2%	805,000	0	(120,000)	685,000	130,000
2003 Dayton - Yellow Springs Improvement	12/1/2023	4.0%-8.3%	285,000	0	(10,000)	275,000	10,000
2003 Municipal Court Building Renovation	12/1/2016	3.5%-4.75%	425,000	0	(15,000)	410,000	15,000
2004 Municipal Cover Building	12/1/2014	2.0%-3.5%	90,000	0	(10,000)	80,000	10,000
2004 Fire Trucks Bond	12/1/2007	2.0%-2.1%	120,000	0	(60,000)	60,000	60,000
2005 Income Tax Revenue Bonds	12/1/2014	3.0%-4.5%	9,350,000	0	(880,000)	8,470,000	900,000
2005 Premium on Tax Revenue Bonds			253,309	0	(28,145)	225,164	28,145
Total Bonds			11,588,309	0	(1,218,145)	10,370,164	1,258,145
<u>Special Assessment Bonds with Governmental Commitment:</u>							
1988 Street Improvement	12/1/2008	7.50%-7.60%	225,000	0	(75,000)	150,000	75,000
1998 Commerce Center/Channingway Drive	12/1/2018	5.15%	880,000	0	(50,000)	830,000	50,000
2006 Curb and Sidewalk	12/1/2011	4.00%	0	505,000	0	505,000	90,000
<u>Special Assessment Notes:</u>							
2001 Curb and Sidewalk	12/1/2007	4.00%	22,577	0	(11,289)	11,288	11,288
2002 Curb and Sidewalk	12/1/2008	4.00%	37,234	0	(12,411)	24,823	12,411
Total Special Assessment Bonds and Notes			1,164,811	505,000	(148,700)	1,521,111	238,699
Capital Leases			55,598	0	(48,722)	6,876	6,876
Compensated Absences			958,292	168,639	(86,246)	1,040,685	783,615
Total Governmental Activities			\$13,767,010	\$673,639	(\$1,501,813)	\$12,938,836	\$2,287,335

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	Maturity Date	Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-Type Activities							
<u>Bonds:</u>							
2001 Utility Improvement - Water Unamortized Charge	10/1/2011	3.00% - 4.20%	\$1,170,000 (14,718)	\$0 0	(\$175,000) 2,560	\$995,000 (12,158)	\$185,000 (2,560)
2001 Utility Improvement - Sewer Unamortized Charge	10/1/2011	3.00% - 4.20%	1,170,000 (14,718)	0 0	(175,000) 2,560	995,000 (12,158)	185,000 (2,560)
2001 Various Purpose - Water	10/1/2011	3.50% - 4.20%	600,000	0	(90,000)	510,000	95,000
2001 Various Purpose - Sewer	10/1/2011	3.50% - 4.20%	600,000	0	(90,000)	510,000	95,000
2003 Various Purpose - Sewer	12/1/2023	5.00%	775,000	0	(100,000)	675,000	105,000
2004 Various Purpose - Water	12/1/2024	2.00%	1,179,750	0	(46,800)	1,132,950	73,200
2004 Various Purpose - Sewer	12/1/2024	2.00%	1,845,250	0	(73,200)	1,772,050	46,800
Total Bonds			7,310,564	0	(744,880)	6,565,684	779,880
<u>Ohio Water Development Authority Loans (OWDA):</u>							
1986 OWDA Loan	1/1/2011	8.97%	450,004	0	(75,239)	374,765	81,988
1993 OWDA Loan	1/1/2013	5.20%	1,185,059	0	(144,367)	1,040,692	151,972
1994 OWDA Loan	1/1/2013	3.54%	89,639	0	(11,497)	78,142	11,908
1999 OWDA Loan	1/1/2014	3.91%	1,011,199	0	(109,946)	901,253	114,287
Total Ohio Water Development Authority Loans			2,735,901	0	(341,049)	2,394,852	360,155
Ohio Public Works Commission Loan (OPWC)	1/1/2016	0.00%	166,855	0	(16,685)	150,170	16,685
Capital Leases	1/1/2016		58,082	0	(18,506)	39,576	19,348
Landfill Closure and Postclosure Care Cost			262,847	0	(20,219)	242,628	20,219
Compensated Absences			141,433	22,693	(12,729)	151,397	86,338
Total Business-Type Activities			<u>\$10,675,682</u>	<u>\$22,693</u>	<u>(\$1,154,068)</u>	<u>\$9,544,307</u>	<u>\$1,282,625</u>

The principal amount of the City's special assessment bonds outstanding at December 31, 2006, \$1,485,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

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

A. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2006 follows:

Year Ending December 31	Governmental Activities							
	General Obligation Bonds		Special Assessment Bonds		Special Assessment Notes		Income Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$330,000	\$71,932	\$215,000	\$79,788	\$23,699	\$1,445	\$900,000	\$328,600
2008	200,000	59,225	230,000	62,470	12,412	496	920,000	294,850
2009	206,000	50,401	155,000	49,938	0	0	960,000	262,650
2010	182,000	41,641	165,000	43,105	0	0	1,000,000	229,050
2011	188,000	33,730	170,000	35,815	0	0	1,105,000	194,050
2012-2016	430,000	99,886	365,000	105,834	0	0	3,585,000	315,451
2017-2021	99,000	22,337	185,000	14,678	0	0	0	0
2022-2026	40,000	2,700	0	0	0	0	0	0
Totals	<u>\$1,675,000</u>	<u>\$381,852</u>	<u>\$1,485,000</u>	<u>\$391,628</u>	<u>\$36,111</u>	<u>\$1,941</u>	<u>\$8,470,000</u>	<u>\$1,624,651</u>

Year Ending December 31	Business-Type Activities					
	General Obligation Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$785,000	\$254,852	\$360,155	\$122,578	\$16,685	\$0
2008	815,000	228,969	380,454	102,279	16,686	0
2009	830,000	199,909	402,024	80,707	16,685	0
2010	865,000	169,544	424,950	57,782	16,686	0
2011	910,000	136,659	333,750	33,378	16,685	0
2012-2016	770,000	454,358	493,519	22,028	66,743	0
2017-2021	950,000	283,041	0	0	0	0
2022-2026	665,000	55,144	0	0	0	0
Totals	<u>\$6,590,000</u>	<u>\$1,782,476</u>	<u>\$2,394,852</u>	<u>\$418,752</u>	<u>\$150,170</u>	<u>\$0</u>

B. Conduit Debt

The City has issued Industrial Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of an extended care facility deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facility transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2006, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$1,287,500. The original issue amount totaled \$2,500,000.

C. Defeasance of General Obligation Debt

In September of 2001, the City defeased \$3,615,000 of General Obligation Bonds for Utility Improvements dated October 1, 1991 (the "1991 Utility Improvement Bonds") through the issuance of \$3,960,000 of General Obligation Bonds for Utility Improvements (the "2001 Utility Improvement Bonds"). Also in September of 2001, the City defeased \$1,245,000 of General Obligation Bonds for Library Improvements dated October 1, 1991 (the "1991 Library Improvement Bonds") through the issuance of \$1,370,000 of General Obligation Bonds for Library Improvements (the "2001 Library Improvement Bonds"). The net proceeds of the 2001 Utility Improvement Bonds and the 2001 Library Improvement Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts, which including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded Utility Improvement Bonds, which have an outstanding balance of \$1,990,000 at December 31, 2006, and the Library Improvement Bonds, which have an outstanding balance of \$685,000 at December 31, 2006, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

NOTE 10 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City's landfill placed its final cover in 1989. The \$242,628 reported as landfill postclosure care liability in the Sanitation Enterprise Fund at December 31, 2006, represents the cumulative amount reported to date based on the estimated cost of maintenance and monitoring through 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is not required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. On March 1, 1990, the financial assurance rules went into effect. Prior to that, post-closure care was required (as long as the facility closed between March 1, 1987 and February 28, 1990), but there were no requirements for financial assurance since no financial assurance rules existed.

NOTE 11 - CAPITAL LEASE COMMITMENTS

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

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2006:

<u>Year Ending December 31,</u>	<u>Governmental Capital Leases</u>	<u>Business-Type Capital Leases</u>
2007	\$7,156	\$21,149
2008	0	21,149
Minimum Lease Payments	<u>7,156</u>	<u>42,298</u>
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(280)</u>	<u>(2,722)</u>
Total Present Value	<u><u>\$6,876</u></u>	<u><u>\$39,576</u></u>

NOTE 12 – TRANSFERS

Following is a summary of transfers in and out for all funds for 2006:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$4,069,130
Fire and EMS	3,457,284	0
General Bond Retirement	0	8,181*
Public Service/Equipment	11,756	0
Other Governmental Funds	608,590	8,500
Sewer	<u>8,181*</u>	<u>0</u>
Total All Funds	<u><u>\$4,085,811</u></u>	<u><u>\$4,085,811</u></u>

* Transfer for financial reporting purposes.

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

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NOTE 13 - INTERFUND ASSETS AND LIABILITIES

Individual fund interfund receivable and payable balances at December 31, 2006, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$73,529	\$0	\$0	\$8,294
Fire and EMS	0	0	0	5,705
Water	0	0	0	1,313
Sewer	0	0	0	1,123
Sanitation	0	0	0	545
Other Governmental Funds	0	73,529	0	1,278
Internal Service Funds:				
Equipment	0	0	18,425	78
Information Technology	<u>0</u>	<u>0</u>	<u>0</u>	<u>89</u>
Total All Funds	<u>\$73,529</u>	<u>\$73,529</u>	<u>\$18,425</u>	<u>\$18,425</u>

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2006 of \$171,703, which was offset in the Governmental Activities by the same amount. The Due to Other Funds is a reimbursement of expenditures made by the funds. The Interfund Receivable is a short-term loan to cover a temporary cash deficit.

The City advanced money from the General Fund to the County Motor Vehicle Tax Fund for the amount remaining of \$73,529 to finance the remainder of the 2005 Street Program.

NOTE 14 - RISK MANAGEMENT

Risk Pool Membership

The City is exposed to various risks of property and casualty losses, and injury to employees.

The City is a member of the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 (the latest information available) was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Legal Liability for Third Party Claims	\$9,000,000	N/A
Automobile Liability	9,000,000	N/A
Law Enforcement Operations	9,000,000	3,000
Wrongful Acts (Public Officials)	9,000,000	5,000
Dishonesty	500,000	N/A

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2005 and 2004 (the latest information available).

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Net Assets	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,246)	(540,073)
Net Assets	<u>\$3,375,086</u>	<u>\$3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$414,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2004	\$180,514
2005	\$180,260
2006	\$185,835

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

The City has contracted with the Cincinnati Insurance Company to provide boiler and machinery coverage. The deductible is \$1,000.

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

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

NOTE 15 - CONTINGENT LIABILITIES

A. Litigation

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

Orbit Movers & Erectors, Inc. v. City of Fairborn, et al.

On May 8, 2006 Plaintiff filed a complaint in the Montgomery County Common Pleas Court related to upgrade of the City's water treatment plant. Orbit's claims are for services performed in addition to the contractual amount of compensation. On July 3, 2006 Defendant City of Fairborn filed an Answer to Plaintiff's Complaint against A.T.S. Engineering, Inc. The City is vigorously defending Orbit's claims. This matter will likely settle in 2007. The City has already budgeted funds for this matter in excess of Orbit's demands and has been reported on the accompanying financial statements.

B. Federal and State Grants

For the period January 1, 2006, to December 31, 2006, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

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NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2006, the City had the following commitments with respect to capital projects:

Project	Remaining Construction Commitment	Estimated Date of Completion
Well Redevelopment	\$17,055	2/28/07
Storm Sewer Utility Fund Study	13,134	12/31/07
Filter Rate Study Implementation	2,700	12/31/07
Wellfield Design/Consturction	80,240	6/1/08
SEL Force Main Design	2,391	6/30/07
Replace Filter Media	50,673	4/30/07
Sanitary Sewer Rehab	90,308	2/1/07
Upgrade Kauffman Lift Station - Design	44,812	6/30/07
Non-Potable Pump Project	4,316	1/25/07
Replace Roof (Old Admin./Lab Bldg.)	8,225	3/7/07
Influent Pumping Stand-By Power Improvements	345,161	5/31/07
Screenings Process Upgrade Const. Management Services	66,598	6/30/07
Screening Process Upgrade Construction	1,095,700	6/30/07
Fire Station Construction and Renovation	1,204,841	2/7/07
Total	\$3,026,154	

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, and various cities residing within these counties, including the City of Fairborn. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region.

