

City Of Cincinnati, Ohio

*Office of Management and Budget Circular A-133
Reports for the Year Ended December 31, 2003*



**Auditor of State
Betty Montgomery**

The Honorable Mayor and
Members of the City Council
City of Cincinnati
801 Plum Street, Suite 250
Cincinnati, Ohio 45202

We have reviewed the Independent Auditor's Report of the City of Cincinnati, Hamilton County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2003 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 6, 2004

This Page is Intentionally Left Blank.

City of Cincinnati



Department of Finance

Suite 250, City Hall
801 Plum Street
Cincinnati, Ohio 45202
Phone (513) 352-3731

William E. Moller
Director

June 15, 2004

Dear Users of the City's Basic Financial Statements:

The accompanying basic financial statements of the City as of and for the year ended December 31, 2003 include the financial statements and notes required under accounting principles generally accepted in the United States of America that are essential to fair presentation of the City's financial position and results of operations and of the cash flows of the City's proprietary fund types. Additional information regarding the City's financial activities for 2003 is available in the City's separately issued Comprehensive Annual Financial Report. ("CAFR") for the year ended December 31, 2003. Copies of the CAFR can be obtained by contacting me at:

City of Cincinnati, Finance Department
Division of Accounts and Audits
801 Plum Street, Room 246
Cincinnati, Ohio 45202

Telephone: (513) 352-1540

Sincerely,

Kathleen A. Creager
Finance Manager (Acting)

This Page is Intentionally Left Blank.

CITY OF CINCINNATI, OHIO

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet—Governmental Funds	20
Reconciliation of the Balance Sheet to Statement of Net Assets—Governmental Funds	21
Statement of Revenue, Expenditures, and Changes in Fund Balances—Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Governmental Funds	23
Statement of Net Assets—Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets—Proprietary Funds	27
Statement of Cash Flows—Proprietary Funds	28
Statement of Fiduciary Net Assets—Fiduciary Funds	30
Statement of Changes in Fiduciary Net Assets—Fiduciary Funds	31
Notes to Financial Statements	33
Required Supplementary Information - Budgetary Comparison Schedule—General Fund	73
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2003	75
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	79
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM	81

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	83
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS	85



Audit Report
Internal
Confidential
City of Cincinnati
2004

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Cincinnati, Ohio and
Betty Montgomery, Auditor of State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cincinnati, Ohio ("City"), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

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

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the respective statement of net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cincinnati, Ohio, as of December 31, 2003, and the respective changes in financial position (and respective cash flows, where applicable) thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 14, the Budgetary Comparison Schedule—General Fund on page 73 and Note to the Required Supplementary Information on page 74 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of management of City's management. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Audit Report
Internal
Confidential
City of Cincinnati
2004

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

June 9, 2004

City of Cincinnati Management's Discussion and Analysis

As management of the City of Cincinnati (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v - xiii of this report. The government wide financial statements are presented on a GAAP basis; that is they reflect accrual basis of accounting. The GAAP fund financial statements will differ from those presented on a budgetary basis.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.5 billion (net assets). Of this amount, \$171.4 million is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$86.3 million and may be used to meet government's on-going obligations. The unrestricted net assets of the City's business type activities are \$85.1 million and may be used to meet the on-going obligations of the City's water, parking, convention center, stormwater, aviation and golf business-type activities.
- The City's total net assets increased \$52.5 million in 2003. Net assets of the governmental activities increased by \$31.6 million, which represents a 4.1 percent increase from the 2002 balance. Net assets of business-type activities increased \$20.9 million or 3.3 percent increase from 2002. Governmental activities investment in capital assets, net of related debt increased \$44 million. Governmental activities restricted assets decreased \$21.3 million. Business-type activities investment in capital assets, net of related debt increased \$40.5 million. Business-type activities restricted assets increased \$1.0 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$343 million, a decrease of \$8.2 million in comparison with the prior year. On a combined basis approximately 47 percent, \$161.2 million, is considered unreserved at December 31, 2003. Unreserved fund balance includes \$97.1 million restricted for capital projects.
- At the end of the current fiscal year, the general fund reported a fund balance of \$65.5 million. The unreserved fund balance for the general fund was \$51.3 million, or 16.6 percent of the total general fund expenditures. There was a \$136 thousand increase in general fund balance for the year ended December 31, 2003.
- The City's total debt increased by \$142.3 million (29.2 percent) during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 17 to 19 of this report.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of the government-wide financial statements (statement of net assets and statement of activities) distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, community development, parks and recreation, public safety, transportation and engineering, enterprise services, public services, and public health. The business-type activities of the City include the Water Works, Parking Facilities, Convention Center, General Aviation, Municipal Golf, and Stormwater Management Funds.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The basic governmental fund financial statements can be found on pages 20 to 24 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 28 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, all of which are considered to be major funds. Data from the other 25 funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds - enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water works, parking facilities, convention center, municipal airport, municipal golf courses, and stormwater management system. *Internal service funds* are an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds for its printing services, general stores operation, municipal garage, property management function, self-insurance medical fund, workers' compensation fund, and regional computer center. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 25 to 29 of this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Works Fund, which is considered to be a major fund of the City. The other enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the other enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City uses fiduciary funds to account for pension, trust and agency funds. 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30 and 31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 to 70 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Budgetary Comparison of the City's General Fund. Required supplementary information can be found on pages 71 to 74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 75 to 134 of this report.

CITY OF CINCINNATI'S Net Assets

(AMOUNTS IN THOUSANDS)

	Governmental Activities		Business-type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$585,528	\$581,837	\$184,739	\$141,842	\$770,267	\$723,679
Capital assets	<u>805,405</u>	<u>727,349</u>	<u>767,451</u>	<u>692,554</u>	<u>1,572,856</u>	<u>1,419,903</u>
Total Assets	1,390,933	1,309,186	952,190	834,396	2,343,123	2,143,582
Long-term liabilities outstanding	350,900	333,668	242,056	159,621	592,956	493,289
Other liabilities	<u>243,392</u>	<u>210,472</u>	<u>53,886</u>	<u>39,416</u>	<u>297,278</u>	<u>249,888</u>
Total liabilities	594,292	544,140	295,942	199,037	890,234	743,177
Net assets:						
Invested in capital assets, net of related debt	534,066	490,028	566,748	526,297	1,100,814	1,016,325
Restricted	176,263	197,516	4,452	3,435	180,715	200,951
Unrestricted	<u>86,312</u>	<u>77,502</u>	<u>85,048</u>	<u>105,627</u>	<u>171,360</u>	<u>183,129</u>
Total net assets	<u>\$796,641</u>	<u>\$765,046</u>	<u>\$656,248</u>	<u>\$635,359</u>	<u>\$1,452,889</u>	<u>\$1,400,405</u>

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City assets exceeded liabilities by \$1.5 billion at the close of the most recent fiscal year.

The largest portion of the City's net assets \$1.1 billion (75.8 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets \$180.7 million (12.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance \$171.4 million (11.8 percent) represents *unrestricted net assets* and may be used to meet the government's ongoing obligations to citizens and creditors. It is important to note that although the total unrestricted net assets is \$171.4 million, the unrestricted net assets of the City's business-type activities (\$85.1 million) may not be used to fund governmental activities.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year.

Overall net assets of the City increased \$52.5 million in 2003. Net assets for governmental activities increased \$31.6 million, while net assets of business-type activities increased \$20.9 million.

There was a decrease of \$21.3 million in restricted net assets reported in connection with the City's governmental activities and a \$1.0 million increase in the City's business-type activities. The key factors in these changes were the City's contribution of \$15 million to the Cincinnati Housing Development Fund LLC and a decrease in revenue and other financing sources.

The City's governmental activities amount invested in capital assets, net of related debt, increased \$44 million as bond proceeds and capital grants were used to complete certain capital projects during 2003. The City's business-type activities amount invested in capital assets, net of related debt, increased \$40.5 million.

CITY OF CINCINNATI
Changes in Net Assets
(AMOUNTS IN THOUSANDS)

	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	\$ 111,474	\$ 103,108	\$ 113,443	\$ 114,011	\$ 224,917	\$ 217,119
Operating Grants and Contributions	53,721	56,719			53,721	56,719
Capital Grants and Contributions	27,323	21,247	12,190	14,641	39,513	35,888
General Revenues:						
Property Taxes	68,040	64,051			68,040	64,051
Income Taxes	259,488	252,790			259,488	252,790
Admission Taxes	4,075	3,446			4,075	3,446
Shared Taxes	68,018	66,386			68,018	66,386
Occupancy Taxes	1,449		1,019	1,662	2,468	1,662
Unrestricted Investment Earnings	11,199	46,277	2,396	3,879	13,595	50,156
Miscellaneous	52	249	4,780	2,455	4,832	2,704
Loss on disposal of assets	-	(5,331)	(372)	(870)	(372)	(6,201)
Total Revenues	<u>604,839</u>	<u>608,942</u>	<u>133,456</u>	<u>135,778</u>	<u>738,295</u>	<u>744,720</u>
Expenses:						
General Government	115,988	102,323			115,988	102,323
Community Development	65,028	52,327			65,028	52,327
Parks and Recreation	35,496	34,647			35,496	34,647
Public Safety	192,370	182,135			192,370	182,135
Transportation and Engineering	25,378	24,042			25,378	24,042
Enterprise Services	35,558	51,171			35,558	51,171
Public Services	44,662	40,036			44,662	40,036
Public Health	40,844	39,297			40,844	39,297
Interest on long-term debt	17,618	17,243			17,618	17,243
Water Works			84,142	78,039	84,142	78,039
Parking Facilities			7,416	7,127	7,416	7,127
Convention Center			7,117	7,715	7,117	7,715
General Aviation			2,083	1,937	2,083	1,937
Municipal Golf			6,282	5,634	6,282	5,634
Stormwater Management			5,829	4,652	5,829	4,652
Total Expenses	<u>572,942</u>	<u>543,221</u>	<u>112,869</u>	<u>105,104</u>	<u>685,811</u>	<u>648,325</u>
Change in net assets before transfers	31,897	65,721	20,587	30,674	52,484	96,395
Transfers	<u>(302)</u>	<u>(14,457)</u>	<u>302</u>	<u>14,457</u>		
Change in net assets	31,595	51,264	20,889	45,131	52,484	96,395
Net assets – January 1 st	<u>765,046</u>	<u>713,782</u>	<u>635,359</u>	<u>590,228</u>	<u>1,400,405</u>	<u>1,304,010</u>
Net assets – December 31 st	<u>\$ 796,641</u>	<u>\$ 765,046</u>	<u>\$ 656,248</u>	<u>\$ 635,359</u>	<u>\$ 1,452,889</u>	<u>\$ 1,400,405</u>

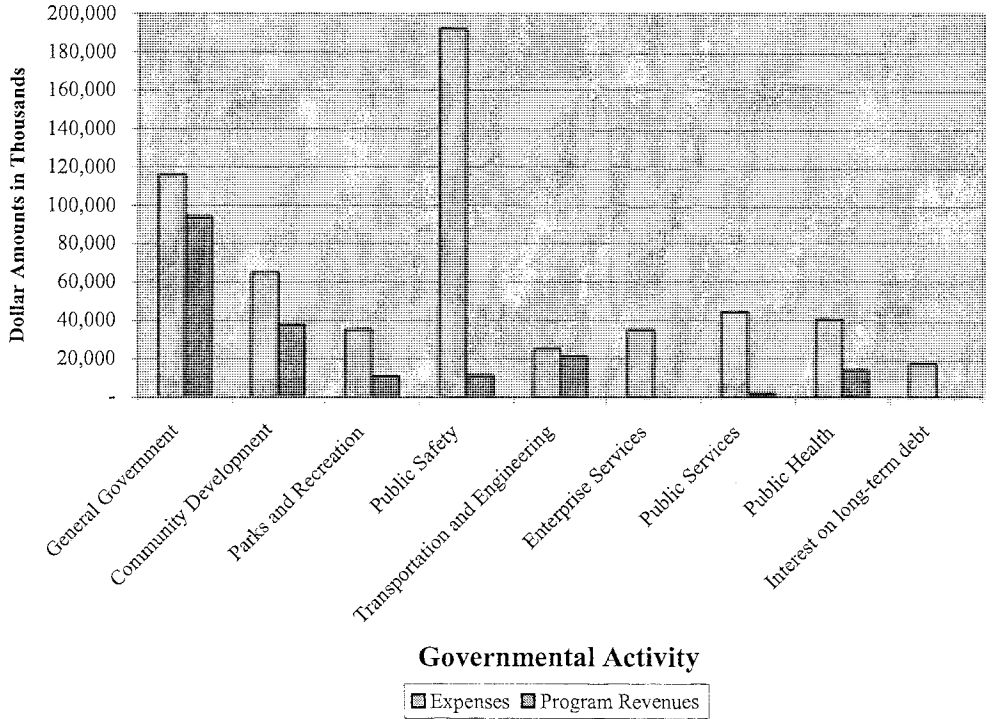
Governmental activities. Governmental activities increased the City's net assets in 2003 by \$31.6 million, thereby accounting for 60.2 percent of the total growth in the net assets of the City. Key elements of the change in net assets include:

- Income Tax revenues increased \$6.7 million.
- Property tax revenue increased \$4.0 million. A reappraisal of property values was completed in the year 2002 resulting in higher property valuations for 2003.
- General government charges for services increased by \$8.4 million due to increased billings to other funds for health care. This was offset by an increase in general government expense for health care payments.
- Capital grants and contributions increased \$6.0 million.
- Unrestricted investment earnings were \$11.2 million. This is a significant reduction from 2001 and 2002 because those years reflected proceeds received from the sale of stock that the City received as a result of the demutualization of Anthem Blue Cross Blue Shield.