These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives.

Payments to the Commission are made from the General Fund. The City contributed \$14,864 during 2006. Financial information can be obtained from P. Michael Robinette, Executive Director, at 40 West Fourth Street, Dayton, Ohio 45402.

The Northern Miami Valley Local Government Association (NMVLGA) is a jointly governed organization between the following cities and villages: Huber Heights, Vandalia, Sidney, Troy, Tipp City, New Carlisle, West Milton, Brookville, Yellow Springs, Springfield, Piqua, Covington, Anna, Botkins, Fort Loramie, Jackson Center, Fairborn, Clayton, Riverside, and Springfield. The NMVLGA is a regional council of governments. The purpose of the NMVLGA is to foster cooperation among municipalities. Areas of cooperation may include, to the extent the participating municipality elects to participate, joint purchasing, joint personnel training, sharing information, sharing equipment, joint testing for hiring, contracting with consultants, and joint negotiation and administration of cable television franchises, along with other functions allowed by law and mutually agreed upon. The Board of the NMVLGA is made up of one representative from each municipality. Payments to the NMVLGA are made from the General Fund. The City contributed \$2,244 for the operation of the NMVLGA for 2006. Financial information can be obtained by writing to the NMVLGA, at Miami County, 260 South Garber Drive, Post Office Box 188, Tipp City, Ohio 45371.

The Regional Emergency Response Team (RERT) is a jointly governed organization between the following cities: Huber Heights, Vandalia, Fairborn, and Beavercreek. The organization was created through an agreement by the cities to establish a regional council of governments for the RERT. The regional council of governments collects and expends resources to assist the RERT in fighting crime and for other related activities. The purpose of the RERT is to foster cooperation among municipalities through sharing of equipment/facilities/collective team expenses, team consultant expenses and grant sharing costs, for their common benefit. This includes the mutual interchange and sharing of police equipment, as well as police equipment to be jointly acquired and owned, to be utilized by all participating members. The Board of the RERT is made up of one representative from each municipality. Payments to the RERT are made from the General Fund. The City contributed \$5,000 for the operation of the RERT for 2006. Financial information can be obtained from the fiscal agent by writing to the RERT, c/o The City of Beavercreek, Terry Klein, Finance Director, at 1368 Research Park Drive, Beavercreek, Ohio 45432.

The Greene County Agencies for Combined Enforcement (ACE Task Force) is a jointly governed organization comprised of the Greene county Sheriff's Office; the Beavercreek, Fairborn, Xenia, Yellow Springs and Sugarcreek Township Police Departments; and Greene County Prosecutor's Office. The ACE Task Force is a multi-jurisdictional, multi-disciplinary partnership to share information and resources in order to target the flow of illegal drugs and organized criminal activity into Ohio communities, ensuring the safety and security of Ohio's citizens. Payments to the Task Force are made from the General fund. The City contributed \$17,100 during 2006. Financial information can be obtained from Greene County Agencies for Combined Enforcement (ACE Task Force), Commander Bruce L. May, 1388 Research Park Drive, Beavercreek, OH 45432.

The Community Improvement Corporation of Fairborn (CIC) is a jointly governed organization created as a not for profit corporation under Chapter 1724 of the Ohio Revised Code. The CIC was formed to advance, encourage, and promote the industrial, economic, commercial, and civic development of the County of Greene, Ohio and the municipal corporations located therein. The City contributed \$1,000 from the General Fund to the CIC during 2006. Financial information can be obtained by writing to CIC, c/o The City of Fairborn, Gary Woodward, President, at 44 West Hebble Avenue, Fairborn, OH 45324.

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; 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. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

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.

NOTE 19 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to restate capital assets at December 31, 2005 due to an increase in the capitalization threshold to \$5,000 and change in useful lives for building improvements. Net Assets at December 31, 2005 were restated due to accounting changes in recording Notes Payable and Capital Leases Payable Liabilities in the Water and Sewer Funds. This restatement had the following effect on net assets at December 31, 2005:

	Governmental	Business-Type		
	Activities	Activities	Water	Sewer
Ending Net Assets December 31, 2005	\$66,965,781	\$15,315,404	\$5,924,061	\$8,563,027
Restatement of Capital Assets	(610,945)	1,660,108	599,603	1,072,568
Restatement of Capital Leases Payable	0	0	58,082	(58,082)
Restatement of Notes Payable	0	0	(550,000)	550,000
Beginning Net Assets January 1, 2006	\$66,354,836	\$16,975,512	\$6,031,746	\$10,127,513

	Sanitation	Equipment	Information
			Technology
Ending Net Assets December 31, 2005	\$658,862	\$401,796	\$21,616
Restatement of Capital Assets	(12,063)	(9,907)	(11,490)
Beginning Net Assets January 1, 2006	\$646,799	\$391,889	\$10,126

NOTE 20 - COMPLIANCE

The City had noncompliance issues with the following sections:

Ohio Revised Code 5705.41(D) – properly certifying expenditures

Ohio Revised Code 5705.14 & .16 – Transferring funds without Council’s approval

Ohio Revised Code 5705.10(C) – Failure to establish a separate fund for the police levy.

NOTE 21 – SUBSEQUENT EVENTS

The City had subsequent events after December 31, 2006 of:

- A.** On June 4, 2007 the Council approved issuing bonds in the principal sum not to exceed Four Hundred Thousand Dollars (\$400,000); provided that the Notes be issued in anticipation of such Bonds in the amount not to exceed \$400,000 for the purpose of provided, however that the Notes be issued in anticipation of such Bonds in the amount of not to exceed \$400,000 for the purpose of (i) designing a High Booster Pump Station Tank with related site improvements and necessary appurtenances thereto; and (ii) designing the Mad River transmission line with related site improvements and necessary appurtenances thereto.
- B.** On June 4, 2007 the Council approved issuing bonds of the City in the principal sum of not to exceed Five Million Six Hundred Thousand Dollars (\$5,600,000); provided, however that the Notes be issued in anticipation of such Bonds in the amount of not to exceed \$5,600,000 for the purpose of (i) designing, constructing and improving a Well Field, with related site improvements and necessary appurtenances thereto; (ii) designing, constructing and improving a Water Reclamation Center Office Building, and Laboratory, with related site improvements and necessary appurtenances thereto; (iii) constructing improvements to the Aeration Plant, with related site improvements and necessary appurtenances thereto; (iv) designing a Main Pump Station and Force Main with related site improvements and necessary appurtenances thereto; (v) designing, constructing and upgrading the wastewater treatment screening process, with related site improvements and necessary appurtenances thereto; (vi) developing, constructing and improving a Filter Backwash Transmission Line; (vii) constructing and improving an N-Viro Storage Area; and (viii) paying additional costs associated with such projects; and retiring notes previously issued for such purpose.
- C.** On June 4, 2007 the Council authorized the City Manager to enter into a contract for the 2007 ADA Curb Ramp program, project numbers 2704, 2706 and 2711 in the amount of \$192,250 to R.A. Miller.
- D.** On April 2, 2007 the Council authorized the City Manager to enter into a contract with Barrett Paving for the amount of \$1,275,000.
- E.** On May 2, 2007 the Council authorized the City Manager to issue of not to exceed \$530,000 of special assessment bonds for the purpose of constructing and repairing of certain sidewalks, curbs and driveway approaches in the City of Fairborn, Ohio and authorizing a bond purchase agreement appropriate for the sale of the bonds and the Council authorized the City Manager to issue special assessment notes not to exceed \$725,000 in the anticipation of the issuance of bonds for the purpose of constructing and repairing of certain sidewalks, curbs and driveway approaches in the City of Fairborn, Ohio.

**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 Maintenance and Repair Fund

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

State Highway Fund

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

Cemetery Fund

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

Community Development Fund

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

Victim Witness Fund

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

Street Lighting Fund

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

County Motor Vehicle License Tax Fund

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

Law Enforcement Trust Fund

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

Drug Law Enforcement Fund

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

City Motor Vehicle License Tax Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Alcohol Enforcement and Education Fund

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

Federal Forfeitures Fund

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

Municipal Probation Services Fund

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

Fairborn School Tax Sharing Fund

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

Uninsured Loss Fund

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

Capital Projects Funds

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

Municipal Court Improvement Fund

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

Court Special Projects Fund

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

General Capital Improvement Fund

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

Parks and Recreation Improvement Fund

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

Buildings and Land Fund

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

Special Assessment Construction Fund

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

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$2,170,025	\$1,174,945	\$3,344,970
Receivables:			
Taxes	429,998	33,037	463,035
Accounts	19,705	160,825	180,530
Interest	0	314	314
Intergovernmental	671,741	123,786	795,527
Prepaid Items	2,516	0	2,516
Inventory	102,988	0	102,988
Total Assets	3,396,973	1,492,907	4,889,880
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	195,135	16,110	211,245
Accrued Wages and Benefits	50,522	4,451	54,973
Accrued Interest Payable	0	11,997	11,997
Interfund Payable	73,529	0	73,529
Deferred Revenue	618,905	123,786	742,691
Contracts Payable	89,187	0	89,187
Due to Other Funds	1,278	0	1,278
General Obligation Notes Payable	0	700,000	700,000
Total Liabilities	1,028,556	856,344	1,884,900
Fund Balances:			
Reserved for Encumbrances	57,047	186,338	243,385
Reserved for Prepaid Items	2,516	0	2,516
Reserved for Inventory	102,988	0	102,988
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	2,205,866	0	2,205,866
Capital Projects Funds	0	450,225	450,225
Total Fund Balances	2,368,417	636,563	3,004,980
Total Liabilities and Fund Balances	\$3,396,973	\$1,492,907	\$4,889,880

City of Fairborn, Ohio
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 Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$2,136,240	\$104,799	\$2,241,039
Fines, Licenses & Permits	151,008	188,939	339,947
Charges for Services	312,748	139,611	452,359
Investment Earnings	7,812	4,538	12,350
Intergovernmental	1,972,421	126,138	2,098,559
Special Assessments	0	242,168	242,168
Other Revenues	144,319	14,200	158,519
Total Revenues	4,724,548	820,393	5,544,941
Expenditures:			
Current:			
General Government	37,409	385,317	422,726
Public Safety	612,433	0	612,433
Leisure Time Activities	0	48,901	48,901
Community Development	376,135	0	376,135
Transportation and Street Repair	1,018,784	0	1,018,784
Public Health and Welfare	89,967	0	89,967
Capital Outlay	1,735,940	832,033	2,567,973
Debt Service:			
Principal Retirement	0	162,119	162,119
Interest and Fiscal Charges	4,798	79,143	83,941
Total Expenditures	3,875,466	1,507,513	5,382,979
Excess of Revenues Over (Under) Expenditures	849,082	(687,120)	161,962
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	11,102	41,730	52,832
Issuance of Long-Term Capital-Related Debt	0	488,388	488,388
Transfers In	264,534	344,056	608,590
Transfers (Out)	(8,500)	0	(8,500)
Total Other Financing Sources (Uses)	267,136	874,174	1,141,310
Net Change in Fund Balance	1,116,218	187,054	1,303,272
Fund Balance Beginning of Year	1,262,760	449,509	1,712,269
Change in Reserve for Inventory	(10,561)	0	(10,561)
Fund Balance End of Year	\$2,368,417	\$636,563	\$3,004,980

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

	Street Maintenance and Repair	State Highway	Cemetery	Community Development	Victim Witness
Assets:					
Equity in Pooled Cash and Investments	\$508,533	\$70,418	\$4,057	\$6,895	\$13,915
Receivables:					
Taxes	0	0	0	0	0
Accounts	1,851	0	0	0	1,244
Intergovernmental	498,424	40,411	0	0	18,203
Prepaid Items	2,008	171	337	0	0
Inventory	102,988	0	0	0	0
Total Assets	1,113,804	111,000	4,394	6,895	33,362
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	6,066	0	238	20	10
Accrued Wages and Benefits	28,872	2,478	4,517	6,219	6,102
Interfund Payable	0	0	0	0	0
Deferred Revenue	326,759	26,492	0	0	14,157
Contracts Payable	0	0	0	0	0
Due to Other Funds	1,188	58	32	0	0
Total Liabilities	362,885	29,028	4,787	6,239	20,269
Fund Balances:					
Reserved for Encumbrances	17,359	1,761	878	30	513
Reserved for Prepaid Items	2,008	171	337	0	0
Reserved for Inventory	102,988	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	628,564	80,040	(1,608)	626	12,580
Total Fund Balances	750,919	81,972	(393)	656	13,093
Total Liabilities and Fund Balances	\$1,113,804	\$111,000	\$4,394	\$6,895	\$33,362