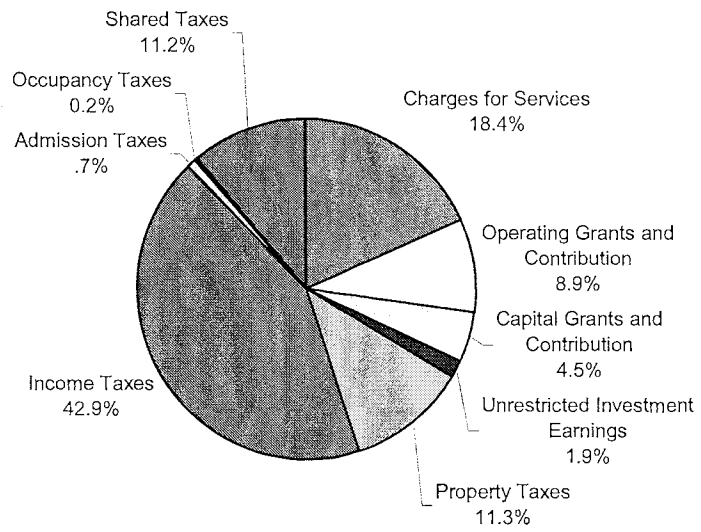
Business-type activities. Business-type activities increased the City's net assets in 2003 by \$20.9 million, accounting for 39.8 percent of the total growth in the government's net assets. Key elements of the increase include:

- Capital contributions in the amount of \$12.2 were received.
 - Contributions of water mains to Water Works accounted for \$8.7 million.
 - Contributions from the corporate community dedicated for the renovation and expansion of the Cincinnati Convention Center accounted for \$2.1 million.
- In March 2003 Water Works expanded its service area to include Boone County and City of Florence in Northern Kentucky, which accounted for \$2.7 million in revenues.

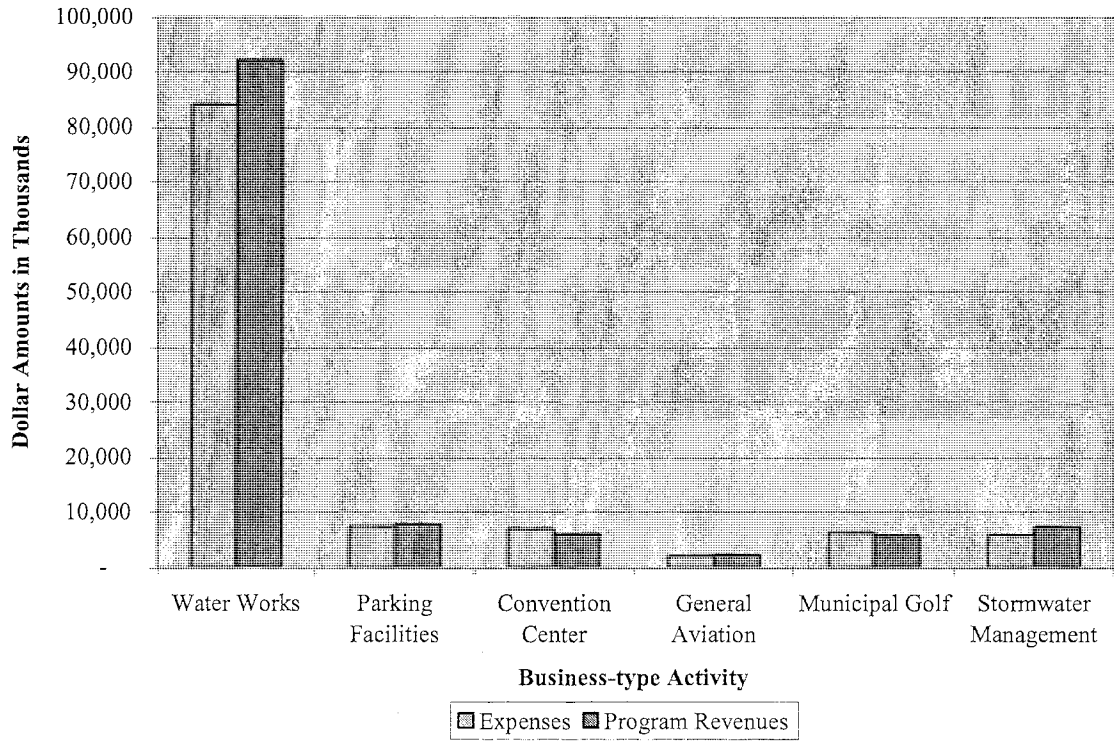
Expenses and Program Revenues - Governmental Activities



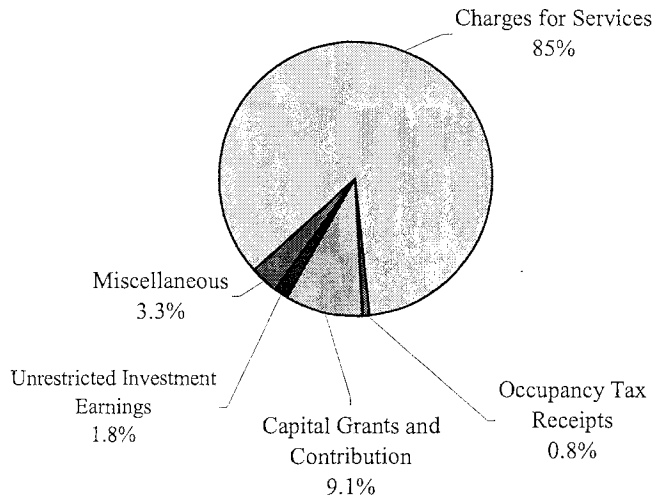
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$343 million, a decrease of \$8.2 million in comparison with the prior year. Approximately 47 percent of this total amount constitutes *unreserved fund balance*, which is available for spending. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has already been committed for encumbrances, working capital, inventory, and advances to other funds.

The general fund is the primary operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$51.3 million, while total fund balance reached \$65.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.6 percent of total general fund expenditures, while total fund balance represents 21.2 percent of that same amount.

The fund balance of the City's general fund increased by \$136 thousand during the current fiscal year. Key factors of the increase are as follows:

- Taxes increased \$5.3 million due to an increase in property values and an improving economy.
- Expenditures increased \$5.2 million in Public Safety. This increase in expenditures offset the additional revenue received.

The capital projects fund has a total fund balance of \$163.8 million, which is a decrease of \$24.9 million over 2002. Key factors of the decrease are as follows:

- The City contributed \$15.0 million to the Cincinnati Housing Development Fund LLC, which was created for the purpose of establishing and operating a fund to provide loans to developers for projects that include the acquisition, rehabilitation and new construction of market-rate housing.
- The remaining decrease is attributable to a decrease in revenue and other financing sources.

The debt service fund has a total fund balance of \$53.5 million that is reserved for the payment of debt service. The net increase in fund balance was \$16.6 million. Key factors of the increase are as follows:

- In December 2003 \$20.5 million in economic development revenue bonds were sold to benefit Convergys Corporation as part of an agreement for the creation and retention of jobs. Ten million dollars of the proceeds were paid to Convergys in 2003.
- Property tax revenue dedicated to debt service increased \$3.7 million

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Works at the end of the year amounted to \$51 million, and the total for the other enterprise funds is \$27.3 million. The total growth in net assets for the Water Works fund was \$18.9 million and the growth in net assets for the other enterprise funds was \$3.1 million. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The final amended General Fund budget had total appropriations of approximately \$5.8 million more than the original budget. The original appropriations were \$312.5 million while the final appropriations were \$318.3 million. Key elements of the changes in appropriation include:

- \$4,635,000 appropriation increase for Judgments against the City.
- \$970,000 appropriation increase for Recycling and Yard Waste Program.
- \$100,000 appropriation increase for Police visibility overtime
- \$93,000 appropriation increase to Transportation and Engineering

Judgment notes were sold in July 2003 and the proceeds were transferred into the general fund to fund this \$4.635 million increase in appropriations. The other increases were funded from transfers in from other funds and available fund balance. All other changes in appropriations were due to transfers between agencies and were within the original approved budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$1.57 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, machinery and equipment, park facilities, streets, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 10.8 percent (a 10.7 percent increase for governmental activities and a 10.8 percent increase for business-type activities).

City of Cincinnati's Capital Assets (net of depreciation)

(AMOUNTS IN THOUSANDS)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 159,691	\$ 156,371	\$ 25,336	\$ 25,349	\$ 185,027	\$ 181,720
Buildings	59,558	54,336	151,879	137,632	211,437	191,968
Improvements	120,665	103,553	368,579	312,893	489,244	416,446
Machinery and Equipment	51,217	42,326	80,837	79,776	132,054	122,102
Infrastructure	289,026	261,546			289,026	261,546
Construction in Progress	125,203	108,888	140,641	136,632	265,844	245,520
Property Acquired under Capital Leases	45	329	179	272	224	601
Total	\$ 805,405	\$ 727,349	\$ 767,451	\$ 692,554	\$1,572,856	\$1,419,903

Total capital assets, net of accumulated depreciation, increased \$153 million. Major capital asset events during 2003 included the following:

- Governmental activities capital assets increased \$78.1 million in 2003 net of depreciation and included:
 - Infrastructure improvements for bridges, Fort Washington Way improvements, street improvements, street rehabilitation and traffic signal upgrades of \$27.5 million.
 - Park and Recreation facility improvements of \$5.7 million.
 - Findlay Market improvements of \$4.7 million.
 - Fountain Square Plaza improvements of \$4.7 million.
 - Improvements to other city facilities of \$2.0 million.
 - Construction in Progress increased \$16.3 million.
 - Machinery and Equipment increased \$8.9 million.
 - Buildings increased \$5.3 million.
 - Land increased \$2.8 million.

- Business-type activities capital assets increased \$74.9 million net of depreciation and included:
 - Buildings for water utilities in the amount of \$17.7 million primarily for a pump station and water quality lab.
 - Improvements to water utilities for the pump station, water quality lab expansion and meter repair program of \$52.1 million.
 - Construction in progress for water utilities decreased by \$6.5 million as projects were completed and assets were moved to buildings and improvements.
 - Construction in progress for the Convention Center renovation and expansion increased \$7.5 million
 - Improvements to the stormwater utilities were \$1.9 million.
 - The net increase in construction in progress for stormwater was \$1.3 million.

Additional information on the City's capital assets can be found in note 14 on pages 58 to 60 of this report.

Long-term debt. At the end of the current fiscal year, the City had \$629.8 million in short and long-term bonds and notes outstanding. Of this amount, \$392.3 million comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Cincinnati's Outstanding Debt
General Obligation and Revenue Bonds
(AMOUNTS IN THOUSANDS)**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation						
Bonds & Notes	\$ 324,472	\$ 294,970	\$ 67,845	\$ 84,067	\$ 392,317	\$ 379,037
Revenue Bonds	<u>38,140</u>	<u>18,522</u>	<u>199,310</u>	<u>89,885</u>	<u>237,450</u>	<u>108,407</u>
Total	<u>\$ 362,612</u>	<u>\$ 313,492</u>	<u>\$ 267,155</u>	<u>\$ 173,952</u>	<u>\$ 629,767</u>	<u>\$ 487,444</u>

The City's total debt increased by \$142.3 million (29.2 percent) during the current fiscal year. Key events contributing to the change in long-term debt balances are as follows:

- In March 2003 the City issued \$112.4 million Water Works revenue bonds.

- In May 2003 the City issued \$52.7 million various purpose general obligation bonds primarily for street, public building and equipment improvements.
- In December 2003 the City issued \$20.5 million revenue bonds to finance the Convergys Corporation economic development project.
- In July 2003 the City issued \$4.635 million in judgement notes.
- During 2003 \$45.9 million in general long-term bond obligations were redeemed. Of the amounts redeemed \$16.2 in general obligation bonds redeemed were for business-type activities.
- During 2003 \$3.8 million in revenue bonds were redeemed of which \$2.9 million were for business-type activities.

The City's general obligation bond rating by Standard and Poor's Corporation and Moody's Investor Services, Inc. are "AA+" and "Aa1", respectively.

The City is within all of its legal debt limitations. The Ohio Revised Code provides that the net debt (as defined in the Ohio Revised Code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by the ratio of net debt to tax valuation and expressed in terms of a percentage. The City had a legal debt margin for total debt of \$379.6 million and a legal debt margin for unvoted debt of \$93.3 million.

Additional information the City's long-term debt can be found in note 9 on pages 51-55 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Cincinnati PMSA was 4.5 percent at December 2003, which is an increase of 0.6 percent over a year ago. This compares favorably to the State's average unemployment rate of 6.0 percent and the national average rate of 5.7 percent.
- The occupancy rate of the central business district Class A office space was 87 percent at the end of 2003 compared to a 90 percent occupancy rate at the end of 2002.
- The City is experiencing increasing costs for employee health care, retirement and contractually obligated labor costs.

All of these factors were considered in updating the City's biennial budget for the fiscal year 2004.

The General Fund balance is budgeted to be \$4.2 million at the end of 2004. This is a reduction of \$14.8 million from the 2003 actual year-end fund balance of \$19.0 million. The reduction is primarily due to increased cost associated with the following: employer contributions to the City Retirement System, employer contributions for employee healthcare, the approved Police labor contract and approved Fire labor contract.

Consistent with previously planned rate increases and the 2003/2004 Approved Budget, the Water Works plans a 3% rate increase in 2004. It is expected that future rate increases will range 3-4% or more annually to support water service and capital replacement, maintain sufficient debt service coverage ratios, and provide an adequate fund balance necessary to maintain the current bond rating. The 2004 rate increase will primarily support employee benefit cost increases and continued investment in infrastructure.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City Hall, Room 250, 801 Plum Street, Cincinnati, Ohio, 45202.

**BASIC
FINANCIAL STATEMENTS**

(This page intentionally left blank.)

CITY OF CINCINNATI, OHIO
Statement of Net Assets
December 31, 2003
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
<u>Current</u>			
Cash and Equivalents	\$ 3,348	\$ 652	\$ 4,000
Equity in City Treasury Cash	182,394	24,618	207,012
Advances and Petty Cash	97		97
Investments, at Fair Value	62,372	49,984	112,356
Receivables:			
Taxes	105,166	112	105,278
Accounts, Net	2,558	15,382	17,940
Special Assessments	4,895		4,895
Accrued Interest and Dividends	2,531	502	3,033
Due from Fiduciary Activities	1,308	112	1,420
Due from Other Governments	21,952	10,288	32,240
Prepaid Items	961	705	1,666
Inventory	4,855	3,461	8,316
Restricted Assets:			
Cash and Cash Equivalents		18,246	18,246
Equity in City Treasury Cash		4,969	4,969
Internal Balances	(21,025)	21,025	
<u>Noncurrent</u>			
Equity in City Treasury Cash - long term	213,083	28,771	241,854
Restricted Equity in City Treasury Cash		5,796	5,796
Accounts Receivable, Net		116	116
Deferred Charges	1,033		1,033
Land	159,691	25,336	185,027
Buildings, net of Accumulated Depreciation	59,558	151,879	211,437
Improvements, net of Accumulated Depreciation	120,665	368,579	489,244
Machinery and Equipment, net of Accumulated Depreciation	51,217	80,837	132,054
Construction in Progress	125,203	140,641	265,844
Property Acquired under Capital Leases, net of Accumulated Amortization	45	179	224
Infrastructure Assets, net of Accumulated Depreciation	289,026		289,026
TOTAL ASSETS	\$ 1,390,933	\$ 952,190	\$ 2,343,123

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Net Assets
December 31, 2003
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<u>Current</u>			
Accounts Payable	\$ 27,830	\$ 2,891	\$ 30,721
Withholdings and Other Deposits	8,744		8,744
Due to Fiduciary Activities	277	74	351
Due to Other Governmental Agencies		1,529	1,529
Accrued Payroll	9,762	1,336	11,098
Accrued Liabilities	5,878	426	6,304
Accrued Interest	1,880	283	2,163
Deposits Payable	4,642	20	4,662
Unearned Revenue	66,540	6,335	72,875
Obligations under Capital Leases	26		26
Compensated Absences Payable	40,066	3,124	43,190
Unpaid Claims	15,712	80	15,792
Matured Bonds and Interest Payable	582		582
General Obligation Bonds and Notes Payable	54,743	22,687	77,430
Revenue Bonds Payable	2,288	7,010	9,298
Other	465		465
Advances from Other Governments	3,957		3,957
Payable from Restricted Assets:			
Construction Contracts		7,321	7,321
Deposits Payable		770	770
<u>Noncurrent</u>			
Non-Current Obligations under Capital Leases	85		85
General Obligation Bonds and Notes Payable	269,729	45,158	314,887
Revenue Bonds Payable	35,852	192,300	228,152
Compensated Absences Payable - Long Term	30,634	3,388	34,022
Deferred Bond Premium	997		997
Other	1,815	1,210	3,025
Unpaid Claims Payable - Long Term	11,788		11,788
TOTAL LIABILITIES	594,292	295,942	890,234
NET ASSETS			
Invested in capital assets, net of related debt	534,066	566,748	1,100,814
Restricted			
Expendable	168,573	4,452	173,025
Nonexpendable	7,690		7,690
Unrestricted	86,312	85,048	171,360
TOTAL NET ASSETS	\$ 796,641	\$ 656,248	\$ 1,452,889

The accompanying notes to the financial statements are an integral part of this statement.

City of Cincinnati, Ohio
Statement of Activities
For the year ended December 31, 2003
(Amounts in Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 115,988	\$ 84,702	\$ 6,073	\$ 3,582	\$ (21,631)	\$	\$ (21,631)
Community Development	65,028	1,644	34,923	1,310	(27,151)		(27,151)
Parks and Recreation	35,496	6,217	3,304	1,428	(24,547)		(24,547)
Public Safety	192,370	7,634	3,943		(180,793)		(180,793)
Transportation and Engineering	25,378	393		21,003	(3,982)		(3,982)
Enterprise Services	35,558				(35,558)		(35,558)
Public Services	44,662	1,858			(42,804)		(42,804)
Public Health	40,844	9,026	5,478		(26,340)		(26,340)
Interest on long-term debt	17,618				(17,618)		(17,618)
Total governmental activities	572,942	111,474	53,721	27,323	(380,424)		(380,424)
Business type activities:							
Water Works	84,142	87,538		8,661	\$	\$ 12,057	\$ 12,057
Parking Facilities	7,416	7,885		6		475	475
Convention Center	7,117	2,994		3,057	(1,066)		(1,066)
General Aviation	2,083	1,867		457		241	241
Municipal Golf	6,282	5,811			(471)		(471)
Stormwater Management	5,829	7,348		9		1,528	1,528
Total business-type activities	112,869	113,443		12,190		12,764	12,764
Total	\$ 685,811	\$ 224,917	\$ 53,721	\$ 39,513	(380,424)	12,764	(367,660)
General Revenues:							
Taxes:							
Property taxes					68,040		68,040
Income taxes					259,488		259,488
Admission taxes					4,075		4,075
Shared taxes					68,018		68,018
Occupancy taxes					1,449	1,019	2,468
Unrestricted investment earnings					11,199	2,396	13,595
Miscellaneous					52	4,780	4,832
Loss on disposal of assets					(302)	(372)	(372)
Transfers between governmental and business-type activities					412,019	8,125	420,144
Total general revenues, miscellaneous, and transfers					31,585	20,889	52,484
Change in net assets					765,046	635,359	1,400,405
Net assets-beginning							
Net assets-ending					\$ 796,641	\$ 656,248	\$ 1,452,889

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Balance Sheet
Governmental Funds
December 31, 2003
(Amounts in Thousands)

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Equivalents	\$	\$	\$	\$ 3,348	\$ 3,348
Equity in City Treasury Cash	62,360	172,646	39,727	55,699	330,432
Advances and Petty Cash	97				97
Investments, at Fair Value		42,104	12,288	7,980	62,372
Receivables:					
Taxes	55,232	5,200	37,839	6,895	105,166
Accounts, Net	1,290			796	2,086
Special Assessments	380	48		4,467	4,895
Accrued Interest and Dividends	1,058	181	165	88	1,492
Due from Other Funds	339	2,107		303	2,749
Due from Other Governments	17,138			3,981	21,119
Inventory	2,269	550		380	3,199
Advances to Other Funds	302			3,228	3,530
Total Assets	<u>\$ 140,465</u>	<u>\$ 222,836</u>	<u>\$ 90,019</u>	<u>\$ 87,165</u>	<u>\$ 540,485</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 3,827	\$ 12,398	\$ 12	\$ 7,504	\$ 23,741
Withholdings and Other Deposits	8,744				8,744
Due to Other Funds	2,532	1,042		512	4,086
Accrued Payroll	8,009		6	1,098	9,113
Accrued Liabilities	823			56	879
Deposits Payable	2,789		418	1,324	4,531
Deferred Revenue	43,676	3,236	35,467	6,368	88,747
Notes Payable		15,410			15,410
Estimated Liability for Compensated Absences				7,248	7,248
Estimated Liability for Unpaid Claims	130			4	134
Advances from Other Funds	521	26,969		2,832	30,322
Advances from Other Governments	3,937				3,937
Matured Bonds and Interest Payable			582		582
Total Liabilities	<u>74,988</u>	<u>59,055</u>	<u>36,485</u>	<u>26,946</u>	<u>197,474</u>
Fund Balances:					
Reserved for:					
Advances and Petty Cash	97				97
Encumbrances	11,470	44,959	3	36,655	93,087
Accordance with Trusts				7,286	7,286
Working Capital		21,130			21,130
Advances to Other Funds	302			3,228	3,530
Inventory	2,269	550		380	3,199
Debt Service			53,531		53,531
Unreserved, reported in:					
General Fund - Undesignated	49,839				49,839
General Fund - Designated for Int. Service Funds	1,500				1,500
Capital Projects		97,142			97,142
Special Revenue Funds - Undesignated				7,269	7,269
Special Revenue Funds - Designated for Contingencies				5,000	5,000
Permanent Funds				401	401
Total Fund Balances	<u>65,477</u>	<u>163,781</u>	<u>53,534</u>	<u>60,219</u>	<u>343,011</u>
Total Liabilities and Fund Balances	<u>\$ 140,465</u>	<u>\$ 222,836</u>	<u>\$ 90,019</u>	<u>\$ 87,165</u>	<u>\$ 540,485</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
December 31, 2003
(Amounts in Thousands)

Total fund balances - governmental funds	\$	343,011
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		805,405
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		22,247
Certain items accounted for as receivables under accrual accounting.		710
Some amounts reported for governmental-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.		(6,783)
Seven internal service funds are used by the City's management. The assets and liabilities of the internal service funds are included with governmental activities. The net property of \$29,086 as it relates to the internal service funds is included in the capital asset amount above.		53,843
Bond issue costs and discounts are expended in the fund level financial statements but are capitalized and amortized over the life of the bonds in the government-wide financial statements. This is the unamortized portion of those issue costs and discounts.		1,033
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable		(309,062)
Revenue bonds payable		(38,140)
Deferred bond premium		(997)
Compensated absences		(61,333)
Unpaid claims payable		(9,060)
Accrued interest on bonds		(1,880)
Other liability		(2,280)
Capital leases payable		(73)
Total net assets - - governmental activities (page 18)	\$	<u>796,641</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Cincinnati, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 221,123	\$ 22,979	\$ 36,667	\$ 50,770	\$ 331,539
Licenses and Permits	5,870			3,461	9,331
Use of Money and Property	11,208	933	21,127	4,241	37,509
Special Assessments		54		3,708	3,762
Intergovernmental Revenue	54,490	5,122	3,155	12,442	75,209
Federal Grants		13,219		43,130	56,349
State Grants and Subsidies		5,401		1,452	6,853
Charges for Current Services	12,203	48		11,755	24,006
Miscellaneous	859	4,481	27	6,111	11,478
Total Revenue	305,753	52,237	60,976	137,070	556,036
EXPENDITURES					
Current					
General Government	40,382		686	11,051	52,119
Community Development	9,803		10,012	27,163	46,978
Parks and Recreation	19,352			9,059	28,411
Public Safety	138,369			3,757	142,126
Transportation and Engineering	2,969			4,359	7,328
Enterprise Services				35,558	35,558
Public Services	21,821			13,537	35,358
Public Health	22,125			12,507	34,632
Employee Benefits	53,578			5,067	58,645
Capital Outlay	200	95,064		26,196	121,460
Debt Service:					
Principal Retirement			55,385		55,385
Interest			16,979	478	17,457
Bond Issuance Cost			707		707
Total Expenditures	308,599	95,064	83,769	148,732	636,164
Excess (Deficiency) of Revenues over (under) Expenditures	(2,846)	(42,827)	(22,793)	(11,662)	(80,128)
OTHER FINANCING SOURCES(USES)					
General Obligation Bonds and Notes Issued		58,840			58,840
Capital Lease Agreements		77			77
Revenue Bonds Issued			20,505		20,505
Premium on Bonds Issued			821		821
Discount on Revenue Bonds			(70)		(70)
Transfers In	6,081	27,532	41,478	17,246	92,337
Transfers (Out)	(3,099)	(68,524)	(23,378)	(5,581)	(100,582)
Total Other Financing Sources(Uses)	2,982	17,925	39,356	11,665	71,928
Net change in fund balances	136	(24,902)	16,563	3	(8,200)
Fund Balances at January 1	65,341	188,683	36,971	60,216	351,211
Fund Balances at December 31	<u>\$ 65,477</u>	<u>\$ 163,781</u>	<u>\$ 53,534</u>	<u>\$ 60,219</u>	<u>\$ 343,011</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2003
(Amounts in Thousands)