Street Lighting	County Motor Vehicle Tax	Law Enforcement Trust	Drug Law Enforcement	City Motor Vehicle License Tax	Indigent Drivers Alcohol Treatment	Alcohol Enforcement and Education
\$41,347	\$104,135	\$43,874	\$4,899	\$339,097	\$350,556	\$6,054
168,093	83,810	0	0	178,095	0	0
0	711	0	195	0	1,013	192
5,654	33,918	0	0	67,845	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>215,094</u>	<u>222,574</u>	<u>43,874</u>	<u>5,094</u>	<u>585,037</u>	<u>351,569</u>	<u>6,246</u>
17,982	42,178	0	0	128,585	0	56
0	0	0	0	0	0	0
0	73,529	0	0	0	0	0
173,747	23,486	0	0	46,978	0	0
0	0	0	0	89,187	0	0
0	0	0	0	0	0	0
<u>191,729</u>	<u>139,193</u>	<u>0</u>	<u>0</u>	<u>264,750</u>	<u>0</u>	<u>56</u>
540	1,174	0	0	18,631	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>22,825</u>	<u>82,207</u>	<u>43,874</u>	<u>5,094</u>	<u>301,656</u>	<u>351,569</u>	<u>6,190</u>
<u>23,365</u>	<u>83,381</u>	<u>43,874</u>	<u>5,094</u>	<u>320,287</u>	<u>351,569</u>	<u>6,190</u>
<u>\$215,094</u>	<u>\$222,574</u>	<u>\$43,874</u>	<u>\$5,094</u>	<u>\$585,037</u>	<u>\$351,569</u>	<u>\$6,246</u>

Continued

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

	Federal Forfeitures	Municipal Probation Services	Fairborn School Tax Sharing	Uninsured Loss	Total Nonmajor Special Revenue Funds
Assets:					
Equity in Pooled Cash and Investments	\$233,545	\$305,645	\$0	\$137,055	\$2,170,025
Receivables:					
Taxes	0	0	0	0	429,998
Accounts	0	7,087	0	7,412	19,705
Intergovernmental	7,286	0	0	0	671,741
Prepaid Items	0	0	0	0	2,516
Inventory	0	0	0	0	102,988
Total Assets	240,831	312,732	0	144,467	3,396,973
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	0	0	0	0	195,135
Accrued Wages and Benefits	0	2,334	0	0	50,522
Interfund Payable	0	0	0	0	73,529
Deferred Revenue	7,286	0	0	0	618,905
Contracts Payable	0	0	0	0	89,187
Due to Other Funds	0	0	0	0	1,278
Total Liabilities	7,286	2,334	0	0	1,028,556
Fund Balances:					
Reserved for Encumbrances	0	330	0	15,831	57,047
Reserved for Prepaid Items	0	0	0	0	2,516
Reserved for Inventory	0	0	0	0	102,988
Unreserved, Undesignated, Reported in: Special Revenue Funds	233,545	310,068	0	128,636	2,205,866
Total Fund Balances	233,545	310,398	0	144,467	2,368,417
Total Liabilities and Fund Balances	\$240,831	\$312,732	\$0	\$144,467	\$3,396,973



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

	Street Maintenance and Repair	State Highway	Cemetery	Community Development	Victim Witness
Revenues:					
Taxes	\$0	\$0	\$0	\$0	\$0
Fines, Licenses & Permits	0	0	0	0	19,302
Charges for Services	1,851	0	28,870	0	0
Investment Earnings	0	0	0	0	0
Intergovernmental	1,041,054	84,411	0	502,539	84,163
Other Revenues	15,043	2,087	1,625	8,443	925
Total Revenues	1,057,948	86,498	30,495	510,982	104,390
Expenditures:					
Current:					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	98,233
Community Development	0	0	0	376,135	0
Transportation and Street Repair	905,042	60,959	0	0	0
Public Health and Welfare	0	0	89,967	0	0
Capital Outlay	0	0	0	0	0
Debt Service:					
Interest and Fiscal Charges	0	0	0	0	0
Total Expenditures	905,042	60,959	89,967	376,135	98,233
Excess of Revenues Over (Under) Expenditures	152,906	25,539	(59,472)	134,847	6,157
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	907	0	0	0	0
Transfers In	0	0	55,056	0	0
Transfers (Out)	(8,500)	0	0	0	0
Total Other Financing Sources (Uses)	(7,593)	0	55,056	0	0
Net Change in Fund Balance	145,313	25,539	(4,416)	134,847	6,157
Fund Balance Beginning of Year	616,167	56,433	4,023	(134,191)	6,936
Change in Reserve for Inventory	(10,561)	0	0	0	0
Fund Balance End of Year	\$750,919	\$81,972	(\$393)	\$656	\$13,093

Street Lighting	County Motor Vehicle Tax	Law Enforcement Trust	Drug Law Enforcement	City Motor Vehicle License Tax	Indigent Drivers Alcohol Treatment	Alcohol Enforcement and Education
\$167,820	\$731,865	\$0	\$0	\$1,236,555	\$0	\$0
0	0	0	2	0	28,717	3,077
0	0	0	0	0	0	0
0	0	0	0	0	0	0
7,054	114,914	0	0	138,002	0	0
26,491	4,646	41,127	2,402	0	0	0
<u>201,365</u>	<u>851,425</u>	<u>41,127</u>	<u>2,404</u>	<u>1,374,557</u>	<u>28,717</u>	<u>3,077</u>
0	0	0	0	0	0	0
354,343	0	9,656	0	0	1,445	6,212
0	0	0	0	0	0	0
0	14,952	0	0	37,831	0	0
0	0	0	0	0	0	0
0	547,076	0	0	1,167,663	0	0
0	4,798	0	0	0	0	0
<u>354,343</u>	<u>566,826</u>	<u>9,656</u>	<u>0</u>	<u>1,205,494</u>	<u>1,445</u>	<u>6,212</u>
<u>(152,978)</u>	<u>284,599</u>	<u>31,471</u>	<u>2,404</u>	<u>169,063</u>	<u>27,272</u>	<u>(3,135)</u>
0	0	10,195	0	0	0	0
169,058	3,919	0	0	7,837	0	0
0	0	0	0	0	0	0
<u>169,058</u>	<u>3,919</u>	<u>10,195</u>	<u>0</u>	<u>7,837</u>	<u>0</u>	<u>0</u>
16,080	288,518	41,666	2,404	176,900	27,272	(3,135)
7,285	(205,137)	2,208	2,690	143,387	324,297	9,325
0	0	0	0	0	0	0
<u>\$23,365</u>	<u>\$83,381</u>	<u>\$43,874</u>	<u>\$5,094</u>	<u>\$320,287</u>	<u>\$351,569</u>	<u>\$6,190</u>

Continued

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

	Federal Forfeitures	Municipal Probation Services	Fairborn School Tax Sharing	Uninsured Loss	Total Nonmajor Special Revenue Funds
Revenues:					
Taxes	\$0	\$0	\$0	\$0	\$2,136,240
Fines, Licenses & Permits	0	99,910	0	0	151,008
Charges for Services	274,615	0	0	7,412	312,748
Investment Earnings	7,812	0	0	0	7,812
Intergovernmental	284	0	0	0	1,972,421
Other Revenues	0	677	0	40,853	144,319
Total Revenues	282,711	100,587	0	48,265	4,724,548
Expenditures:					
Current:					
General Government	0	0	28,664	8,745	37,409
Public Safety	84,923	57,621	0	0	612,433
Community Development	0	0	0	0	376,135
Transportation and Street Repair	0	0	0	0	1,018,784
Public Health and Welfare	0	0	0	0	89,967
Capital Outlay	0	0	0	21,201	1,735,940
Debt Service:					
Interest and Fiscal Charges	0	0	0	0	4,798
Total Expenditures	84,923	57,621	28,664	29,946	3,875,466
Excess of Revenues Over (Under) Expenditures	197,788	42,966	(28,664)	18,319	849,082
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	0	0	0	0	11,102
Transfers In	0	0	28,664	0	264,534
Transfers (Out)	0	0	0	0	(8,500)
Total Other Financing Sources (Uses)	0	0	28,664	0	267,136
Net Change in Fund Balance	197,788	42,966	0	18,319	1,116,218
Fund Balance Beginning of Year	35,757	267,432	0	126,148	1,262,760
Change in Reserve for Inventory	0	0	0	0	(10,561)
Fund Balance End of Year	\$233,545	\$310,398	\$0	\$144,467	\$2,368,417



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

	Municipal Court Improvement	Court Special Projects	General Capital Improvement	Parks and Recreation Improvements	Building and Land
Assets:					
Equity in Pooled Cash and Investments	\$106,517	\$32,052	\$470,801	\$216,345	\$148,488
Receivables:					
Taxes	0	0	0	33,037	0
Accounts	12,289	8,361	0	554	0
Interest	0	0	314	0	0
Intergovernmental	0	0	0	123,786	0
Total Assets	118,806	40,413	471,115	373,722	148,488
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	1,572	0	13,640	0	898
Accrued Wages and Benefits	4,451	0	0	0	0
Accrued Interest Payable	0	0	0	0	0
Interfund Payable	0	0	0	0	0
Deferred Revenue	0	0	0	123,786	0
General Obligation Notes Payable	0	0	0	0	0
Total Liabilities	6,023	0	13,640	123,786	898
Fund Balances:					
Reserved for Encumbrances	13,848	0	66,909	0	10,325
Unreserved, Undesignated, Reported in:					
Capital Projects Funds	98,935	40,413	390,566	249,936	137,265
Total Fund Balances	112,783	40,413	457,475	249,936	147,590
Total Liabilities and Fund Balances	\$118,806	\$40,413	\$471,115	\$373,722	\$148,488

Special Assessment Construction	Total Nonmajor Capital Projects Funds
\$200,742	\$1,174,945
0	33,037
139,621	160,825
0	314
0	123,786
<u>340,363</u>	<u>1,492,907</u>
0	16,110
0	4,451
11,997	11,997
0	0
0	123,786
<u>700,000</u>	<u>700,000</u>
<u>711,997</u>	<u>856,344</u>
95,256	186,338
<u>(466,890)</u>	<u>450,225</u>
<u>(371,634)</u>	<u>636,563</u>
<u>\$340,363</u>	<u>\$1,492,907</u>

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

	Municipal Court Improvement	Court Special Projects	General Capital Improvement	Parks and Recreation Improvements	Building and Land
Revenues:					
Taxes	\$0	\$0	\$0	\$104,799	\$0
Fines, Licenses & Permits	57,008	125,644	0	6,287	0
Charges for Services	133,511	0	0	6,100	0
Investment Earnings	0	0	4,494	0	44
Intergovernmental	0	0	0	126,138	0
Special Assessments	0	0	0	0	0
Other Revenues	677	0	219	554	3,477
Total Revenues	191,196	125,644	4,713	243,878	3,521
Expenditures:					
Current:					
General Government	143,839	134,450	19,423	0	68,363
Leisure Time Activities	0	0	0	48,901	0
Capital Outlay	0	0	182,710	0	0
Debt Service:					
Principal Retirement	0	0	67,119	0	95,000
Interest and Fiscal Charges	0	0	7,129	0	28,722
Total Expenditures	143,839	134,450	276,381	48,901	192,085
Excess of Revenues Over (Under) Expenditures	47,357	(8,806)	(271,668)	194,977	(188,564)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	0	0	41,730	0	0
Issuance of Long-Term Capital-Related Debt	0	0	0	0	0
Transfers In	0	0	142,720	0	201,336
Total Other Financing Sources (Uses)	0	0	184,450	0	201,336
Net Change in Fund Balance	47,357	(8,806)	(87,218)	194,977	12,772
Fund Balance Beginning of Year	65,426	49,219	544,693	54,959	134,818
Fund Balance End of Year	\$112,783	\$40,413	\$457,475	\$249,936	\$147,590

Special Assessment Construction	Total Nonmajor Capital Projects Funds
\$0	\$104,799
0	188,939
0	139,611
0	4,538
0	126,138
242,168	242,168
9,273	14,200
<u>251,441</u>	<u>820,393</u>
19,242	385,317
0	48,901
649,323	832,033
0	162,119
43,292	79,143
<u>711,857</u>	<u>1,507,513</u>
<u>(460,416)</u>	<u>(687,120)</u>
0	41,730
488,388	488,388
0	344,056
<u>488,388</u>	<u>874,174</u>
27,972	187,054
<u>(399,606)</u>	<u>449,509</u>
<u>(\$371,634)</u>	<u>\$636,563</u>

**SCHEDULES OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)**

City of Fairborn, Ohio
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 Maintenance, and Repair Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$1,060,477	\$1,058,744	(\$1,733)
Other Revenues	15,334	17,920	2,586
Total Revenues	1,075,811	1,076,664	853
Expenditures:			
Current:			
Transportation & Street Repair	1,075,043	1,035,113	39,930
Total Expenditures	1,075,043	1,035,113	39,930
Excess of Revenues Over (Under) Expenditures	768	41,551	40,783
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	500	907	407
Total Other Financing Sources (Uses)	500	907	407
Net Change in Fund Balance	1,268	42,458	41,190
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	448,264	448,264	0
Fund Balance End of Year	\$449,532	\$490,722	\$41,190

City of Fairborn, Ohio
 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 Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$85,931	\$85,845	(\$86)
Other Revenues	1,641	2,087	446
Total Revenues	<u>87,572</u>	<u>87,932</u>	<u>360</u>
Expenditures:			
Current:			
Transportation & Street Repair	72,673	68,468	4,205
Total Expenditures	<u>72,673</u>	<u>68,468</u>	<u>4,205</u>
Net Change in Fund Balance	14,899	19,464	4,565
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>49,193</u>	<u>49,193</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$64,092</u></u>	<u><u>\$68,657</u></u>	<u><u>\$4,565</u></u>

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

	Cemetery Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Charges for Services	\$29,500	\$28,870	(\$630)
Other Revenues	2,041	1,625	(416)
Total Revenues	<u>31,541</u>	<u>30,495</u>	<u>(1,046)</u>
Expenditures:			
Current:			
Public Health and Welfare	93,346	92,067	1,279
Total Expenditures	<u>93,346</u>	<u>92,067</u>	<u>1,279</u>
Excess of Revenues Over (Under) Expenditures	<u>(61,805)</u>	<u>(61,572)</u>	<u>233</u>
Other financing sources (uses):			
Transfers In	55,056	55,056	0
Total Other Financing Sources (Uses)	<u>55,056</u>	<u>55,056</u>	<u>0</u>
Net Change in Fund Balance	(6,749)	(6,516)	233
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>9,695</u>	<u>9,695</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$2,946</u></u>	<u><u>\$3,179</u></u>	<u><u>\$233</u></u>

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

	Community Development Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$1,008,698	\$502,539	(\$506,159)
Other Revenues	65,973	8,443	(57,530)
Total Revenues	<u>1,074,671</u>	<u>510,982</u>	<u>(563,689)</u>
Expenditures:			
Current:			
Community Development	695,991	392,594	303,397
Total Expenditures	<u>695,991</u>	<u>392,594</u>	<u>303,397</u>
Net Change in Fund Balance	378,680	118,388	(260,292)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>(111,523)</u>	<u>(111,523)</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$267,157</u></u>	<u><u>\$6,865</u></u>	<u><u>(\$260,292)</u></u>

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

	Victim Witness Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$15,000	\$19,329	\$4,329
Intergovernmental	82,876	86,463	3,587
Other Revenues	630	925	295
Total Revenues	<u>98,506</u>	<u>106,717</u>	<u>8,211</u>
Expenditures:			
Current:			
Public Safety	<u>99,946</u>	<u>98,917</u>	<u>1,029</u>
Total Expenditures	<u>99,946</u>	<u>98,917</u>	<u>1,029</u>
Net Change in Fund Balance	(1,440)	7,800	9,240
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>5,602</u>	<u>5,602</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$4,162</u></u>	<u><u>\$13,402</u></u>	<u><u>\$9,240</u></u>

City of Fairborn, Ohio
 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 Lighting Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$167,910	\$173,522	\$5,612
Intergovernmental	0	7,054	7,054
Other Revenues	65,000	26,491	(38,509)
Total Revenues	<u>232,910</u>	<u>207,067</u>	<u>(25,843)</u>
Expenditures:			
Current:			
Public Safety	403,800	354,957	48,843
Total Expenditures	<u>403,800</u>	<u>354,957</u>	<u>48,843</u>
Excess of Revenues Over (Under) Expenditures	<u>(170,890)</u>	<u>(147,890)</u>	<u>23,000</u>
Other financing sources (uses):			
Transfers In	169,058	169,058	0
Total Other Financing Sources (Uses)	<u>169,058</u>	<u>169,058</u>	<u>0</u>
Net Change in Fund Balance	(1,832)	21,168	23,000
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>2,833</u>	<u>2,833</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$1,001</u></u>	<u><u>\$24,001</u></u>	<u><u>\$23,000</u></u>

City of Fairborn, Ohio
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 Tax Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$560,273	\$648,056	\$87,783
Intergovernmental	268,000	115,538	(152,462)
Other Revenues	0	5,357	5,357
Total Revenues	828,273	768,951	(59,322)
Expenditures:			
Current:			
Transportation & Street Repair	10,342	14,952	(4,610)
Capital Outlay	767,720	715,476	52,244
Debt Service:			
Interest and Fiscal Charges	4,798	4,798	0
Total Expenditures	782,860	735,226	47,634
Excess of Revenues Over (Under) Expenditures	45,413	33,725	(11,688)
Other financing sources (uses):			
Advances (Out)	(36,765)	(36,765)	0
Transfers In	3,919	3,919	0
Total Other Financing Sources (Uses)	(32,846)	(32,846)	0
Net Change in Fund Balance	12,567	879	(11,688)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	59,903	59,903	0
Fund Balance End of Year	\$72,470	\$60,782	(\$11,688)

City of Fairborn, Ohio
 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 Trust Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Other Revenues	\$34,164	\$41,127	\$6,963
Total Revenues	34,164	41,127	6,963
Expenditures:			
Current:			
Public Safety	10,080	9,656	424
Total Expenditures	10,080	9,656	424
Excess of Revenues Over (Under) Expenditures	24,084	31,471	7,387
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	8,895	10,195	1,300
Total Other Financing Sources (Uses)	8,895	10,195	1,300
Net Change in Fund Balance	32,979	41,666	8,687
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,208	2,208	0
Fund Balance End of Year	\$35,187	\$43,874	\$8,687

City of Fairborn, Ohio
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 Law Enforcement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Other Revenues	\$2,000	\$2,402	\$402
Total Revenues	2,000	2,402	402
Expenditures:			
Current:			
Public Safety	500	0	500
Total Expenditures	500	0	500
Excess of Revenues Over (Under) Expenditures	1,500	2,402	902
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	500	0	(500)
Total Other Financing Sources (Uses)	500	0	(500)
Net Change in Fund Balance	2,000	2,402	402
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,497	2,497	0
Fund Balance End of Year	\$4,497	\$4,899	\$402

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

	City Motor Vehicle License Tax Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$1,118,544	\$1,058,459	(\$60,085)
Intergovernmental	132,000	140,672	8,672
Total Revenues	<u>1,250,544</u>	<u>1,199,131</u>	<u>(51,413)</u>
Expenditures:			
Current:			
Transportation & Street Repair	20,226	37,831	(17,605)
Capital Outlay	1,358,969	1,135,933	223,036
Total Expenditures	<u>1,379,195</u>	<u>1,173,764</u>	<u>205,431</u>
Excess of Revenues Over (Under) Expenditures	<u>(128,651)</u>	<u>25,367</u>	<u>154,018</u>
Other financing sources (uses):			
Transfers In	7,838	7,837	(1)
Total Other Financing Sources (Uses)	<u>7,838</u>	<u>7,837</u>	<u>(1)</u>
Net Change in Fund Balance	(120,813)	33,204	154,017
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>144,460</u>	<u>144,460</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$23,647</u></u>	<u><u>\$177,664</u></u>	<u><u>\$154,017</u></u>

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

	Indigent Drivers Alcohol Treatment Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$24,000	\$28,482	\$4,482
Total Revenues	24,000	28,482	4,482
Expenditures:			
Current:			
Public Safety	15,000	1,445	13,555
Total Expenditures	15,000	1,445	13,555
Net Change in Fund Balance	9,000	27,037	18,037
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	323,519	323,519	0
Fund Balance End of Year	\$332,519	\$350,556	\$18,037

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

	Alcohol Enforcement and Education Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$2,700	\$3,161	\$461
Total Revenues	2,700	3,161	461
Expenditures:			
Current:			
Public Safety	6,300	6,271	29
Total Expenditures	6,300	6,271	29
Net Change in Fund Balance	(3,600)	(3,110)	490
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	9,164	9,164	0
Fund Balance End of Year	\$5,564	\$6,054	\$490

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

	Federal Forfeitures Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$2,500	\$284	(\$2,216)
Charges for Services	265,576	274,615	9,039
Investment Earnings	0	7,812	7,812
Total Revenues	268,076	282,711	14,635
Expenditures:			
Current:			
Public Safety	90,640	90,631	9
Total Expenditures	90,640	90,631	9
Net Change in Fund Balance	177,436	192,080	14,644
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	41,465	41,465	0
Fund Balance End of Year	\$218,901	\$233,545	\$14,644

City of Fairborn, Ohio
 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 Probation Services Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$88,500	\$100,611	\$12,111
Other Revenues	350	677	327
Total Revenues	<u>88,850</u>	<u>101,288</u>	<u>12,438</u>
Expenditures:			
Current:			
Public Safety	71,460	57,819	13,641
Total Expenditures	<u>71,460</u>	<u>57,819</u>	<u>13,641</u>
Net Change in Fund Balance	17,390	43,469	26,079
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>261,846</u>	<u>261,846</u>	<u>0</u>
Fund Balance End of Year	<u>\$279,236</u>	<u>\$305,315</u>	<u>\$26,079</u>

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

	Fairborn School Tax Sharing Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Current:			
General Government	38,000	28,664	9,336
Total Expenditures	38,000	28,664	9,336
Excess of Revenues Over (Under) Expenditures	(38,000)	(28,664)	9,336
Other financing sources (uses):			
Transfers In	38,000	28,664	(9,336)
Total Other Financing Sources (Uses)	38,000	28,664	(9,336)
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance End of Year	\$0	\$0	\$0

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

	Final Budget	Uninsured Loss Fund Actual	Variance from Final Budget
Revenues:			
Other Revenues	\$20,000	\$47,569	\$27,569
Total Revenues	20,000	47,569	27,569
Expenditures:			
Current:			
General Government	12,000	8,745	3,255
Capital Outlay	38,000	37,032	968
Total Expenditures	50,000	45,777	4,223
Net Change in Fund Balance	(30,000)	1,792	31,792
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	119,432	119,432	0
Fund Balance End of Year	\$89,432	\$121,224	\$31,792

City of Fairborn, Ohio
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		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$153,203	\$160,631	\$7,428
Special Assessments	382,834	301,223	(81,611)
Investment Earnings	15,000	0	(15,000)
Total Revenues	<u>551,037</u>	<u>461,854</u>	<u>(89,183)</u>
Expenditures:			
Current:			
General Government	531,224	60,818	470,406
Debt Service:			
Principal Retirement	283,700	283,700	0
Interest and Fiscal Charges	89,541	89,541	0
Total Expenditures	<u>904,465</u>	<u>434,059</u>	<u>470,406</u>
Excess of Revenues Over (Under) Expenditures	<u>(353,428)</u>	<u>27,795</u>	<u>381,223</u>
Other financing sources (uses):			
Issuance of Long-Term Capital-Related Debt	472,961	4,532	(468,429)
Total Other Financing Sources (Uses)	<u>472,961</u>	<u>4,532</u>	<u>(468,429)</u>
Net Change in Fund Balance	119,533	32,327	(87,206)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>635,839</u>	<u>635,839</u>	<u>0</u>
Fund Balance End of Year	<u>\$755,372</u>	<u>\$668,166</u>	<u>(\$87,206)</u>

City of Fairborn, Ohio
 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 Court Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$140,000	\$190,730	\$50,730
Other Revenues	350	677	327
Total Revenues	<u>140,350</u>	<u>191,407</u>	<u>51,057</u>
Expenditures:			
Current:			
General Government	192,079	157,224	34,855
Total Expenditures	<u>192,079</u>	<u>157,224</u>	<u>34,855</u>
Net Change in Fund Balance	(51,729)	34,183	85,912
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>56,914</u>	<u>56,914</u>	<u>0</u>
Fund Balance End of Year	<u>\$5,185</u>	<u>\$91,097</u>	<u>\$85,912</u>