Net change in fund balances - total governmental funds	\$ (8,200)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$121,460) exceeded depreciation (\$35,176) in the current period.	86,284
Capital outlay expensed	(13,660)
Governmental funds report cash received for assets disposed of as revenue. However, in the statement of activities, that cash offsets the difference between the book value and accumulated depreciation of the disposed asset. This is the sum of the cash received (\$286) and the net loss (\$1,574) on the sale of assets.	(1,860)
Statement of activities reports an increase in revenues due to current activity in deferred revenues which is not reported at fund level.	989
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,000)
The long-term liability for compensated absences is not recorded in the fund level, but is reported in the statement of activities. This is the current year change in the liability, reported as an expense in the statement of activities.	(3,044)
The long-term liability for unpaid claims is not recorded in the fund level, but is reported in the statement of activities. This is the current year change in the liability, reported as an expense in the statement of activities.	(2,995)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(23,960)
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.	(173)
Bond premiums are included in revenue at the fund level, but capitalized and amortized over the life of the bonds in the government-wide financial statements.	(617)

(Continued)

CITY OF CINCINNATI, OHIO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2003
(Amounts in Thousands)

(Continued)

Bond issuance costs are included in expenditures at the fund level, but are deferred and amortized over the life of the bonds in the government-wide financial statements	\$ 613
Bond discounts are included in expenditures at the fund level, but are deferred and amortized over the life of the bonds in the government-wide financial statements	70
Internal balances between the governmental activities and the business type activities are not reported at the fund level.	1,146
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue(expense) of certain internal service funds is reported with governmental activities.	(1,998)
Change in net assets of governmental activities (page 19)	<u>\$ 31,595</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Net Assets
Proprietary Funds
December 31, 2003
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS				
<u>Current</u>				
Cash and Equivalents	\$ 543	\$ 109	\$ 652	\$ 29,998
Equity in City Treasury Cash	17,966	6,652	24,618	
Receivables:				
Taxes		112	112	
Accounts, Net	13,611	1,771	15,382	472
Accrued Interest and Dividends	370	132	502	329
Due from Other Funds	972	133	1,105	3,439
Due from Other Governments	10,067	221	10,288	833
Prepaid Items	611	94	705	961
Inventory	3,461		3,461	1,656
Advances to Other Funds	295	13,556	13,851	13,414
Restricted Assets:				
Cash and Cash Equivalents	18,246		18,246	
Equity in City Treasury Cash	4,961	8	4,969	
Investments at Fair Value	49,984		49,984	
<u>Noncurrent</u>				
Equity in City Treasury Cash	20,989	7,782	28,771	35,047
Restricted Equity in City Treasury Cash	5,796		5,796	
Accounts Receivable, Net	116		116	
Land	2,610	22,726	25,336	283
Buildings, net of Accumulated Depreciation	116,073	35,806	151,879	12
Improvements, net of Accumulated Depreciation	315,884	52,695	368,579	4,032
Machinery and Equipment	80,151	686	80,837	24,714
Construction in Progress	97,276	43,365	140,641	
Property Acquired under Capital Leases, net of Accumulated Amortization		179	179	45
Total Assets	<u>759,982</u>	<u>186,027</u>	<u>946,009</u>	<u>115,235</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Net Assets
Proprietary Funds
December 31, 2003
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	LIABILITIES			
<u>Current</u>				
Accounts Payable	\$ 2,116	\$ 775	\$ 2,891	\$ 4,089
Due to Other Funds	375	301	676	1,462
Due to Other Governmental Agencies	1,529		1,529	
Accrued Payroll	1,078	258	1,336	649
Accrued Liabilities		426	426	4,999
Accrued Interest	204	79	283	
Obligations under Capital Leases				10
Deposits Payable		20	20	111
Unearned Revenue	5,952	383	6,335	40
Compensated Absences payable	2,479	645	3,124	1,583
Unpaid Claims payable	74	6	80	8,170
General Obligation Bonds and Notes Payable	11,830	10,857	22,687	
Revenue Bonds Payable	7,010		7,010	
Advances from Other Funds				473
Advances from Other Governments				20
Payable from Restricted Assets:				
Construction Contracts	7,321		7,321	
Deposits Payable	770		770	
<u>Noncurrent:</u>				
Obligations under Capital Leases				28
Compensated Absences payable	2,978	410	3,388	536
Arbitrage Liability	1,210		1,210	
Unpaid Claims payable				10,136
Revenue Bonds Payable	192,300		192,300	
General Obligation Bonds and Notes Payable	41,510	3,648	45,158	
Total Liabilities	278,736	17,808	296,544	32,306
 NET ASSETS				
Invested in Capital Assets, Net of Related Debt	425,796	140,952	566,748	29,048
Restricted	4,444	8	4,452	
Unrestricted	51,006	27,259	78,265	53,881
Total Net Assets	\$ 481,246	\$ 168,219	649,465	\$ 82,929

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business type activities.

6,783

Net assets of business type activities

\$ 656,248

The accompanying notes to the financial statements are an integral part of this statement.

City of Cincinnati, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Services Funds
OPERATING REVENUES				
Charges for Current Services	\$ 87,538	\$ 25,905	\$ 113,443	\$ 97,602
Miscellaneous	4,018	762	4,780	1,767
Total Operating Revenues	<u>91,556</u>	<u>26,667</u>	<u>118,223</u>	<u>99,369</u>
OPERATING EXPENSES				
Personal services	31,741	7,486	39,227	16,142
Contractual services	8,692	8,728	17,420	8,612
Maintenance and repairs	3,006	1,614	4,620	1,984
Materials and supplies	6,256	472	6,728	9,167
Utilities	8,007	1,701	9,708	431
Insurance	264	108	372	70,096
Taxes	1	520	521	2
Depreciation and amortization	15,657	6,975	22,632	2,784
Rent	656	227	883	1,714
Other expense	482	159	641	21
Total Operating Expenses	<u>74,762</u>	<u>27,990</u>	<u>102,752</u>	<u>110,953</u>
Operating Income(Loss)	16,794	(1,323)	15,471	(11,584)
NONOPERATING REVENUES(EXPENSES)				
Interest revenue	2,041	355	2,396	1,492
Occupancy tax receipts		1,019	1,019	
Interest expense	(8,234)	(737)	(8,971)	(68)
Loss on disposal of assets	(323)	(49)	(372)	(21)
Nonoperating Revenues(Expenses)	<u>(6,516)</u>	<u>588</u>	<u>(5,928)</u>	<u>1,403</u>
Income (Loss) before Contributions and Transfers	10,278	(735)	9,543	(10,181)
Transfers In		1,210	1,210	10,199
Transfers (Out)		(908)	(908)	(2,256)
Capital contributions	8,661	3,529	12,190	240
Change in Net Assets	18,939	3,096	22,035	(1,998)
Net Assets at January 1	462,307	165,123		84,927
Net Assets at December 31	<u>\$ 481,246</u>	<u>\$ 168,219</u>		<u>\$ 82,929</u>

Some amounts reported for business-type activities in the statement of net assets are different because the net revenue of certain internal service funds is reported with business type activities.

(1,146)

Change in net assets of business type activities

\$ 20,889

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Receipts from Customers	\$ 91,507	\$ 26,794	\$ 118,301	\$ 39,339
Receipts from Other Funds		19	19	28,248
Receipts from Retirement System				34,554
Payments to Suppliers	(28,597)	(11,283)	(39,880)	(93,125)
Payments to Other Funds		(1,928)	(1,928)	(464)
Payments to Employees	(31,775)	(7,565)	(39,340)	(16,129)
Payments for Property Taxes	(1)	(491)	(492)	(2)
Net Cash Provided (Used) by Operating Activities	31,134	5,546	36,680	(7,579)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Repayment of Advances Made To Other Funds	42	9,792	9,834	
Repayment of Advances Received from Other Funds				(41)
Advances To Other Funds				(753)
Occupancy Tax Receipts		1,149	1,149	
Transfers to Other Funds		(908)	(908)	(2,256)
Transfers from Other Funds		1,210	1,210	10,199
Net Cash Provided by Noncapital Financing	42	11,243	11,285	7,149
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Contributed by Other Sources	1,142	3,514	4,656	
Proceeds from the Sale of Capital Assets	60		60	
Proceeds from the Sale Of Bonds	112,360		112,360	
Acquisition of Property, Plant and Equipment	(2,382)	(1,878)	(4,260)	(9,779)
Interest Paid on Bonds and Notes	(4,722)	(745)	(5,467)	(64)
Principal Paid on Bonds and Notes	(17,405)	(1,752)	(19,157)	
Payments on Long Term Capital Lease Obligations	(4)	(65)	(69)	(124)
Additions to Construction in Progress	(69,442)	(15,962)	(85,404)	
Net Cash Provided (Used) by Capital and Related Financing Activities	19,607	(16,888)	2,719	(9,967)
<u>Cash Flow from Investing Activities:</u>				
Purchase of Investments	(49,984)		(49,984)	
Interest and Dividends on Investments	2,341	416	2,757	1,728
Net Cash Provided (Used) by Investing Activities	(47,643)	416	(47,227)	1,728
Net Increase (Decrease) in Cash and Cash Equivalents	3,140	317	3,457	(8,669)
Cash and Cash Equivalents at Beginning of Year	65,361	14,234	79,595	73,714
Cash and Cash Equivalents at End of Year	\$ 68,501	\$ 14,551	\$ 83,052	\$ 65,045

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Other</u>	<u>Total</u>	<u>Internal</u>
	<u>Works</u>	<u>Enterprise</u>	<u>Enterprise</u>	<u>Service</u>
		<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
<u>Reconciliation of Operating Income (Loss) to</u>				
<u>Net Cash Provided (Used) by</u>				
<u>Operating Activities:</u>				
Operating Income (Loss)	\$ 16,794	\$ (1,323)	\$ 15,471	\$ (11,584)
Depreciation and Amortization	15,657	6,975	22,632	2,784
Capitalized Assets Expensed		539	539	
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Receivables	209	175	384	955
Due from Other Funds	(117)	(97)	(214)	2,621
Due from Other Governments	(145)	(157)	(302)	620
Inventory	481		481	(91)
Prepaid Items	(582)	(11)	(593)	177
Increase (Decrease) in:				
Accounts Payable	(203)	278	75	224
Deposits Payable	(252)	4	(248)	43
Due to Other Funds	(20)	(724)	(744)	(512)
Due to Other Governmental Agencies	(609)		(609)	(1,094)
Accrued Payroll	(23)	65	42	139
Accrued Liabilities		126	126	(536)
Deferred Revenue		(130)	(130)	33
Liability for Compensated Absences	(10)	(146)	(156)	(129)
Estimated Liability for Unpaid Claims	(46)	(28)	(74)	(1,229)
Net Cash Provided (Used) by Operating Activities	<u>\$ 31,134</u>	<u>\$ 5,546</u>	<u>\$ 36,680</u>	<u>\$ (7,579)</u>

Schedule of Noncash Investing, Capital
and Financing Activities:

Acquisition of Property, Plant and Equipment from Capital Contributions	\$ 7,519	\$ 15	\$ 7,534	\$ 240
Total Noncash Investing, Capital and Financing Activities	<u>\$ 7,519</u>	<u>\$ 15</u>	<u>\$ 7,534</u>	<u>\$ 240</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003
(Amounts in Thousands)

	Pension Trust	Investment Trust Fund	Agency
Assets			
Cash and Equivalents	\$ 119,111	\$	\$ 6,103
Equity in City Treasury Cash		33,205	
Investments, at fair value:			
U. S. Government Bonds	240,532		
U. S. Government Agencies	789		
U. S. Government Mortgage Backed Securities	116,338		
Corporate Bonds	190,040		
State and Local Obligations	3,741		
Equities	1,494,538		
Venture Capital	14,529		
U. S. Treasury Bills and Notes	9,951		228,566
Commercial Paper	19,036		
Other Bonds	29,360		
Other Assets	67		
Total Investments, at fair value	2,118,921		228,566
Collateral on Loaned Securities	582,485		
Receivables:			
Accounts, Net	29		20,749
Accounts Receivable for Securities Sold	91,028		
Accrued Interest and Dividends	9,436		541
Due from Other Funds	361		48
Due from Other Governments	162		
Inventory			905
Loans Receivable	19,214		
Machinery and Equipment	1,369		
Accumulated Depreciation	(759)		
Total Assets	2,941,357	33,205	\$ 256,912
Liabilities			
Accounts Payable	2,425		\$ 10,263
Accounts Payable for Securities Purchase	69,733		
Due to Other Funds	370		1,108
Due to Other Governmental Agencies			232,585
Obligations Under Securities Lending	582,485		
Accrued Payroll	36		1,141
Accrued Liabilities	6,502		6
Deposits Payable			5,918
Deferred Revenue	2		
Estimated Liability for Compensated Absences	83		5,891
Total Liabilities	661,636	33,205	\$ 256,912
Net Assets			
Held in Trust for Pool Participant		33,205	
Held in Trust for Employees' Pension Benefits *	1,555,672		
Held in Trust for Employees' Postemployment * Healthcare Benefits	724,049		
Total Net Assets	\$ 2,279,721	\$ 33,205	

*(The schedule of funding progress is shown on page 70.)