City of Fairborn, Ohio
 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 Special Projects Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$95,000	\$125,702	\$30,702
Total Revenues	95,000	125,702	30,702
Expenditures:			
Current:			
General Government	134,453	134,450	3
Total Expenditures	134,453	134,450	3
Net Change in Fund Balance	(39,453)	(8,748)	30,705
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	40,800	40,800	0
Fund Balance End of Year	\$1,347	\$32,052	\$30,705

City of Fairborn, Ohio
 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 Capital Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$1,000	\$4,188	\$3,188
Other Revenues	0	219	219
Total Revenues	1,000	4,407	3,407
Expenditures:			
Current:			
General Government	89,806	89,714	92
Capital Outlay	378,420	209,061	169,359
Debt Service:			
Principal Retirement	67,119	67,119	0
Interest and Fiscal Charges	7,129	7,129	0
Total Expenditures	542,474	373,023	169,451
Excess of Revenues Over (Under) Expenditures	(541,474)	(368,616)	172,858
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	15,000	41,730	26,730
Transfers In	142,725	142,720	(5)
Total Other Financing Sources (Uses)	157,725	184,450	26,725
Net Change in Fund Balance	(383,749)	(184,166)	199,583
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	574,817	574,817	0
Fund Balance End of Year	\$191,068	\$390,651	\$199,583

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

	Parks and Recreation Improvements Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$95,950	\$97,280	\$1,330
Fines, Licenses & Permits	5,000	6,844	1,844
Intergovernmental	111,498	126,138	14,640
Charges for Services	1,000	6,100	5,100
Total Revenues	<u>213,448</u>	<u>236,362</u>	<u>22,914</u>
Expenditures:			
Current:			
Leisure Time Activities	182,358	75,076	107,282
Total Expenditures	<u>182,358</u>	<u>75,076</u>	<u>107,282</u>
Net Change in Fund Balance	31,090	161,286	130,196
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>55,059</u>	<u>55,059</u>	<u>0</u>
Fund Balance End of Year	<u>\$86,149</u>	<u>\$216,345</u>	<u>\$130,196</u>

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

	Building and Land Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Other Revenues	\$0	\$3,477	\$3,477
Total Revenues	0	3,477	3,477
Expenditures:			
Current:			
General Government	123,468	67,889	55,579
Debt Service:			
Principal Retirement	95,000	95,000	0
Interest and Fiscal Charges	28,722	28,722	0
Total Expenditures	247,190	191,611	55,579
Excess of Revenues Over (Under) Expenditures	(247,190)	(188,134)	59,056
Other financing sources (uses):			
Transfers In	201,338	201,336	(2)
Total Other Financing Sources (Uses)	201,338	201,336	(2)
Net Change in Fund Balance	(45,852)	13,202	59,054
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	124,163	124,163	0
Fund Balance End of Year	\$78,311	\$137,365	\$59,054

City of Fairborn, Ohio
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 Construction Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Special Assessments	\$103,321	\$228,342	\$125,021
Other Revenues	0	15,897	15,897
Total Revenues	103,321	244,239	140,918
Expenditures:			
Current:			
General Government	20,932	20,932	0
Capital Outlay	744,766	744,766	0
Debt Service:			
Interest and Fiscal Charges	31,295	31,295	0
Total Expenditures	796,993	796,993	0
Excess of Revenues Over (Under) Expenditures	(693,672)	(552,754)	140,918
Other financing sources (uses):			
Issuance of Long-Term Capital-Related Debt	32,039	488,388	456,349
Issuance of Short-Term Notes	1,332,257	700,000	(632,257)
Advances (Out)	(712,900)	(712,891)	9
Total Other Financing Sources (Uses)	651,396	475,497	(175,899)
Net Change in Fund Balance	(42,276)	(77,257)	(34,981)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	277,999	277,999	0
Fund Balance End of Year	\$235,723	\$200,742	(\$34,981)

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

	Public Safety Equipment / Facility Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$1,729,708	\$1,727,838	(\$1,870)
Charges for Services	75,000	48,081	(26,919)
Investment Earnings	262,000	36,298	(225,702)
Other Revenues	10,000	7,889	(2,111)
Total Revenues	<u>2,076,708</u>	<u>1,820,106</u>	<u>(256,602)</u>
Expenditures:			
Current:			
General Government	1,600,462	1,568,601	31,861
Capital Outlay	11,121,143	9,096,591	2,024,552
Debt Service:			
Principal Retirement	940,000	940,000	0
Interest and Fiscal Charges	359,698	359,698	0
Total Expenditures	<u>14,021,303</u>	<u>11,964,890</u>	<u>2,056,413</u>
Excess of Revenues Over (Under) Expenditures	<u>(11,944,595)</u>	<u>(10,144,784)</u>	<u>1,799,811</u>
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	0	9,118	9,118
Issuance of Short-Term Notes	2,750,000	2,500,000	(250,000)
Transfers In	11,756	11,756	0
Total Other Financing Sources (Uses)	<u>2,761,756</u>	<u>2,520,874</u>	<u>(240,882)</u>
Net Change in Fund Balance	(9,182,839)	(7,623,910)	1,558,929
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>9,255,083</u>	<u>9,255,083</u>	<u>0</u>
Fund Balance End of Year	<u>\$72,244</u>	<u>\$1,631,173</u>	<u>\$1,558,929</u>

City of Fairborn, Ohio
 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 Fund		Variance from Final Budget
	Final Budget	Actual	
Revenues:			
Taxes	\$80,358	\$80,359	\$1
Intergovernmental	635,000	635,000	0
Total Revenues	<u>715,358</u>	<u>715,359</u>	<u>1</u>
Expenditures:			
Current:			
General Government	21,798	21,015	783
Capital Outlay	908,091	906,310	1,781
Debt Service:			
Principal Retirement	2,110,000	2,110,000	0
Interest and Fiscal Charges	76,462	76,462	0
Total Expenditures	<u>3,116,351</u>	<u>3,113,787</u>	<u>2,564</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,400,993)</u>	<u>(2,398,428)</u>	<u>2,565</u>
Other financing sources (uses):			
Issuance of Short-Term Notes	1,562,245	1,550,000	(12,245)
Total Other Financing Sources (Uses)	<u>1,562,245</u>	<u>1,550,000</u>	<u>(12,245)</u>
Net Change in Fund Balance	(838,748)	(848,428)	(9,680)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>856,038</u>	<u>856,038</u>	<u>0</u>
Fund Balance End of Year	<u>\$17,290</u>	<u>\$7,610</u>	<u>(\$9,680)</u>

Internal Service Funds

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

Equipment Fund

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

Information Technology Fund

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

Employee Assistance Program

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

Fiduciary Funds

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

Agency Fund

Municipal Court Fund

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

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

	Equipment	Information Technology	Employee Assistance Program	Total Internal Service Funds
Assets:				
Equity in Pooled Cash and Investments	\$249,662	\$30,066	\$421,653	\$701,381
Receivables:				
Accounts	23,395	0	0	23,395
Interest	0	0	67	67
Due from Other Funds	18,425	0	0	18,425
Prepaid Items	1,084	0	0	1,084
Inventory	105,646	0	0	105,646
Total Current Assets	398,212	30,066	421,720	849,998
Depreciable Capital Assets, Net	152,816	3,669	0	156,485
Total Noncurrent Assets	152,816	3,669	0	156,485
Total Assets	551,028	33,735	421,720	1,006,483
Liabilities:				
Current Liabilities:				
Accounts Payable	59,015	4,936	0	63,951
Accrued Wages and Benefits	29,141	10,313	0	39,454
Due to Other Funds	78	89	0	167
Long-Term Liabilities Due Within One Year	38,071	2,012	0	40,083
Total Current Liabilities	126,305	17,350	0	143,655
Long-Term Liabilities:				
Compensated Absences	8,307	4,330	0	12,637
Total Noncurrent Liabilities	8,307	4,330	0	12,637
Total Liabilities	134,612	21,680	0	156,292
Net Assets:				
Invested in Capital Assets, Net of Related Debt	152,816	3,669	0	156,485
Unrestricted	263,600	8,386	421,720	693,706
Total Net Assets	\$416,416	\$12,055	\$421,720	\$850,191

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

	Equipment	Information Technology	Employee Assistance Program	Total Internal Service Funds
Operating Revenues:				
Charges for Services	\$1,199,971	\$423,987	\$0	\$1,623,958
Other Revenues	0	5,177	0	5,177
Total Operating Revenues	1,199,971	429,164	0	1,629,135
Operating Expenses:				
Personal Services	491,459	421,900	0	913,359
Contractual Services	869	3,036	0	3,905
Materials and Supplies	577,536	1,251	0	578,787
Depreciation	9,965	1,048	0	11,013
Dental Insurance Claims	0	0	8,604	8,604
Total Operating Expenses	1,079,829	427,235	8,604	1,515,668
Operating Income (Loss)	120,142	1,929	(8,604)	113,467
Non-Operating Revenues (Expenses):				
Investment Earnings	0	0	17,014	17,014
Interest (Expense)	(95,615)	0	0	(95,615)
Total Non-Operating Revenues (Expenses)	(95,615)	0	17,014	(78,601)
Change in Net Assets	24,527	1,929	8,410	34,866
Net Assets Beginning of Year, Restated	391,889	10,126	413,310	815,325
Net Assets End of Year	\$416,416	\$12,055	\$421,720	\$850,191

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

	Equipment	Information Technology	Employee Assistance Program	Total Internal Service Funds
Cash Flows from Operating Activities:				
Cash Received from Customers	\$1,254,258	\$429,164	\$0	\$1,683,422
Cash Payments to Employees	(489,135)	(426,749)	0	(915,884)
Cash Payments to Suppliers	(561,171)	0	0	(561,171)
Dental Insurance Claims	0	0	(8,604)	(8,604)
Net Cash Provided (Used) by Operating Activities	203,952	2,415	(8,604)	197,763
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions	(33,335)	0	0	(33,335)
Debt Interest Payments	(95,615)	0	0	(95,615)
Net Cash Provided (Used) by Capital and Related Financing Activities	(128,950)	0	0	(128,950)
Cash Flows from Investing Activities:				
Earnings on Investments	0	0	16,947	16,947
Net Cash Provided (Used) by Cash Flows from Investing Activities	0	0	16,947	16,947
Net Increase (Decrease) in Cash and Cash Equivalents	75,002	2,415	8,343	85,760
Cash and Cash Equivalents Beginning of Year	174,660	27,651	413,310	615,621
Cash and Cash Equivalents End of Year	249,662	30,066	421,653	701,381
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	120,142	1,929	(8,604)	113,467
Adjustments:				
Depreciation	9,965	1,048	0	11,013
Changes in Assets & Liabilities:				
(Increase) Decrease in Receivables	53,882	0	0	53,882
(Increase) Decrease in Inventory	8,970	0	0	8,970
(Increase) Decrease in Due From Other Funds	405	0	0	405
(Increase) Decrease in Prepaid Items	103	0	0	103
Increase (Decrease) in Accrued Wages and Benefits	12,769	1,600	0	14,369
Increase (Decrease) in Compensated Absences	1,568	6,342	0	7,910
Increase (Decrease) in Intergovernmental Payable	(12,013)	(319)	0	(12,332)
Increase (Decrease) in Due to Other Funds	18	50	0	68
Increase (Decrease) in Payables	8,143	(8,235)	0	(92)
Net Cash Provided (Used) by Operating Activities	\$203,952	\$2,415	(\$8,604)	\$197,763
Schedule of Noncash Investing, Capital and Financing Activities:				
Fair value of investments decreased	\$0	\$0	\$227	\$227

City of Fairborn, Ohio
Statement of Changes In Assets and Liabilities
Agency Fund
For the Fiscal Year Ended December 31, 2006

	Municipal Court			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$409,835	\$3,564,769	\$3,570,956	\$403,648
Total Assets	<u>409,835</u>	<u>3,564,769</u>	<u>3,570,956</u>	<u>403,648</u>
Liabilities:				
Undistributed Monies	409,835	3,564,769	3,570,956	403,648
Total Liabilities	<u>\$409,835</u>	<u>\$3,564,769</u>	<u>\$3,570,956</u>	<u>\$403,648</u>

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FAIRBORN

TRADITION • INNOVATION

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.