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2003
(Amounts in Thousands)

	Pension Trust	Investment Trust Fund
ADDITIONS		
Contributions:	\$	\$
Plan members	13,311	
Employer	12,620	
Participant Deposits		192,670
Total Contributions	25,931	192,670
Transfers From Other Retirement Systems	898	
Investment earnings:		
Interest and Dividends	60,618	1,234
Net appreciation (depreciation) in the fair value of investments	356,984	(355)
Total Investment earnings	417,602	879
Less investment management expenses	6,083	
Net Income From Investing Activities	411,519	879
From Security Lending Activities:		
Securities Lending Income	4,121	
Securities Lending Expense:		
Borrower Rebates	(3,149)	
Management Fees	(290)	
Total Securities Lending Expenses	(3,439)	
Net Income from Securities Lending Activities	682	
Total Additions	439,030	193,549
DEDUCTIONS		
Benefit Payments:		
Pension and Annuities	92,303	
Distributions to Participants		189,577
Hospital and Medical Care	31,776	
Medicare	2,497	
Dental Benefits	900	
Vision Benefits	113	
Death Benefits, Active and Retired	1,123	
Loss Due to Death of Members with Loans	24	
Transfers - Retirement to other systems	3,335	
Total Benefits Payments	132,071	189,577
Refunds of contributions	1,545	
Administrative expenses:		
Personal Services	579	
Contractual Services	883	
Materials and Supplies	96	
Depreciation	265	
Total Administrative Expenses	1,823	
Total Deductions	135,439	189,577
Change in net assets	303,591	3,972
Net assets - beginning	1,976,130	29,233
Net assets - ending	\$ 2,279,721	\$ 33,205

The accompanying notes to the financial statements are an integral part of this statement.

(This page intentionally left blank.)

Notes to Financial Statements

	<u>PAGE</u>
1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	35
2) DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS	41
3) MIXED INVESTMENT POOL	43
4) COMMITMENTS	45
5) INTERFUND ASSETS/LIABILITIES	45
6) INTERFUND TRANSFERS	46
7) SEGMENT INFORMATION	47
8) LEASES	49
9) LONG-TERM DEBT	51
10) DEBT LIMITATION	55
11) TAXES	55
12) SHORT-TERM DEBT – BOND ANTICIPATION NOTES	57
13) RESTRICTED ASSETS	57
14) CAPITAL ASSETS	58
15) RECEIVABLES	61
16) CONTINGENT LIABILITIES	62
17) RISK MANAGEMENT	62
18) SUBSEQUENT EVENTS	63
19) PENSION AND RETIREMENT	64

This page intentionally left blank.

CITY OF CINCINNATI, OHIO

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cincinnati is a political subdivision of the State of Ohio. It is governed with the powers of home rule by a directly elected mayor with a four-year term and a council of nine members who are elected at large for two-year terms. In 2001, Cincinnati converted from a city manager-council form of government, through which it had operated since 1926, to a strong mayor-council form of government.

A. Reporting Entity

The City as a reporting entity consists of only one governmental unit. Cincinnati has no component units - defined as entities for which the government is considered to be financially accountable.

The following organizations are included in the combined financial statements of the City because, under Ohio law, they have limited corporate powers and are therefore not legally separate organizations:

Cincinnati Park Board
Cincinnati Recreation Commission
City Planning Commission
Cincinnati Board of Health
Civil Service Commission

Cincinnati owns a railway line, the Cincinnati Southern Railway that was completed in 1881 and extends from Cincinnati, Ohio to Chattanooga, Tennessee, a distance of 335 miles. Improvements have been made at various intervals; the most recent, a major line revision to eliminate tunnel clearance restrictions, grades, and curves, was completed in 1964. Improvements other than buildings in Governmental Activities include \$83,224,000 attributable to the City's cost to construct and improve this railway system. The railway is leased to the Cincinnati, New Orleans and Texas Pacific Railway Company until December 31, 2026, with an option to extend the lease for an additional 25 years. The lessee is part of the Norfolk Southern Railway System and is its second largest operating unit. Total rental income from the railway lease was \$16,407,000 in 2003 and \$16,211,000 in 2002.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a

specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Interfund receivables and payables between governmental and business type activities have been eliminated in the government-wide statement of net assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business type activities total column. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's business type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund financial statements consist of a series of statements focusing on information about the City's major governmental and proprietary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City of Cincinnati for 2003 are prepared in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB). These standards include the effective pronouncements of the National Council on Governmental Accounting and the American Institute of Certified Public Accountants which are considered to be "generally accepted accounting principles" for state and local entities, until they are altered, amended, supplemented, revoked or superseded by a subsequent GASB pronouncement.

The City reports the following major governmental funds:

General Fund is the accounting entity in which all governmental activity, except that which is required to be accounted for in other funds, is accounted for. Its revenues consist primarily of taxes, intergovernmental shared revenues, charges for services, and investment income.

General Fund expenditures represent costs of general government, community development, public safety, public services, public health, parks and recreation, and other.

Capital Projects Fund is used primarily to account for resources designated to construct or acquire governmental fund capital assets. Such resources are derived principally from proceeds of general obligation debt, federal and state grants and City income tax (see Note 11). It is the City's policy to use the proceeds derived from the sale of bonds only for the capital improvement purpose detailed in the bond-authorizing ordinance and in accordance with state statutes. Any premium and accrued interest received from the sale of bonds is deposited into the Debt Service Fund.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on general obligation debt and capital lease payments of the governmental funds.

The City reports the following major proprietary fund:

Water Works Enterprise Fund accounts for all activities of the City's Water Works Department. The

City collects, purifies, and sells water to Greater Cincinnati Area residents. Revenues consist primarily of user charges.

The City reports the following fund types:

Internal Service Funds account for reproduction and printing; automotive repairs and maintenance services; stores; land sales and leasing; employee medical costs; workers' compensation; and data processing services to other departments or agencies of the City, or to other governments. Internal service funds are used to account for the financing of goods or services provided by one department or agency to another department or agencies of the government, generally on a cost reimbursement basis.

Pension Trust Fund – This fund is used to account for the receipts and expenditures of the City's Retirement System.

Investment Trust Fund – This fund is used to account for the Metropolitan Sewer District Fund portion of the City's pool of cash and investments.

Agency Funds – These funds are used to account for assets held by the City in a fiduciary capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Measurement Focus

Except for budgetary purposes, the basis of accounting used by the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus. The government-wide and proprietary funds financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, property taxes, grants, shared revenues, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer's liability occurs and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Inventories of materials and supplies may be considered expenditures either when purchased or when used, and prepaid expense items may be considered expenditures either when paid for or when consumed. Proceeds of general long-term debt are reported as other financing sources.

Income taxes, delinquent property taxes, liquor permits, fines, local government fund, gasoline tax, and motor vehicle license fees for the current and prior periods are determined to be susceptible to accrual and are recognized as revenue in the current accounting period. All other major revenues of governmental funds

are determined not to meet the criteria of either being measurable or available. The proprietary fund type statements are prepared utilizing the flow of economic resources measurement focus and the accrual basis of accounting for revenues, which are recognized when they are earned, and for expenses, which are recognized when they are incurred. Unbilled service receivables are recognized by proprietary funds when the services are provided.

The fiduciary fund types recognize revenue and expenditures/expenses on a basis consistent with the fund's accounting measurement objective. The pension trust fund and the mixed investment pool statements are prepared utilizing the flow of economic resources measurement focus and the accrual basis of accounting. Agency funds do not have a measurement focus. Their financial statements are prepared utilizing the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Other Accounting Policies

- A. *Investments* - The investments of the City (excluding the City of Cincinnati's Retirement System, (see Note 2)) are comprised primarily of time deposits and other securities guaranteed by the United States Government or its agencies and are stated at fair value based on quoted market prices.
- B. *Inventories* - Inventories are valued at cost using either the moving weighted average or the first-in, first-out method. Inventories in the governmental funds and the proprietary funds are recorded using the consumption method whereby inventories are recorded as expenditures or expenses when they are used.
- C. *Insurance* - The City maintains a comprehensive all risk property insurance program that provides insurance coverage for approximately \$831,000,000 in property values. In addition certain enterprise funds carry insurance coverage for specific purposes as determined by management. An estimated liability for uninsured losses is reported as required by Governmental Accounting Standards Board Statement 10 - Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. State law authorizes the issuance of judgment bonds to settle claims. The City's available legal debt margin of \$93,000,000 at December 31, 2003, is considered adequate for catastrophic loss coverage.
- D. *Inter-Fund Transactions* - During the course of normal operations, the City has numerous transactions between funds including expenditures/expenses, advances and transfers of resources to provide services, construct assets and service debt. The governmental and proprietary fund type financial statements generally reflect such transactions as transfers or advances. The internal service funds record charges for services to City departments as operating revenue. All City funds record these payments to the internal service funds as operating expenditures/expenses. The proprietary funds record operating subsidies as other income whereas the fund paying the subsidy records it as either an expenditure/expense or transfer. Transfers are intended to reallocate money permanently from one fund to another. Advances represent the long-term portion of loans between funds. Inter-fund services provided and used are accounted for as revenues, expenditures, or expenses in the funds involved. The General Fund provides administrative services to enterprise funds. Based on an internal cost allocation plan certain costs initially borne by the General Fund are then billed as indirect charges to other funds of the City. The amounts charged for those services are treated as revenue to the General Fund and as operating expenses in the enterprise funds and as program expenses for individual functions and activities.

- E. Capital Assets** -Capital assets which include property, plant and equipment, and infrastructure (e. g. roads, streets, bridges and retaining walls) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The City defines capital assets as assets with an individual cost of \$5,000 or more (\$100,000 for governmental infrastructure assets) and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, or estimated values that approximate historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Water Mains	100 years
Buildings and Improvements	25-70 years
Infrastructure	15-25 years
Machinery and Equipment	5-40 years
Automotive Equipment	3-20 years

- F. Deferred Revenues** - The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Certain intergovernmental receivables, uncollected assessments and miscellaneous receivables not meeting the availability criteria have been deferred and will be realized in a subsequent period in the governmental funds.
- G. Grants and Other Intergovernmental Revenues** - The proprietary fund types recognize the federal reimbursement-type capital grants as intergovernmental receivables and capital contributions as the related expenses are incurred. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City.
- H. Operating Revenues and Expenses** - The City, in its proprietary funds, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.
- I. Capitalization of Interest** - Interest is capitalized by the City in proprietary fund types when it is determined to be material. The City capitalizes interest in accordance with Statement of Financial Accounting Standard No. 62, Capitalization of Interest Costs in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants. This statement requires that the interest cost capitalized during construction be reduced by interest income earned on investments of the bond

proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

- J. *Statement of Cash Flows* - For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments held by trustees, with a maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and temporary investments with the City Treasurer are also considered to be cash equivalents since they are available to the proprietary funds on demand. The temporary investments, primarily consist of certificates of deposit and U. S. Treasury securities that have maturities of up to two years.
- K. *Pronouncements Effective for the 2003 Financial Statements* - With this financial report the City has changed its financial reporting to comply with Governmental Accounting Standards Board (GASB) Statement No. 41, *Budgetary Comparison – Perspective Differences* which was issued in May 2003 and amends Statement 34 to clarify the budgetary presentation requirements for governments with significant budgetary perspective differences that result in their not being able to present budgetary comparison information for their general fund and major special revenue funds. For governments that have implemented Statement 34 prior to the issuance of this Statement, the requirements of this Statement are effective for financial statements for periods beginning after June 15, 2002.
- L. *Pronouncements Issued But Not Yet Effective* – Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. This Statement was issued in May 2002 and amends Statement Number 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. This Statement is effective for financial statements for periods beginning after June 15, 2003.

Governmental Accounting Standards Board (GASB) Statement Number 40, *Deposit and Investment Risk Disclosures* was issued in March 2003 and amends Statement 3. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed. This Statement is effective for financial statements for periods beginning after June 15, 2004.

Governmental Accounting Standards Board (GASB) Statement Number 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* was issued in November 2003 and establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2004.

Governmental Accounting Standards Board (GASB) Statement Number 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* was issued in April 2004 and establishes uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans. This Statement is effective for periods beginning after December 15, 2004.

Governmental Accounting Standards Board (GASB) Statement Number 44, *Economic Condition Reporting: The Statistical Section* was issued in June 2004 and enhances and updates the Statistical Section that accompanies a state or local government's basic financial statements. This Statement is effective for periods beginning after June 15, 2005.

- M. *Working Capital Reserve* - City Council established standards for a minimum working capital reserve account in 1984 to assure a strong financial position and to protect Cincinnati's general obligation bond rating during periods of fiscal stress. The policy called for achievement of a minimum reserve level, for emergency needs of a catastrophic nature, of no less than 5% or more than 8% of general operating revenues by December 31, 1986. The targeted year-end reserve level was achieved in January of each year 1985 through 2003. The working capital reserve for 2003 was \$21,130,000 and is included in the Fund Balance Reserved for Working Capital in the Capital Projects Fund. The City is a chartered government and the working capital reserve, as established, is allowed by the charter.
- N. Restricted resources such as bond funds are assumed to be expended before non-restricted resources in paying for capital projects of both the governmental funds and the proprietary funds.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The City of Cincinnati combines the cash balances in individual funds to form a pool of cash and investments. Each fund reports its respective equity in City Treasury cash as an element of its resources. In addition, several funds separately hold cash and equivalents and investments, which are appropriately identified, in the combined balance sheet of the City. Earnings from the pooled cash and investments are allocated on a quarterly basis to each participating fund based on month-end equity balances. The data presented in the accompanying financial statements is for the City of Cincinnati as a whole.