City of Fairborn
 Net Assets by Component
 Last Four 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	\$54,620,618	\$51,699,260	\$53,449,082	\$53,703,616	\$51,965,247
Restricted	2,288,050	8,908,087	7,825,897	5,536,261	9,740,033
Unrestricted	8,904,252	4,827,281	5,471,500	7,725,904	5,223,383
Total governmental activities net assets	\$65,812,920	\$65,434,628	\$66,746,479	\$66,965,781	\$66,928,663
Business-type activities					
Invested in Capital Assets, Net of Related Debt	\$6,384,413	\$8,410,344	\$9,532,806	\$7,798,051	\$10,747,963
Unrestricted	7,465,721	5,979,615	6,425,634	7,517,353	6,670,119
Total business-type activities net assets	\$13,850,134	\$14,389,959	\$15,958,440	\$15,315,404	\$17,418,082
Total Primary Government	\$79,663,054	\$79,824,587	\$82,704,919	\$82,281,185	\$84,346,745

Source: City Records

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

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

	Calendar Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
General Government	\$7,051,733	\$7,913,833	\$7,992,100	\$9,772,999	\$10,762,826
Public Safety	10,224,571	10,411,559	10,864,285	11,379,893	13,282,937
Leisure Time Activities	192,053	204,881	217,512	257,014	486,746
Community Development	876,786	924,385	895,745	1,080,955	1,147,616
Transportation and Street Repair	960,594	962,684	878,685	1,187,932	1,214,199
Public Health and Welfare Services	170,269	161,312	161,299	172,154	109,854
Interest and Fiscal Charges	227,385	243,382	226,575	663,995	598,655
Total governmental activities expenses	19,703,391	20,822,036	21,236,201	24,514,942	27,602,833
Business-type activities:					
Water	2,681,226	2,528,612	2,624,043	3,204,297	3,026,054
Sewer	3,657,890	3,408,437	3,158,600	4,535,248	4,510,918
Sanitation	1,784,814	2,025,971	1,946,026	2,027,626	2,054,612
Total business-type activities expenses	8,123,930	7,963,020	7,728,669	9,767,171	9,591,584
Total primary government expenses	\$27,827,321	\$28,785,056	\$28,964,870	\$34,282,113	\$37,194,417
Program Revenues					
Governmental Activities:					
Charges for Services and Sales:					
General Government	\$3,710,434	\$3,718,960	\$3,926,762	\$4,113,140	\$4,804,288
Public Safety	1,146,719	1,175,583	1,285,022	1,313,898	1,498,951
Leisure Time Activities	61,701	59,699	55,506	60,430	65,446
Community Development	252,513	313,328	297,960	292,286	254,979
Public Health and Welfare Services	29,575	30,715	28,829	34,073	32,022
Operating Grants and Contributions	1,649,218	775,560	2,417,960	2,274,918	2,504,549
Capital Grants and Contributions	544,854	888,166	2,063,689	528,654	2,186,866
Total governmental activities program revenues	7,395,014	6,962,011	10,075,728	8,617,399	11,347,101
Business-type activities:					
Charges for Services and Sales:					
Water	2,584,278	2,607,726	2,836,439	2,805,354	2,759,818
Sewer	4,006,321	4,006,820	4,433,028	4,594,321	4,840,354
Sanitation	1,903,751	1,878,380	2,005,865	2,010,264	2,144,265
Total business-type activities program revenues	8,494,350	8,492,926	9,275,332	9,409,939	9,744,437
Total primary government program revenues	\$15,889,364	\$15,454,937	\$19,351,060	\$18,027,338	\$21,091,538

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

	Calendar Year				
	2002	2003	2004	2005	2006
Net (Expense)/Revenue					
Governmental Activities	(\$12,308,377)	(\$13,860,025)	(\$11,160,473)	(\$15,897,543)	(\$16,255,732)
Business-type activities	370,420	529,906	1,546,663	(357,232)	152,853
Total primary government net expenses	<u>(\$11,937,957)</u>	<u>(\$13,330,119)</u>	<u>(\$9,613,810)</u>	<u>(\$16,254,775)</u>	<u>(\$16,102,879)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Income Taxes	\$5,488,820	\$6,534,126	\$6,293,807	\$9,478,816	\$8,985,856
Property Taxes Levied for:					
General Purposes	2,405,119	2,425,051	2,913,868	2,900,527	2,458,468
Special Revenue Purposes	162,637	162,112	180,544	192,806	2,303,320
Debt Service Purposes	155,383	89,952	151,616	157,749	160,196
Capital Project Purposes	92,417	95,147	91,998	89,878	80,359
Grants and Entitlements not Restricted	3,176,277	3,456,098	1,832,128	1,917,607	1,432,939
Unrestricted Contributions	0	0	0	0	60,711
Investment Earnings	372,162	240,579	241,769	712,500	895,623
Refunds & Reimbursements	0	0	0	0	219,905
Other Revenues	689,280	479,904	788,312	860,658	240,363
Transfers-Internal Activities	0	(21,136)	(21,818)	(11,614)	(8,181)
Special Item: Sale of Stock	559,980	0	0	0	0
Total governmental activities	<u>13,102,075</u>	<u>13,461,833</u>	<u>12,472,224</u>	<u>16,298,927</u>	<u>16,829,559</u>
Business-type activities:					
Investment earnings	0	0	0	0	184,557
Other Revenues	0	0	0	0	96,979
Transfers-Internal Activities	0	21,136	21,818	11,614	8,181
Total business-type activities	<u>0</u>	<u>21,136</u>	<u>21,818</u>	<u>11,614</u>	<u>289,717</u>
Total primary government	<u>\$13,102,075</u>	<u>\$13,482,969</u>	<u>\$12,494,042</u>	<u>\$16,310,541</u>	<u>\$17,119,276</u>
Change in Net Assets					
Governmental Activities	\$793,698	(\$398,192)	\$1,311,751	\$401,384	\$573,827
Business-type activities	370,420	551,042	1,568,481	(345,618)	442,570
Total primary government	<u>\$1,164,118</u>	<u>\$152,850</u>	<u>\$2,880,232</u>	<u>\$55,766</u>	<u>\$1,016,397</u>

Source: City Records

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

City of Fairborn
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	\$331,417	\$507,791	\$228,371	\$177,974	\$568,219	\$245,934	\$217,896	\$168,628	\$245,018
Unreserved	3,358,520	3,759,092	3,826,254	4,462,869	4,895,298	4,005,389	3,790,060	3,776,580	4,641,173	4,914,626
Total General Fund	3,571,402	4,090,509	4,334,045	4,691,240	5,073,272	4,573,608	4,035,994	3,994,476	4,809,801	5,159,644
All Other Governmental Funds										
Reserved	1,064,138	1,076,733	950,024	1,699,671	1,248,572	1,115,820	1,507,275	743,955	2,188,633	1,916,625
Unreserved, Reported in:										
Special Revenue Funds	703,960	828,333	658,910	816,257	689,825	1,135,057	1,118,846	1,100,078	1,026,335	2,500,629
Debt Service Funds	0	0	0	0	0	0	0	0	0	669,100
Capital Projects Funds	(1,395,724)	96,269	808,882	164,678	511,614	307,038	978,497	1,051,916	7,144,789	(1,980,179)
Total all Other Governmental Funds	\$372,374	\$2,001,335	\$2,417,816	\$2,680,606	\$2,450,011	\$2,557,915	\$3,604,618	\$2,895,949	\$10,359,757	\$3,106,175

Source: City Records

City of Fairborn
 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	\$7,947,045	\$8,051,168	\$8,189,785	\$8,735,721	\$8,765,407	\$8,993,618	\$9,341,627	\$9,430,916	\$12,748,456	\$14,340,781
Fines, Licenses, and Permits	1,582,907	1,643,990	1,855,131	1,897,908	1,758,798	1,801,303	1,733,554	1,576,265	1,673,142	1,835,529
Charges for Services	1,959,997	2,117,982	2,588,715	2,527,421	3,240,197	3,368,475	3,552,641	4,017,814	4,140,685	4,257,434
Investment Earnings	559,989	625,181	512,422	825,924	668,771	361,252	233,397	235,220	695,348	895,623
Intergovernmental Revenues	4,718,008	4,534,099	4,371,334	5,228,410	5,016,154	4,938,871	4,862,993	4,713,476	4,964,424	5,164,926
Special Assessments	272,718	489,040	407,699	444,465	469,622	387,253	450,642	325,991	496,664	543,391
All Other Revenues	316,543	521,971	401,080	259,730	617,671	599,130	439,315	773,721	811,522	521,639
Total Revenues	\$17,357,207	\$17,983,431	\$18,326,166	\$19,919,579	\$20,536,620	\$20,449,902	\$20,614,169	\$21,073,403	\$25,530,241	\$27,559,323
Expenditures:										
Current:										
General Government	\$4,467,743	\$4,658,312	\$5,147,581	\$5,459,244	\$5,509,545	\$5,715,259	\$5,838,931	\$5,835,831	\$6,756,023	\$6,451,186
Public Safety	7,977,919	8,094,566	8,575,288	8,865,052	9,685,004	9,868,946	9,976,207	10,329,612	10,912,325	12,564,172
Leisure Time Activities	173,891	178,581	176,494	183,547	183,800	161,955	170,123	176,296	195,785	410,110
Community Development	801,423	878,450	962,460	752,221	822,128	818,227	873,993	850,517	1,033,507	1,059,955
Transportation and Street Repair	724,963	702,568	766,452	834,842	789,720	899,133	866,139	843,820	1,056,935	1,018,784
Public Health and Welfare Services	129,258	138,598	135,882	142,944	151,234	152,562	155,009	158,972	170,082	89,967
Capital Outlay	2,861,606	2,237,735	1,657,716	2,348,026	2,608,648	2,743,730	2,469,469	2,990,691	5,632,627	11,390,490
Debt Service:										
Principal Retirement	326,000	361,000	421,000	423,000	459,000	426,000	435,000	506,208	1,176,700	1,387,422
Interest and Fiscal Charges	320,988	329,906	312,070	311,417	282,674	238,408	241,730	227,380	667,870	626,558
Total Expenditures	\$17,783,791	\$17,579,716	\$18,154,943	\$19,320,293	\$20,491,753	\$21,024,220	\$21,026,601	\$21,919,327	\$27,601,854	\$34,998,644

City of Fairborn
 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	(\$426,584)	\$403,715	\$171,223	\$599,286	\$44,867	(\$574,318)	(\$412,432)	(\$845,924)	(\$2,071,613)	(\$7,439,321)
Other Financing Sources (Uses)										
Sale of Capital Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$31,307	\$55,451	\$18,710	\$65,300
Sale of Bonds	0	0	0	0	0	0	760,000	275,000	10,000,000	0
Premium on Bonds	0	0	0	0	0	0	0	0	281,454	0
Sale of Notes	0	0	0	0	0	0	0	62,056	0	0
Proceeds from the Sale of Fixed Assets	7,743	9,621	8,303	17,651	49,465	121,657	0	0	0	0
Proceeds from Long-Term Capital-Related Debt	0	1,770,000	450,000	0	0	0	0	0	0	505,000
Proceeds from Refunding Bonds	0	0	0	0	1,370,000	0	0	0	0	0
Proceeds to Refunding Bond Escrow Agent	0	0	0	0	(1,349,848)	0	0	0	0	0
Transfers In	371,713	684,813	961,182	1,139,291	1,180,867	1,505,756	1,897,171	1,248,277	3,057,305	4,077,630
Transfers (Out)	(371,713)	(684,813)	(961,182)	(1,139,291)	(1,180,867)	(1,407,521)	(1,848,307)	(1,170,495)	(3,068,919)	(4,085,811)
Other Financing Sources - Capital Lease	0	0	0	0	0	0	0	107,924	42,119	0
Total Other Financing Sources (Uses)	7,743	1,779,621	458,303	17,651	69,617	219,892	840,171	578,213	10,330,669	562,119
Net Change in Fund Balances	(\$418,841)	\$2,183,336	\$629,526	\$616,937	\$114,484	(\$354,426)	\$427,739	(\$267,711)	\$8,259,056	(\$6,877,202)

Debt service as a percentage of noncapital expenditures (1) 4.3% 4.5% 4.4% 4.3% 4.1% 3.6% 3.6% 3.9% 8.4% 8.5%

Source: City Records

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

City of Fairborn
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Collection Years
 Schedule 5

Collection Year	Real Property	Tangible	Utilities	Public	Exemptions (1)	Total	Total	Total
	Assessed Value	Personal Property Assessed Value	Personal Assessed Value	Assessed Value		Assessed Value	Estimated Actual Value	
1997	\$413,973,720	\$29,346,396	\$19,089,980	\$84,655,070	\$377,755,026	\$1,112,680,489	33.95	
1998	422,618,920	29,748,447	19,908,590	88,125,310	384,150,647	1,097,573,277	35.00	
1999	429,132,780	28,479,115	21,750,640	89,344,780	390,017,755	1,114,336,443	35.00	
2000	455,514,920	28,685,873	22,875,640	91,143,620	415,932,813	1,188,379,466	35.00	
2001	469,317,930	34,479,275	19,736,500	91,540,420	431,993,285	1,170,233,589	36.92	
2002	484,894,510	29,381,672	15,055,150	95,739,760	433,591,572	1,184,267,100	36.61	
2003	584,467,950	29,402,399	15,803,490	133,469,880	496,203,959	1,363,121,142	36.40	
2004	591,637,070	28,546,698	15,059,190	133,790,350	501,452,608	1,379,706,441	36.34	
2005 (2)	599,579,410	28,562,585	14,726,390	133,948,720	508,919,665	1,401,011,385	36.33	
2006 (2)	641,753,590	27,961,223	13,420,850	139,676,170	543,459,493	1,500,813,423	36.21	

Source: County Auditor

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

(2) - 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 Fairborn
 Direct and Overlapping Property Tax Rates
 Last Ten Calendar Years
 Schedule 6

Calendar Year	Direct Rates					Overlapping Rates						
	General Fund	EMS Fund	Bond Retirement Fund	Street Lighting Fund	Total Direct Rate	Fairborn City Schools	Greene County	Joint Vocational School	General Health District	Bath Township	Fairborn Library	
1997	8.30	0.00	0.80	0.90	10.00	43.00	8.78	3.45	0.30	0.30	0.35	
1998	8.30	0.00	0.80	0.90	10.00	41.80	8.78	3.45	0.30	0.30	0.35	
1999	8.30	0.00	0.70	0.90	9.90	41.80	8.78	3.45	0.30	0.40	0.35	
2000	8.30	0.00	0.51	0.90	9.71	44.70	8.73	3.45	0.30	0.40	0.35	
2001	8.30	0.00	0.53	0.90	9.73	44.64	9.98	3.45	0.30	0.40	0.35	
2002	8.30	0.00	0.40	0.90	9.60	44.70	9.98	3.45	0.30	0.40	0.35	
2003	8.30	0.00	0.20	0.90	9.40	44.70	9.98	3.45	0.55	0.40	0.35	
2004	8.30	0.00	0.30	0.90	9.50	44.40	9.72	3.45	0.50	0.40	0.35	
2005	8.30	0.00	0.30	0.90	9.50	44.40	10.95	3.45	0.50	0.40	0.35	
2006	7.00	1.30	0.30	0.90	9.50	44.40	10.95	3.45	0.50	0.40	0.35	

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 Fairborn
Principal Property Tax Payers
Current Year and Prior Year (1)
Schedule 7

2006		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
Dayton Power and Light Company	\$7,642,020	1.41%
Charter Woods, LLC	6,155,900	1.13%
Char-Bhai Group LLC	4,838,520	0.89%
Wright Executive Hotel	4,782,520	0.88%
2377 Commerce Center Blvd.	3,956,090	0.73%
Highland Apartments	3,134,650	0.58%
Property Associates LLC	3,098,380	0.57%
Miami Valley Publishing Co. Inc.	3,045,800	0.56%
Ohio Bell Telephone	2,928,220	0.54%
Trebein Limited ADK III	2,894,220	0.53%
	<u>\$42,476,320</u>	<u>7.82%</u>

2005		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
Dayton Power and Light Company	\$7,395,220	1.45%
Charter Woods, LLC	6,155,900	1.21%
MG-Mapleview LTD	4,838,520	0.95%
2377 Commerce Center Blvd.	3,956,090	0.78%
Ohio Bell Telephone	3,872,460	0.76%
Trebein Limited ADK III	3,519,900	0.69%
Highland Apartments	3,134,650	0.62%
Property Associates LLC	3,098,380	0.61%
Miami Valley Publishing Co. Inc.	3,045,800	0.60%
Ali Industries	2,996,550	0.59%
	<u>\$42,013,470</u>	<u>8.26%</u>

Source: County Auditor

(1) - Current and prior year information only available

City of Fairborn
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		Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes To Total Tax Levy (1)
		Amount	Percentage of Levy		
1997	\$2,219,353	\$2,144,459	96.63%	\$75,700	3.41%
1998	2,232,743	1,965,008	88.01%	76,862	3.44%
1999	2,267,425	1,906,485	84.08%	104,351	4.60%
2000	2,644,251	2,443,725	92.42%	154,434	5.84%
2001	2,378,075	2,283,316	96.02%	100,850	4.24%
2002	2,312,652	2,236,001	96.69%	86,813	3.75%
2003	2,391,232	2,295,337	95.99%	76,827	3.21%
2004	2,525,070	2,436,033	96.47%	117,142	4.64%
2005	2,577,182	2,390,628	92.76%	126,340	4.90%
2006	2,681,552	2,589,155	96.55%	147,391	5.50%

Source: County Auditor

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

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

Calendar Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-Withholding	Individual	Corporate ^(a)	Partnership ^(b)		
1997 ^(b)	\$0	\$0	\$0	\$0	\$0	\$0	1.00%
1998	4,441,380	721,415	5,162,795	354,842	0	5,517,637 ^(c)	1.00%
1999	4,591,758	703,423	5,295,181	341,574	0	5,636,755 ^(c)	1.00%
2000	4,870,163	787,715	5,657,878	393,521	0	6,051,399	1.00%
2001	5,020,174	783,466	5,803,640	277,432	0	6,081,072	1.00%
2002	5,194,056	762,233	5,956,289	367,593	0	6,323,882	1.00%
2003	5,253,485	813,148	6,066,633	423,774	0	6,490,407	1.00%
2004	5,294,278	787,786	6,082,064	456,293	0	6,538,357	1.00%
2005	7,764,991	1,005,942	8,770,933	469,672	0	9,240,605	1.50%
2006	8,339,271	1,355,634	9,694,905	796,801	0	10,491,706	1.50%

Source: City Records

^(a) Corporate includes Partnerships, unable to break out the information

^(b) Information not available

^(c) 1998 and 1999 are Gross amounts, remaining years are net receipts

Note: Increases in the income tax rate requires voter approval.

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

2006	
Name	Rank
Wright State University	1
DFAS-Cleveland	2
Fairborn Board of Education	3
City of Fairborn	4
Ball Aerospace & Technologies	5
Computer Science Corp #100	6
Teleperformance USA Inc	7
Wright-Patt Credit Union	8
Miami Valley Publishing Co Inc	9
Ali Industries	10
Combined percentage of total income taxes ^(a)	37.3%

2005	
Name	Rank
Wright State University	1
DFAS-Cleveland	2
Fairborn Board of Education	3
Ball Aerospace & Technologies	4
City of Fairborn	5
Computer Science Corp #100	6
Wright-Patt Credit Union	7
Teleperformance USA Inc	8
Northrop Grumman Def MIS Sys	9
Miami Valley Publishing Co Inc	10
Combined percentage of total income taxes ^(a)	42.0%

Source: City Records

(1) - Only current and prior year information available

^(a) Percentage of total gross income tax receipts

Note: Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer.

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

Calendar Year	Governmental Activities										Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	General Obligation Notes	Special Assessment Notes	Income Tax Bonds	Income Bonds	Capital Leases	Capital Leases	Capital Leases	Capital Leases				
1997	\$1,725,000	\$1,484,000	\$704,725	\$1,256,594	\$0	\$0	\$0					\$13,927,665	0.37%	\$443
1998	2,135,000	2,483,000	50,000	56,423	0	0	0					14,099,116	0.35%	448
1999	2,360,000	2,287,000	0	96,462	0	0	0					17,031,013	0.42%	512
2000	2,138,000	2,086,000	700,000	67,456	0	0	0					16,642,662	0.39%	519
2001	2,000,000	1,890,000	700,000	47,273	0	0	0					15,563,842	0.36%	486
2002	1,770,000	1,694,000	1,220,000	85,833	0	0	0					17,692,880	0.39%	552
2003	2,288,000	1,501,000	470,000	56,663	0	0	0					16,799,249	0.36%	524
2004	2,290,000	1,303,000	185,000	83,511	0	0	0					17,202,344	0.36%	537
2005	1,985,000	1,105,000	2,110,000	59,811	9,350,000	9,350,000	55,598					29,929,093	0.60%	934
2006	1,675,000	1,485,000	4,750,000	36,111	8,470,000	8,470,000	6,876					29,740,213	N/A	928

Calendar Year	Business-type Activities										Capital Leases	
	General Obligation Bonds	OWDA Loan	OPWC Loan	Landfill Closure and Postclosure Care Costs	General Obligation Notes	General Obligation Notes	Capital Leases	Capital Leases	Capital Leases	Capital Leases		
1997	\$4,690,000	\$3,342,410	\$300,337	\$424,599	\$0	\$0	\$0					\$0
1998	4,370,000	3,216,661	283,652	404,380	1,100,000	1,100,000	0					0
1999	4,040,000	4,396,423	266,967	384,161	3,200,000	3,200,000	0					0
2000	3,695,000	4,141,982	250,282	363,942	3,200,000	3,200,000	0					0
2001	5,485,000	3,874,250	233,596	343,723	990,000	990,000	0					0
2002	5,030,000	3,662,632	216,911	323,504	3,690,000	3,690,000	0					0
2003	5,515,000	3,365,076	200,225	303,285	3,100,000	3,100,000	0					0
2004	8,050,000	3,058,962	183,540	283,066	1,630,000	1,630,000	75,783					75,783
2005	7,340,000	2,735,900	166,855	262,847	4,700,000	4,700,000	58,082					58,082
2006	6,590,000	2,394,852	150,170	242,628	3,900,000	3,900,000	39,576					39,576

Source: City Records

N/A - Information not available

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

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

Calendar Year	General Bonded Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds		
1997	\$1,725,000	0.46%	\$55
1998	2,135,000	0.56%	68
1999	2,360,000	0.61%	71
2000	2,138,000	0.51%	67
2001	2,000,000	0.46%	62
2002	1,770,000	0.41%	55
2003	2,288,000	0.46%	71
2004	2,290,000	0.46%	71
2005	1,985,000	0.39%	62
2006	1,675,000	0.31%	52

Source: City Records

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

City of Fairborn
 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 Fairborn
Fairborn City	\$11,266,814	100.00%	\$11,266,814
Greene County	29,554,000	15.74%	4,651,800
Beavercreek Township	385,000	3.91%	15,054
Beavercreek City School District	30,315,000	3.84%	1,164,096
Fairborn City School District	18,519,987	77.63%	14,377,066
Total Direct and Overlapping Debt	\$90,040,801		\$31,474,830

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 Fairborn
 Legal Debt Margin Information
 Last Ten Calendar Years
 Schedule 14

Legal Debt Margin Calculation for Calendar Year 2006

Assessed value	\$543,459,493	\$543,459,493
Statutory legal debt limitation (1)	10.5%	5.5%
Total debt limit	57,063,247	29,890,272
Debt applicable to limit:		
Applicable City Debt Outstanding (2)	1,675,000	1,675,000
Less: Bond Retirement Fund Balance	669,100	669,100
Total net debt applicable to limit	<u>1,005,900</u>	<u>1,005,900</u>
Legal debt margin	<u>\$56,057,347</u>	<u>\$28,884,372</u>

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Debt Limit (1)										
Debt Limit (10.5%)	\$39,664,278	\$40,335,818	\$40,951,864	\$43,672,945	\$45,359,295	\$45,527,115	\$52,101,416	\$52,652,524	\$53,436,565	\$57,063,247
Total Net Debt Applicable to Limit	\$1,927,881	\$1,529,901	1,759,624	1,458,665	1,140,294	1,140,366	1,738,327	1,717,348	1,342,681	1,005,900
Legal Debt Margin	<u>\$37,736,397</u>	<u>\$38,805,917</u>	<u>\$39,192,240</u>	<u>\$42,214,280</u>	<u>\$44,219,001</u>	<u>\$44,386,749</u>	<u>\$50,363,089</u>	<u>\$50,935,176</u>	<u>\$52,093,884</u>	<u>\$56,057,347</u>

Total Net Debt Applicable to the Limit	4.86%	3.79%	4.30%	3.34%	2.51%	2.50%	3.34%	3.26%	2.51%	1.76%
as a Percentage of Debt Limit										

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Unvoted Debt Limit (1)										
Debt Limit (5.5%)	\$20,776,526	\$21,128,286	\$21,450,977	\$22,876,305	\$23,759,631	\$23,847,536	\$27,291,218	\$27,579,893	\$27,990,582	\$29,890,272
Total Net Debt Applicable to Limit	\$202,881	(\$605,099)	(600,376)	0	1,140,294	1,140,366	1,738,327	1,717,348	1,342,681	1,005,900
Legal Debt Margin	<u>\$20,573,645</u>	<u>\$21,733,385</u>	<u>\$22,051,353</u>	<u>\$22,876,305</u>	<u>\$22,619,337</u>	<u>\$22,707,170</u>	<u>\$25,552,891</u>	<u>\$25,862,545</u>	<u>\$26,647,901</u>	<u>\$28,884,372</u>

Total Net Debt Applicable to the Limit	0.98%	(2.86%)	(2.80%)	0.00%	4.80%	4.78%	6.37%	6.23%	4.80%	3.37%
as a Percentage of Debt Limit										

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.