Deposits

At year-end the carrying amount of the City's deposits, including certificates of deposit with various financial institutions was \$171,558,000 and the bank balance was \$181,699,000. The entire bank balance is held in the name of the City and is collateralized either by federal depository insurance or securities pledged as collateral and segregated by the Federal Reserve Bank in a pledge account. The collateral is held by the City's agent in the City's name; it cannot be released by the Federal Reserve Bank without the City's approval.

Statutes specify that the City Treasurer require institutions designated as a public depository to pledge and to deposit with the Treasurer's office, as security for the payment of all public moneys to be deposited in the public depository during the period of designation, eligible securities of an aggregate market value equal to the excess of the amount of public monies that are at the time so deposited over and above such portion or amount of such money as is at such time insured by the Federal Deposit Insurance Corporation, or by any other agency or instrumentality of the federal government. As an alternative, the City Treasurer may require such institution to deposit with him surety company bonds which, when executed, shall be for an amount equal to such excess amount.

Excluded from these amounts are deposits held by the City's Retirement System for which the year-end book balance was \$119,111,000. The year-end bank balance was \$13,652,000 and the cash equivalent balance was \$107,451,000. Cash of \$3,471,000 and cash equivalents of \$107,451,000 that were held in money managers custodial accounts at the Bank of New York at year-end are not subject to the same insurance and collateralization requirements as the City's deposits and are uncollateralized.

Investments

The fair value of investments for the City at December 31, 2003 was \$683,707,000. These investments include \$682,748,000 in U. S. Treasury Securities and \$959,000 in Equity Securities. The City is legally authorized to invest in obligations of the U.S. Treasury, federal agencies or instrumentalities, obligations of the State of Ohio and its political subdivisions and repurchase agreements. All investments of the City of Cincinnati are insured or registered, or are securities held by the City or its agent in the City's name. The City Treasurer may enter into a repurchase agreement of United States Treasury obligations or other

obligations for which the full faith and credit of the United States is pledged for the payment of principal and interest, or obligations or securities issued by any federal government agency. The City has not used reverse repurchase agreements or derivatives as investment instruments.

Excluded from the City's investments discussed above are assets held in trust by the City's Retirement System and Park Board. The fair value of investments for these funds at December 31, 2003 was \$2,125,763,000. These investments include \$368,312,000 in U. S. Treasury Securities, \$190,844,000 in Corporate Bonds and Notes, \$14,529,000 in Venture Capital and \$1,499,874,000 in Equity Securities, \$19,036,000 in Commercial Paper, \$3,741,000 in State and Local Obligations, \$29,360,000 in other bonds, and \$67,000 in other investments. In those cases where resources are maintained in trust, authority for investment of the property rests with either the trust agreement or local ordinance. Investments of the City of Cincinnati Retirement System are, by ordinance, subject to certain terms and limitations. The limitations do not apply to investments in securities of the City and federal government or their agencies. Investments of the City of Cincinnati Retirement System and Park Board are uninsured, with securities held by the counterparty, or by its trust department or agent but not in the City's name. The investment in Venture Capital is not considered an investment in a security for purposes of credit risk classification since it is not evidenced by securities that exist in physical or book entry form.

Securities Lending

City statutes and board of trustee policies permit the City of Cincinnati Retirement System to use investments of the plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same security in the future. Securities are loaned in exchange for collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned in exchange for collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned in exchange for collateral valued at 105% of the market value of the securities plus any accrued interest. Collateral cannot be pledged or sold unless the borrower defaults. The borrower is required to pay to the Lender the equivalent of all interest and dividends that are paid by the issuer during the term of the loan. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the System's overall loans was 4 days in December 2003. Cash collateral is invested in a short-term investment pool, which had an average weighted maturity of 23 days as of December 31, 2003. Cash collateral may also be invested separately in "term loans", in which the maturity of the term loan is matched to either the maturity of the cash collateral invested or the interest rate reset of the cash collateral invested. These loans have rights of substitution and securities can be recalled on demand. As of December 31, 2003, there were no violations of legal or contractual provisions, no borrower or lending agent default and no losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent.

The following represents the balances relating to the securities lending transactions at the financial statement date:

	(Amounts in Thousands)		
<u>Securities Lent</u>	<u>Fair Value of Underlying Securities</u>	<u>Cash Collateral Received/ Securities Collateral Value</u>	<u>Cash Collateral Investments Value</u>
Lent for cash collateral			
Stocks	\$282,908	\$291,873	\$291,873
U.S. Agencies	33,343	34,036	34,036
Corporate Bonds	36,975	37,955	37,955
U.S. Government Fixed Income	214,285	218,621	218,621
	<u>\$567,511</u>	<u>\$582,485</u>	<u>\$582,485</u>

Derivatives

Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. The retirement system enters into certain derivative financial instruments primarily to enhance the performance and reduce the volatility of the portfolio. It purchases S&P 500 futures contracts to gain exposure to the U.S. equity market, fixed income futures contracts and options to manage interest rate risk, and foreign exchange contracts are used occasionally to hedge foreign currency exposure. The retirement system's fixed income managers are authorized to invest in mortgage-backed securities (MBS), commercial mortgage-backed securities (CMB), collateralized mortgage obligations (CMO) and asset-backed securities (ABS). MBS securities are issued by government agencies and instrumentalities such as the FHA, FNMA, GNMA, FHLMC, while CMB and CMO securities are issued by non-government corporations. ABS securities are supported by loans which are secured by first residential mortgages, home equity mortgages, auto loans, credit card receivables, etc.

At December 31, 2003 the retirement system held the following derivative positions:

- 1.) Futures contracts settling March 19, 2004 to buy S&P 500 index securities with a notional value of approximately \$37.0 million.
- 2.) Futures contracts settling March 31, 2004 to sell U.S. Treasury securities with a notional value of \$39.0 million.
- 3.) Government issued mortgage-backed securities with a market value of \$63.7 million.
- 4.) Commercial mortgage-backed securities with a market value of \$23.6 million.
- 5.) Collateralized mortgage obligations with a market value of \$53.1 million.
- 6.) Asset-backed securities with a market value of \$6.4 million.

The retirement system held one short position on a put option expiring February 21, 2004 on a 10-year U.S. Treasury future as well as one short position on a put option expiring February 5, 2004 on a 30-year FHLMC MBS pass through security. These holdings had a market value of (\$39,535) as of December 31, 2003.

The retirement system held no foreign exchange contracts as of December 31, 2003.

3. MIXED INVESTMENT POOL

On April 10, 1968, the Board of County Commissioners of Hamilton County and the City of Cincinnati consolidated all County and City sanitary sewer facilities, under the direction and control of the Board of County Commissioners and the management and operation of the City. The cash balance in the fund established for this purpose, the Metropolitan Sewer District fund (MSD), is combined with the City's pool of cash and investments. For the purposes of financial reporting, the MSD portion of the City's pool of cash and investments is reported as an Investment Trust Fund. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight. Fair value amounts are determined at year end. The City has not provided or obtained any legally binding guarantees to support the value of the Mixed Investment Pool. MSD is required by Chapter 301 of the Cincinnati Municipal Code to participate in the Mixed Investment Pool. Disclosures required by GASB Statement 3 are discussed in Note 2.

Summary by major investment classification:

(Amounts in Thousands)

	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
Money Market Fund	\$ 25,000	\$ 25,000	1.02%	-
Certificates of Deposit	125,542	125,542	1.1% - 5.18%	01/09/04 - 03/19/07
U.S. Treasury Notes	137,170	137,540	1.125% - 6.0%	01/31/04 - 06/30/05
FHLB/FNMA Securities	185,068	185,662	1.56% - 5.625%	01/06/04 - 12/29/06
City of Cincinnati Notes	21,632	21,632	.88% - 6.75%	04/30/04 - 12/01/05
Cash	<u>3,556</u>	<u>3,556</u>		
Total	<u>\$497,968</u>	<u>\$498,932</u>		

The Mixed Investment Pool does not issue a separate report. The Mixed Investment Pool's financial statements can be found below:

**Mixed Investment Pool
Statement of Net Assets
as of December 31, 2003**
(Amounts in Thousands)

<u>Assets</u>	
Equity in City Treasury	<u>\$ 498,932</u>
<u>Net Assets</u>	
Held in Trust for Internal Pool Participants	\$ 465,727
Held in Trust for External Pool Participant	<u>33,205</u>
Total Net Assets	<u>\$ 498,932</u>

**Mixed Investment Pool
Statement of Changes in Net Assets
For the Year Ended December 31, 2003**
(Amounts in Thousands)

	<u>Internal Participants</u>	<u>External Participants</u>	<u>Total</u>
Additions:			
Contributions:			
Participant Deposits	\$1,190,636	\$192,670	\$1,383,306
Investment earnings:			
Interest and dividends	19,482	1,234	20,716
Net depreciation in the fair value of investments	<u>(5,732)</u>	<u>(355)</u>	<u>(6,087)</u>
Total investment earnings	<u>13,750</u>	<u>879</u>	<u>14,629</u>
Total additions	1,204,386	193,549	1,397,935
Deductions:			
Distributions to Participants	<u>1,248,640</u>	<u>189,577</u>	<u>1,438,217</u>
Change in Net Assets	(44,254)	3,972	(40,282)
Net assets – beginning	<u>509,981</u>	<u>29,233</u>	<u>539,214</u>
Net assets – ending	<u>\$ 465,727</u>	<u>\$ 33,205</u>	<u>\$ 498,932</u>

4. COMMITMENTS

Convergys - In July 2003 the City and Convergys Corporation entered into an Agreement for the Creation and Retention of Jobs. The City granted Convergys tax credits against the City's income tax for a period of fifteen years and a potential of \$29,750,000 in grants if specific conditions are met over a three year period. In December 2003 the City sold Economic Development Revenue Bonds in the amount of \$20,500,000 to partially fund these grants.

Based on eligibility requirements that were met in 2003 a \$10,000,000 grant was made to Convergys. If Convergys continues to meet its eligibility requirements they can receive up to \$10,000,000 in 2004 and \$3,000,000 in each of the years 2005, 2006, and 2007. An additional \$1,000,000 can be earned at any time if certain employment performance conditions are met.

The Vine and Central Parkway Garage and Housing Development

In September 2003 the City entered into an agreement with the Kroger Company to build a parking garage primarily for the benefit of Kroger. In return Kroger has agreed to keep its corporate headquarters and nearly 1,200 jobs in downtown Cincinnati. This development includes the construction of a 950 space parking garage, the creation of 25 market rate housing units and retail space. Kroger will rent a minimum of 850 spaces in the garage. The City will issue \$12,000,000 in revenue bonds to finance the garage.

The City will provide \$2,500,000 in funding to support the construction of the housing and retail space in the development. Approximately \$3,900,000 in private financing from the Cincinnati Development Fund and the Cincinnati Equity Fund has been secured for this project.

5. INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2003, is as follows (Amounts in Thousands):

DUE FROM/TO OTHER FUNDS

	Due From							Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Water Works Enterprise Fund	Nonmajor Enterprise Funds	Fiduciary Funds	
Due To								
General Fund	\$	\$ 3	\$ 23	\$ 2,051	\$ 191	\$ 69	\$ 195	\$ 2,532
Capital Project Fund	29		56	235	722			1,042
Nonmajor Governmental	71		186	200			55	512
Internal Service Funds	6	1,386	12	28		2	28	1,462
Water Works Enterprise Fund	9	61	5	240		3	57	375
Nonmajor Enterprise Funds	6	222	21	30	6		16	301
Fiduciary Funds	218	435		655	53	59	58	1,478
Total	\$ 339	\$ 2,107	\$ 303	\$ 3,439	\$ 972	\$ 133	\$ 409	\$ 7,702

ADVANCES TO/FROM OTHER FUNDS (Amounts in Thousands)

	<u>Advances From</u>					Total
	General Fund	Nonmajor Governmental	Internal Service Funds	Water Works Enterprise Fund	Nonmajor Enterprise Funds	
<u>Advances To</u>						
General Fund	\$	\$ 521	\$	\$	\$	\$ 521
Capital Project Fund			13,414		13,555	26,969
Nonmajor Governmental	125	2,707				2,832
Internal Service Funds	177			295	1	473
Total	<u>\$ 302</u>	<u>\$ 3,228</u>	<u>\$13,414</u>	<u>\$295</u>	<u>\$13,556</u>	<u>\$ 30,795</u>

6. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2003, consisted of the following (Amounts in Thousands):

	<u>Transfers Out</u>						Total
	General Fund	Capital Projects Fund	Debt Service Funds	Nonmajor Governmental	Internal Service Funds	Nonmajor Enterprise Funds	
<u>Transfer In</u>							
General Fund	\$	\$ 4,900	\$	\$	\$1,181	\$	\$ 6,081
Capital Projects Fund	92		23,378	3,080	982		27,532
Debt Service Fund	2,943	37,569		941	25		41,478
Nonmajor Governmental Funds	64	16,037		176	61	908	17,246
Internal Service Funds		8,815		1,384			10,199
Nonmajor Enterprise Funds		1,203			7		1,210
Total	<u>\$ 3,099</u>	<u>\$68,524</u>	<u>\$23,378</u>	<u>\$5,581</u>	<u>\$2,256</u>	<u>\$ 908</u>	<u>\$103,746</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. SEGMENT INFORMATION

The City has issued bonds to finance parking facilities, municipal golf, and stormwater management facilities and improvements. The revenues of these activities are relied on for repayment of these bonds but property tax support is available, if necessary. Summary financial information for these funds is presented below.

(Amounts in Thousands)

CONDENSED STATEMENT OF NET ASSETS

	<u>Parking Facilities</u>	<u>Municipal Golf</u>	<u>Stormwater Management</u>
Assets:			
Current Assets	\$ 2,435	\$ 422	\$ 3,910
Due from Other Funds	3		124
Advances to Other Funds	4,003	105	7,000
Restricted Assets	8		
Capital Assets	34,859	8,860	36,942
Other Noncurrent Assets	<u>2,461</u>	<u>448</u>	<u>2,707</u>
Total Assets	<u>43,769</u>	<u>9,835</u>	<u>50,683</u>
Liabilities :			
Current Liabilities	1,426	656	1,350
Due to Other Fund	21	1	15
Noncurrent Liabilities	<u>10,011</u>	<u>576</u>	<u>2,445</u>
Total Liabilities	<u>11,458</u>	<u>1,233</u>	<u>3,810</u>
Net Assets :			
Invested in Capital Assets, Net of Related Debt	24,709	7,805	33,642
Restricted	8		
Unrestricted	<u>7,594</u>	<u>797</u>	<u>13,231</u>
Total Net Assets	<u>\$ 32,311</u>	<u>\$ 8,602</u>	<u>\$ 46,873</u>

(Amounts in Thousands)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	<u>Parking Facilities</u>	<u>Municipal Golf</u>	<u>Stormwater Management</u>
Operating Revenues	\$ 8,638	\$ 5,816	\$ 7,351
Depreciation Expense	(1,388)	(623)	(1,441)
Other Operating Expenses	<u>(5,617)</u>	<u>(5,585)</u>	<u>(4,136)</u>
Operating Income	<u>1,633</u>	<u>(392)</u>	<u>1,774</u>
Nonoperating Revenues (Expenses):			
Interest Revenue	181	15	109
Interest Expense	<u>(411)</u>	<u>(74)</u>	<u>(252)</u>
Total Non-Operating Revenue (Expenses)	<u>(230)</u>	<u>(59)</u>	<u>(143)</u>
Income before Contributions and Transfers	1,403	(451)	1,631
Transfer In	4		3
Transfers (Out)	(908)		
Contributions	<u>6</u>	<u></u>	<u>9</u>
Change in Net Assets	505	(451)	1,643
Beginning Net Assets	<u>31,806</u>	<u>9,053</u>	<u>45,230</u>
Ending Net Assets	<u>\$ 32,311</u>	<u>\$ 8,602</u>	<u>\$ 46,873</u>

(Amounts in Thousands)

CONDENSED STATEMENT OF CASH FLOWS

	<u>Parking Facilities</u>	<u>Municipal Golf</u>	<u>Stormwater Management</u>
Net Cash Provided (Used) by:			
Operating Activities	\$ 3,017	\$ 737	\$ 3,272
Noncapital Financing Activities	333	273	768
Capital and Related Financing Activities	(2,933)	(1,163)	(4,450)
Investing Activities	<u>174</u>	<u>24</u>	<u>159</u>
Net Increase (Decrease)	591	(129)	(251)
Beginning Cash and Cash Equivalent	<u>4,054</u>	<u>991</u>	<u>5,275</u>
Ending Cash and Cash Equivalent	<u>\$ 4,645</u>	<u>\$ 862</u>	<u>\$ 5,024</u>

8. LEASES

CITY AS LESSEE

Operating Leases

The City has entered into various leases for property, equipment and office space. These leases are considered for accounting purposes to be operating leases. The total cost for such leases were \$ 885,000 for the year ended December 31, 2003. Future minimum lease payments are as follows:

(Amounts in Thousands)

<u>Year</u>	<u>Amount</u>
2004	\$ 1,273
2005	1,052
2006	862
2007	770
2008	708
2009-2012	<u>583</u>
Total Future Minimum Lease Payments	<u>\$ 5,248</u>

Capital Leases

The City has capitalized leases for the following property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

(Amounts in Thousands)

	<u>Governmental Activities</u>
Leased Property/Equipment	\$ 2,217
Less: Accumulated Depreciation	<u>2,078</u>
Total	<u>\$ 139</u>

The following is a schedule of future minimum capital leases and the present value of the net minimum lease payments at December 31, 2003:

(Amounts in Thousands)

<u>Year</u>	<u>Governmental Activities</u>
2004	\$ 35
2005	32
2006	32
2007	19
2008	<u>14</u>
Total minimum lease payments	132
Less: Amounts representing interest	<u>21</u>
Present value of net minimum lease payments	<u>\$ 111</u>

CITY AS LESSOR

The City has entered into various contractual agreements for the rental of properties to various commercial enterprises, which are reported as operating leases for accounting purposes.

Amounts relating to the operating leases as of December 31, 2003 are included in the financial statements of the following:

(Amounts in Thousands)

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
Land	\$ 537	\$ 2,056
Buildings	5,208	3,181
Improvements	483	83,267
Accumulated Depreciation	3,660	78,876
Depreciation Expense	188	708

Future minimum rentals on non-cancelable operating leases as of December 31, 2003 are as follows:

(Amounts in Thousands)

<u>Year</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>
2004	\$ 963	\$ 16,838
2005	722	16,823
2006	570	16,778
2007	453	16,593
2008	413	16,407
Remaining years	<u>387</u>	<u>278,920</u>
Total Future Minimum Rental Payments	<u>\$3,508</u>	<u>\$362,359</u>
Total Rentals for 2003:	\$1,065	\$ 16,407

Future minimum rentals of the railway line, recorded in Debt Service Fund, are assumed to equal the payments calculated for the current year. These minimum rentals are included in the Governmental Activities column.

Enterprise Funds

The General Aviation rentals (included in business-type activities) do not include contingent rentals which may be received on the basis of hours or usage in excess of stipulated minimums. Terms of the leases are normally on a five year basis with renewal options not to exceed fourteen years.

Governmental Capital Assets

The City-owned railway line, the Cincinnati Southern Railway, is leased to the Cincinnati, New Orleans, and Texas Pacific Railway Company until December 31, 2026, with a renewal option of twenty-five years. Pursuant to the Ohio Revised Code, the use of the rental income from the railway line is restricted to debt service.

During 1995, the City entered into a lease involving land with American Commercial Marine. The lease is for ten years, beginning January 1, 1996 and ending December 31, 2005.

9. LONG-TERM DEBT

General Obligation Bonds and Notes

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds and notes issued in prior years was \$568,157,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds and notes currently outstanding are as follows:

(Amounts in Thousands)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	0.88% - 7.875%	\$309,062
Business-type activities	3.5% - 6.75%	67,845
		<u>\$376,907</u>

The annual debt service requirements to maturity for the general obligation bonds and notes are as follows:

(Amounts in Thousands)

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 39,333	\$ 14,719	\$22,688	\$ 2,888
2005	26,652	13,090	11,590	2,050
2006	23,792	11,942	9,697	1,485
2007	22,580	10,917	7,470	1,030
2008	19,990	9,912	4,600	693
2009-2013	81,445	37,082	10,000	1,638
2014-2018	58,175	18,771	1,800	76
2019-2023	14,300	8,646		
2024-2028	8,130	5,917		
2029-2033	10,880	3,170		
2034-2035	3,785	299		
Total	<u>\$309,062</u>	<u>\$134,465</u>	<u>\$67,845</u>	<u>\$ 9,860</u>

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The net revenues of the Water Works are pledged to pay Water Works revenue bonds debt service. The original amount of revenue bonds authorized in prior years was \$122,471,000 of which \$122,421,000 was issued. During 2003, \$112,360,000 of revenue bonds were issued to finance Water Works projects and \$20,505,000 of revenue bonds were issued to finance Economic Development projects.

Revenue bonds outstanding at year-end are as follows:

(Amounts in Thousands)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Economic Development	Various	\$ 37,530
Urban Renewal	Various	610
Water Works	Various	<u>199,310</u>
		<u>\$237,450</u>

The annual debt service requirements to maturity for the revenue bonds are as follows:

(Amounts in Thousands)

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 2,288	\$2,055	\$ 7,010	\$ 9,367
2005	2,403	2,050	7,240	9,141
2006	2,480	1,935	7,470	8,909
2007	2,567	1,813	7,720	8,656
2008	2,670	1,682	7,955	8,427
2009-2013	10,532	6,321	45,205	36,704
2014-2018	7,975	3,367	57,945	23,952
2019-2023	<u>7,225</u>	<u>1,330</u>	<u>58,765</u>	<u>8,022</u>
Total	<u>\$38,140</u>	<u>\$20,553</u>	<u>\$199,310</u>	<u>\$113,178</u>

Bonds and Notes Outstanding at December 31, 2003

(AMOUNTS IN THOUSANDS)

Description	Interest Rates	Issue Dates	Maturity Dates	Original Authorized	Amount Due 2004	Amount Outstanding 12/31/2003
Bonds:						
General Property Tax	3.25%	1957	2007	\$ 1,000	\$ 20	\$ 80
Supported	4.1% to 4.75%	1994-1999	2004-2009	87,700	8,510	33,100
	5.15% to 6.0%	1984-1995	2004-2005	12,200	1,065	2,065
	7.875%	1987	2017	30,000	1,000	14,000
Various Rate Issues	2.0% to 6.2%	1991-2003	2004-2016	175,805	11,190	152,460
Urban Redevelopment						
Various Rate Issues	4.8% to 6.3%	1995	2015	3,250	140	2,420
Municipal Income Tax	4.6% to 5.2%	1994-2000	2004-2020	11,560	880	5,320
Recreational Facilities	5.15% to 6.75%	1977-1995	2004-2011	5,900	433	1,755
Various Rate Issues	4% to 5%	2001	2021	9,000	450	8,100
Urban Renewal	4.2%	1999	2004	6,000	1,200	1,200
	6.75%	1990	2005	1,500	100	200
Various Rate Issues	3.25% to 6.5%	1991-2002	2007-2012	21,480	2,320	15,590
Urban Development Taxable						
Various Rate Issues	2.0% to 6.25%	1998-2003	2019-2021	21,905	495	20,540
Police & Fire Pension	4.7% to 6.0%	2000	2004-2035	42,000	495	39,700
Total General Long-Term Bond Obligations				429,300	28,298	296,530
Recreational Facilities	4.6% to 5.375%	1977-1994	2004-2007	5,200	483	1,055
Off Street Parking	6.75%	1990	2004-2006	5,000	350	1,050
Water Works	4.1% to 4.75%	1994-1999	2004-2014	90,500	8,080	45,440
	5.15% to 6.75%	1989-1995	2004-2007	51,000	3,750	7,900
Stormwater	4.2 to 5.15%	1995-1999	2005-2007	8,800	925	3,300
Total Proprietary Fund Obligations				160,500	13,588	58,745
Total General Obligation Bonds Payable				589,800	41,886	355,275
Notes:						
Judgement	0.88%	2003	2004	4,635	4,635	4,635
Municipal Income Tax	5.5 to 6.75%	1999-2001	2004-2005	6,397	4,900	6,397
Convention Facilities	1.5%	2003	2004	15,410	15,410	15,410
Parking Improvement	3.5%	2002	2004	9,100	9,100	9,100
Economic Development	1.25%	2003	2004	1,655	1,500	1,500
Total General Obligation Notes Payable				37,197	35,545	37,042
Total General Obligation Bonds and Notes Payable				\$ 626,997	\$ 77,431	\$ 392,317
Revenue Bonds	1.57% to 8.48%	1990-2003	2004-2023	\$ 272,921	\$ 9,298	\$ 237,450
Total Outstanding Debt				\$ 899,918	\$ 86,729	\$ 629,767

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

(Amounts in Thousands)

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$273,473	\$ 52,705	\$29,648	\$296,530	\$28,298
General Obligation Notes	21,497	6,135	15,100	12,532	11,035
Revenue Bonds	<u>18,522</u>	<u>20,505</u>	<u>887</u>	<u>38,140</u>	<u>2,288</u>
Total Bonds and Notes Payable	313,492	79,345	45,635	347,202	41,621
Compensated Absences	67,522	35,488	32,310	70,700	40,066
Claims and Judgments	26,029	75,429	73,958	27,500	15,712
Capital Leases	171	77	137	111	26
Other	2,200	80		2,280	465
State Loan	<u>9,732</u>		<u>9,732</u>		
Governmental Activity Long-term liabilities	<u>\$419,146</u>	<u>\$190,419</u>	<u>\$161,772</u>	<u>\$447,793</u>	<u>\$97,890</u>
Business-type Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 74,967	\$	\$16,222	\$ 58,745	\$13,587
General Obligation Notes	9,100			9,100	9,100
Revenue Bonds	<u>89,885</u>	<u>112,360</u>	<u>2,935</u>	<u>199,310</u>	<u>7,010</u>
Total Bonds and Notes Payable	173,952	112,360	19,157	267,155	29,697
Compensated Absences	6,668	3,470	3,626	6,512	3,124
Claims and Judgments	154	56	130	80	80
Other	1,210			1,210	
Capital Leases	<u>69</u>		<u>69</u>		
Business-type Activity Long-term liabilities	<u>\$182,053</u>	<u>\$115,886</u>	<u>\$22,982</u>	<u>\$274,957</u>	<u>\$32,901</u>

For the governmental activities, claims and judgments are generally liquidated by the general fund. Compensated absences for the governmental activities are generally liquidated by the employee's home fund, the fund from which the employee's regular wages are paid.