(2) - City debt outstanding includes non self-supporting general obligation bonds. Enterprise debt is not considered in the computation of the legal debt margin.

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

Calendar Year	Special Assessment Bonds			
	Special Assessment Collections (1)	Debt Service		Coverage
		Principal	Interest	
1997	\$315,111	\$161,000	\$133,505	1.07
1998	430,341	161,000	122,320	1.52
1999	414,418	196,000	168,799	1.14
2000	354,667	201,000	153,659	1.00
2001	516,937	196,000	137,983	1.55
2002	359,756	196,000	122,900	1.13
2003	332,774	193,000	107,741	1.11
2004	393,506	198,000	92,855	1.35
2005	347,871	198,000	77,638	1.26
2006	301,223	125,000	62,420	1.61

Source: County Auditor

(1) - City's tax settlement sheets

City of Fairborn
 Demographic and Economic Statistics - Greene County
 Last Ten Calendar Years
 Schedule 16

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (Thousands of Dollars) (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
1997	31,469	\$3,734,046	\$25,827	3.7%
1998	31,469	4,050,634	27,694	3.3%
1999	33,260	4,074,296	27,626	3.3%
2000	32,054	4,272,286	28,832	3.2%
2001	32,054	4,352,395	29,284	3.4%
2002	32,054	4,519,917	30,183	4.5%
2003	32,054	4,693,132	31,145	5.0%
2004	32,054	4,812,637	31,685	5.3%
2005	32,054	4,976,768	32,780	5.4%
2006	32,054	N/A	N/A	5.6%

- Sources:
- (1) - Population estimates provided by U.S. Census Bureau (1990 Census and 2000 Census)
 - (2) - Personal Income information provided by Bureau of Economic Analysis: Regional Economic Accounts
 - (3) - Per Capita Personal Income information provided by Bureau of Economic Analysis: Regional Economic Accounts
 - (4) - Ohio Bureau of Employment Services

N/A - Information not available

City of Fairborn
Principal Employers
Current Calendar Year (1)
Schedule 17

	<u>2005 (2)</u>
<u>Employer</u>	<u>Number of Employees</u>
Wright State University	2,200
Fairborn City Schools	550
Teleperformance USA	400
Logtec (3)	300
Ball Aerospace	260
Wright-Patt Credit Union (3)	260
Computer Sciences Corp.	250
Northrop Grumman	240
City of Fairborn	230
Transcontinental Printing (3)	220
	<u>4,910</u>

Source: Community Development Division

(1) - Only 2005 calendar year information available

(2) - Data current as of December 2005

(3) - Denotes corporate headquarters

City of Fairborn
 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 ^(e)									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
City Council	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	4.0	4.0
Municipal Court	22.4	23.4	23.5	26.0	28.8	26.8	26.8	25.1	24.0	24.0
City Administration	4.9	4.9	4.9	4.8	4.9	4.8	4.8	4.8	3.5	3.5
Finance	18.5	18.5	18.5	16.3	16.5	14.5	14.5	14.5	15.0	14.0
Legal	1.5	1.5	1.5	1.5	1.7	2.0	1.8	1.8	2.0	2.0
Personnel	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.6	1.0	1.0
Engineering	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.5
Public Works Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0
Audio Visual	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Plant Maintenance	12.0	12.0	12.0	12.0	12.0	12.0	11.4	12.0	12.0	12.0
Victim Witness	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public Safety ^(b)										
Police										
Sworn Officers	64.9	64.9	64.9	64.9	65.1	64.6	66.2	60.7	51.0	47.5
Non-Sworn	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0	16.0
Fire	48.0	48.0	48.0	48.7	51.0	54.0	53.0	51.0	50.5	51.0
Community Environment										
Building Inspection	4.7	4.7	4.7	4.7	5.0	5.7	5.0	5.0	5.0	5.0
City Planner	3.0	3.0	3.0	3.0	3.1	3.0	3.1	3.0	3.0	3.0
Neighborhood Betterment	2.0	3.2	2.9	3.2	3.6	3.6	2.0	2.0	4.0	3.5
Leisure Time Activities										
Parks and recreation	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Transportation and Street Repair										
Street	11.3	11.3	11.3	11.3	11.3	11.3	10.3	9.8	10.0	10.0
State Highway	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Health and Welfare										
Cemetery	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5

City of Fairborn
 Full-Time Equivalent City Government Employees by Function/Program
 Last Ten Calendar Years
 Schedule 18 (Continued)

Function/Program	Full-Time Equivalent Employees as of December 31 ^(a)									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Basic Utility Service										
Water	16.0	15.3	15.3	16.3	16.3	16.3	16.3	17.3	17.5	17.0 ^(d)
Sewer	22.5	22.3	22.3	22.3	22.3	22.5	22.5	22.5	21.5	23.0 ^(d)
Sanitation	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0
Internal Service										
ITS	(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)	2.0	2.0
Equipment Services	9.0	9.0	9.0	9.5	9.7	9.7	8.7	8.0	7.0 ^(c)	7.0
Total	<u>257.7</u>	<u>258.9</u>	<u>258.7</u>	<u>261.3</u>	<u>268.1</u>	<u>267.6</u>	<u>263.2</u>	<u>253.0</u>	<u>260.0</u>	<u>258.0</u>

Source: Various City Departments

- (a) As budgeted
- (b) Information obtained from department annual reports
- (c) Information Technology Services Division created in 2005. One FTE moved from Audio Visual and one FTE moved from Equipment Services
- (d) Public Works Director position eliminated in 2004. In 2006, position reintroduced as Public Administrative Services Director. 1 FTE split 50/50 between Water and Sewer.
 Position was filled through promotion of existing Water and Sewer employee.

City of Fairborn
 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
General government										
Municipal Court										
Criminal and Traffic Cases	16,762	19,670	20,726	20,951	18,026	19,247	16,163	13,666	16,072	19,043
Criminal and Traffic Trials	152	194	126	89	149	108	130	97	79	96
Criminal and Traffic Receipts (in 000's)	\$1,981	\$2,293	\$2,532	\$2,602	\$2,357	\$2,818	\$2,571	\$2,439	\$2,624	\$2,983
Civil/Small Claims Cases	1,482	1,610	1,574	1,613	1,464	1,543	2,156	1,810	1,983	2,072
Civil/Small Claims Trials	573	835	894	817	752	721	1,013	851	835	897
Civil/Small Claims Receipts (in 000's)	\$198	\$191	\$283	\$327	\$388	\$454	\$541	\$610	\$578	\$581
Security of Persons and Property										
Police										
Calls for Service ^(b)	26,291	22,804	23,296	23,835	23,449	24,012	23,124	23,413	32,778	37,252
Parking violations	1,702	1,291	1,612	1,271	1,675	1,299	1,132	995	1,141	932
Traffic violations	4,277	4,490	5,499	4,912	4,030	4,227	4,085	2,509	2,515	5,400
Criminal Citations	2,644	2,555	2,778	2,831	2,954	2,616	2,798	3,018	2,817	3,478
Training Hours	6,814	5,380	7,208	5,136	5,497	5,149	4,507	4,091	3,441	4,691
Fire										
Emergency responses	6,395	6,386	6,642	6,303	5,010	5,204	5,478	5,495	5,736	5,872
Inspections	(a)	(a)	1,142	1,341	1,590	1,590	1,503	1,121	1,141	1,157
Training hours	(a)	(a)	(a)	(a)	(a)	(a)	5,425	7,730	12,518	6,980
Community Environment										
Planning and Development										
Residential construction permits issued	134	124	112	1,164	(c)	1,145	1,442	1,383	1,195	1,040
Estimated value of residential construction	\$20,279,810	\$15,738,746	\$19,325,451	\$11,662,324	(c)	\$12,677,065	\$18,296,213	\$17,011,265	\$14,832,301	\$11,939,843
Commercial construction permits issued	10	7	14	530	(c)	536	393	352	474	361
Estimated value of commercial construction	\$1,536,986	\$4,292,500	\$8,491,620	\$30,002,623	(c)	\$16,754,423	\$15,197,647	\$15,651,854	\$17,083,481	\$23,925,526
Parks and recreation										
Softball Registrations	(a)	(a)	(a)	(a)	(a)	68	70	90	95	72
Weekend Softball Tournaments	(a)	(a)	(a)	(a)	(a)	50	54	50	57	46
Water										
New connections	129	131	130	103	92	158	145	145	102	91
Water main breaks	35	24	34	39	24	22	38	37	37	22
Average daily consumption (millions of gallons)	3.612	3.551	3.604	3.923	3.600	3.600	4.300	3.760	3.792	3.594
Peak daily consumption (millions of gallons)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	4.730
Total Water Treated (millions of gallons)	1,308	1,301	1,358	1,209	1,249	1,481	1,559	1,375	1,384	1,320
Average Daily Treatment (millions of gallons)	3.7	3.6	3.6	3.3	4.0	4.0	4.2	3.8	3.8	3.6
Hydrants flushed	1,225	1,269	1,297	1,337	1,361	1,386	1,411	1,448	1,457	1,460

City of Fairborn
 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
Sewer										
Total Water Treated (millions of gallons)	1,497	1,597	1,549	1,384	1,481	1,493	1,537	1,448	1,555	1,581
Average Daily Treatment (millions of gallons)	4.1	4.4	4.3	3.8	4.1	4.1	4.2	4.0	4.3	4.3

Source: Various City Departments

(a) Not Available

(b) In 2005, the police department changed the method of counting total calls for service to the same method of other area departments

(c) Beginning with 2000, the planning and development department changed the method for determining commercial/residential activity to include all commercial/residential related permits. Previously, the method only included new buildings. Information is not available for 1997-1999.

City of Fairborn
 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
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	27	27	27	27	31	31	31	33	31	31
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Area of City (square miles)	13.27	13.27	13.27	13.40	13.40	13.40	13.40	13.41	13.41	13.41
Streets (miles)	120.23	120.23	122.02	123.01	124.46	124.46	127.21	288.81	288.81	293.10
Streetlights	(a)	1,852	1,900	1,900	1,900	1,900	1,900	1,995	1,995	2,342
Parks and Recreation										
Number of Parks	13	13	15	15	15	16	17	18	19	19
Acreage	358.00	358.00	363.78	363.78	363.78	431.88	622.09	622.31	651.51	686.61
Playgrounds	(a)	(a)	16	16	16	16	16	18	18	18
Baseball/softball diamonds	(a)	(a)	(a)	17	17	17	17	17	15	15
Soccer/football fields	(a)	(a)	(a)	12	12	12	12	12	12	12
Number of Tennis Courts	14	14	14	14	14	14	14	14	14	14
Municipal Water Department										
Daily Treatment Capacity (millions of gallons)	(a)	(a)	(a)	(a)	4.60	4.60	4.60	5.00	5.00	5.00
Water Mains (miles)	120.12	120.12	138.09	140.02	142.00	142.00	144.34	145.95	147.69	148.56
Fire hydrants	1,225	1,269	1,297	1,337	1,361	1,386	1,411	1,448	1,457	1,460
Sewers										
Daily Treatment Capacity (millions of gallons)	5.50	5.50	5.50	5.50	5.50	5.50	6.00	12.20	16.00	16.00
Storm Sewers (miles)	74.42	74.42	99.15	100.51	102.29	102.29	105.58	109.09	109.71	110.66
Sanitary Sewers (miles)	124.47	124.47	125.28	127.46	129.13	129.13	131.76	133.84	135.24	135.78

Source: Various City Departments

(a) Information Not Available



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





Mary Taylor, CPA
Auditor of State

CITY OF FAIRBORN

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 2, 2007**