Internal Service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$2,119,000 of compensated absences, \$18,306,000 of unpaid claims, and \$38,000 of capital leases for the internal service funds are included in the above amounts.

State Infrastructure Bank Loan

On May 19, 1999 City Council authorized the City Manager to amend the repayment terms of an April 30, 1998 note agreement the City had made with the Ohio Department of Transportation, State Infrastructure Bank. The loan to the City had an original principal amount not to exceed \$20,020,000 and was issued for the purpose of paying a portion of the Fort Washington Way Improvement project costs. The terms of the original note agreement required that the loan be repaid 18 months from the date of the initial disbursement under the note. The initial disbursement was made on May 29, 1998, so the first payment was required on November 29, 1999. Under the terms of the new loan agreement, the City was obligated to pay accrued interest and a principal payment of \$5,000,000 on February 1, 2000. On February 1, 2001, the City made a second principal payment of \$5,000,000 from a federal grant received from Fort Washington Way. Principal and interest payments were made also on August 1, 2001 and February 1, 2002. In August of 2002 an additional \$587,000 was drawn down.

On January 24, 2001 City Council authorized the City Manager to borrow an additional \$5,020,000 from the Ohio Department of Transportation. The first disbursement on this loan was made August 13, 2002.

A payment of principal and interest was made on February 1, 2003. On April 9, 2003 City Council authorized the issuance of bonds totaling \$9,705,000 to payoff the balance on the loans. On June 12, 2003 the remaining principal and the accrued interest on the initial loan was paid off. On August 12, 2003 the principal on the second loan of \$5,020,000 was paid off prior to the start of interest accruing.

10. DEBT LIMITATION

The City's "indirect" (ten mill) debt limit was removed by decision of the Ohio courts. In September 1977, the Supreme Court of Ohio dismissed an appeal from the decision of the Court of Appeals, First Appellate District, Hamilton County, Ohio, involving the City's debt limitations. In summary, the City instituted a test case against the Director of Finance for the purpose of obtaining a definitive construction of certain sections of the City Charter bearing on the right of the City to levy taxes in excess of the ten mill limitation of Section 5705.02 of the Ohio Revised Code. As a result of the Court decision, the City has the right to levy property taxes without limitation to support its lawfully issued bonds and notes, and the City's ability to incur debt will be limited only by the arithmetical (percentage) limitations set forth under Section 133.03 of the Ohio Revised Code.

Section 133.03 provides that the principal amount of both voted and unvoted debt of the City may not exceed 10-1/2% of the City's assessed valuation, and the principal amount of the City's unvoted debt may not exceed 5-1/2% of the City's assessed valuation. The Code also provides several exemptions of debt from the 5-1/2% and 10-1/2% limitations.

11. TAXES

City Income Tax

This locally levied tax applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applies to net income of business organizations for business conducted in the City. The tax is the largest single source of General Fund revenue.

The City's income tax of 2.1% is subdivided into four components. The first component is the latest increase of .1% enacted July 1, 1988, to be spent only for the maintenance of the City's infrastructure. The second component is the .3% which can be used only for public transit purposes, including both capital and current operating expense. The third component is .15%, which can be used only for permanent improvement

purposes. The remaining 1.55% is first used to meet annual deficiencies, to the extent required, in the General Fund. The amount of the 1.55% income tax revenue over the fixed allocation to the General Fund at the end of any year is recognized as revenue in the Income Tax Permanent Improvement Fund. The unused amount can be carried forward for subsequent year capital or operating needs.

Actual collections of \$190,142,306 for the 1.55% portion in 2003 were more than the original allocation of \$187,993,000 for the General Fund. Consequently, the excess collections of \$2,149,000 were transferred to the Permanent Improvement Fund. The following table identifies the excess 1.55% income tax collections for the years 1999 through 2003 and collections in excess of allocation:

(Amounts in Thousands)

<u>Year</u>	<u>Actual Collections of 1.55%</u>	<u>Allocation to General Fund</u>	<u>Collections in Excess of Allocation</u>
1999	\$182,695	\$180,500	\$ 2,195
2000	183,035	183,035	
2001	188,598	188,598	
2002	185,258	185,258	
2003	190,142	187,993	2,149

Property Taxes

The assessed valuation of property within the City subject to the levy of ad valorem taxes includes real property, public utilities property and tangible personal property. The assessed value upon which the 2003 levy was based was \$4,871,308,000, \$319,864,000 and \$535,538,000 for real property, public utility property and tangible personal property, respectively (per Hamilton County Auditor). The City's property taxes are collected by the Hamilton County Auditor and are remitted to the City on a periodic basis. Real property taxes collected in any calendar year are generally levied on assessed values as of January 1 of the preceding year according to the following calendar:

Property Tax Calendar - 2004

Lien date	January 1, 2003
Levy date	October 31, 2003
First installment payment due	January 31, 2004
Second installment payment due	June 20, 2004

Assessed values are established by the County Auditor, at no more than 35% of appraised market value. The laws of the State of Ohio presently require that all property be revalued no less than every six years, at any time the County Auditor finds that true or taxable value thereof has changed, and in the third calendar year following the year in which a sexennial reappraisal is completed if ordered by the State Commissioner of Tax Equalization. Real property was reappraised during 2002 with the results affecting collections beginning in 2003. The City recognizes the property taxes due to be paid in 2004 as deferred revenue since the first settlement date is more than sixty days after year-end and does not meet the availability criteria for accrual.

Public utilities property taxes in any calendar year are those levied on assessed values as of December 31 of the preceding year. Tangible personal property of public utilities is assessed at various percentages of true value. Tangible personal property used in business, other than public utilities, is assessed at 25% of true value.

12. SHORT-TERM DEBT – BOND ANTICIPATION NOTES

The City issues bond anticipation notes in advance of issuance of bonds, depositing the proceeds in its capital projects fund. These notes are necessary to provide adequate funds at the time needed to support contracts for the improvements prior to issuance of the related bonds.

(Amounts in Thousands)

	Beginning <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	Ending <u>Balance</u>
Bond Anticipation Notes	\$0	\$38,788	\$23,378	\$15,410

13. RESTRICTED ASSETS

The balance of the restricted asset accounts in the enterprise funds are as follows (amounts in thousands):

Revenue bond construction account – Water Works	\$ 51,278
Revenue bond reserve account – Water Works	18,246
Revenue bond construction account – Parking Facilities	8
Customer deposits – Water Works	849
Construction account - other – Water Works	<u>8,614</u>
Total restricted assets	<u>\$78,995</u>

14. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

(Amounts in Thousands)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 156,371	\$ 4,724	\$ (1,404)	\$ 159,691
Construction in Progress	<u>108,888</u>	<u>41,373</u>	<u>(25,058)</u>	<u>125,203</u>
Total capital assets, not being depreciated	<u>265,259</u>	<u>46,097</u>	<u>(26,462)</u>	<u>284,894</u>
Capital assets, being depreciated:				
Buildings	131,187	10,020	(62)	141,145
Improvements other than buildings	232,534	23,766	(161)	256,139
Machinery and Equipment	97,968	19,166	(7,474)	109,660
Property acquired under capital leases	2,141		(125)	2,016
Infrastructure	<u>390,317</u>	<u>47,099</u>	<u>(1,328)</u>	<u>436,088</u>
Total capital assets, being depreciated	<u>854,147</u>	<u>100,051</u>	<u>(9,150)</u>	<u>945,048</u>
Less accumulated depreciation for:				
Buildings	(76,851)	(4,661)	(75)	(81,587)
Improvements other than buildings	(128,981)	(6,504)	11	(135,474)
Machinery and Equipment	(55,642)	(8,221)	5,420	(58,443)
Property acquired under capital leases	(1,812)	(284)	125	(1,971)
Infrastructure	<u>(128,771)</u>	<u>(18,291)</u>		<u>(147,062)</u>
Total accumulated depreciation	<u>(392,057)</u>	<u>(37,961)</u>	<u>5,481</u>	<u>(424,537)</u>
Total capital assets, being depreciated, net	<u>462,090</u>	<u>62,090</u>	<u>(3,669)</u>	<u>520,511</u>
Governmental Activities capital assets, net	<u>\$ 727,349</u>	<u>\$108,187</u>	<u>\$(30,131)</u>	<u>\$805,405</u>

Capital asset activity for the year ended December 31, 2003 was as follows:

(Amounts in Thousands)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 25,349	\$	\$ (13)	\$ 25,336
Construction in Progress	<u>136,632</u>	<u>87,640</u>	<u>(83,631)</u>	<u>140,641</u>
Total capital assets, not being depreciated	<u>161,981</u>	<u>87,640</u>	<u>(83,644)</u>	<u>165,977</u>
Capital assets, being depreciated:				
Buildings	253,182	21,838	(435)	274,585
Improvements other than buildings	435,245	61,906	(438)	496,713
Machinery and Equipment	168,386	10,366	(973)	177,779
Property acquired under capital leases	<u>637</u>		<u>(190)</u>	<u>447</u>
Total capital assets, being depreciated	<u>857,450</u>	<u>94,110</u>	<u>(2,036)</u>	<u>949,524</u>
Less accumulated depreciation for:				
Buildings	(115,550)	(7,485)	329	(122,706)
Improvements other than buildings	(122,352)	(5,983)	201	(128,134)
Machinery and Equipment	(88,610)	(9,071)	739	(96,942)
Property acquired under capital leases	<u>(365)</u>	<u>(93)</u>	<u>190</u>	<u>(268)</u>
Total accumulated depreciation	<u>(326,877)</u>	<u>(22,632)</u>	<u>1,459</u>	<u>(348,050)</u>
Total capital assets, being depreciated, net	<u>530,573</u>	<u>71,478</u>	<u>(577)</u>	<u>601,474</u>
Business-type Activities capital assets, net	<u>\$ 692,554</u>	<u>\$ 159,118</u>	<u>\$ (84,221)</u>	<u>\$ 767,451</u>

Depreciation expense was charged to functions/programs of the City as follows:

(Amounts in Thousands)

Governmental activities:	
General Government	\$ 1,081
Community Development	4,386
Parks and Recreation	3,550
Public Safety	3,214
Transportation and Engineering	18,878
General Services	
Public Services	3,767
Public Health	301
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>2,784</u>
Total depreciation expense – governmental activities:	<u>\$ 37,961</u>

Business-type activities:	
Water Works	\$ 15,657
Parking Facilities	1,388
Convention Center	2,880
General Aviation	643
Municipal Golf	623
Stormwater Management	<u>1,441</u>
Total depreciation expense – business-type activities:	<u>\$ 22,632</u>

Governmental Activities Construction in Progress at December 31, 2003 is comprised of the following:

(Amounts in Thousands)

<u>Administering Department</u>	<u>Project Authori- zations</u>	<u>Expended to December 31, 2003</u>	<u>Committed</u>	<u>Required Future Financing</u>
Transportation & Engineering	\$ 74,953	\$ 10,118	\$ 64,835	\$ 18,655
Community Development	99,856	52,252	47,604	12,827
Recreation	38,025	17,973	20,052	8,490
Safety	7,788	2,377	5,411	1,391
Parks	22,993	15,899	7,094	1,002
Public Services	24,348	17,547	6,801	
Other	<u>16,226</u>	<u>9,037</u>	<u>7,189</u>	<u>3,723</u>
Totals	<u>\$284,189</u>	<u>\$125,203</u>	<u>\$158,986</u>	<u>\$ 46,088</u>

Required future financing represents State and Federal commitments in support of City projects.

Business Activities Construction in Progress at December 31, 2003 is comprised of the following:

(Amounts in Thousands)

<u>Enterprise Fund</u>	<u>Project Authori- zations</u>	<u>Expended to December 31, 2003</u>	<u>Committed</u>	<u>Required Future Financing</u>
Water Works	\$131,932	\$ 97,276	\$34,656	\$
Parking Facilities	25,275	13,572	11,703	7,700
Convention Center	26,544	20,530	6,014	4,278
General Aviation	4,836	3,764	1,072	581
Municipal Golf	978	509	469	
Stormwater Management	<u>11,990</u>	<u>4,990</u>	<u>7,000</u>	
Totals	<u>\$201,555</u>	<u>\$140,641</u>	<u>\$60,914</u>	<u>\$12,559</u>

15. RECEIVABLES

Accounts Receivable are presented in the general purpose financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to the General Fund at December 31, 2003, are as follows: Taxes Receivable (\$2,435,000) and other accounts receivable (\$3,490,000). The uncollectible accounts related to the Debt Service Fund at December 31, 2003 are Taxes Receivable (\$2,507,000). The balance for the allowance for doubtful accounts in the Capital Projects Fund at December 31, 2003 is (\$1,728,000). The balance of the allowance accounts for Appropriated Special Revenue is (\$145,000) and Non-Appropriated Special Revenue is (\$2,595,000) as of December 31, 2003. The balances of the allowance accounts of the proprietary funds as of December 31, 2003 are as follows: Water Works (\$2,571,000), Regional Computer Center (\$14,000), Convention Center (\$65,000), General Aviation (\$0), Municipal Golf (\$1,000), Parking Facilities (\$2,000), and Stormwater Management (\$558,000).

Loans receivable of the special revenue funds are made from revolving type loan accounts financed by allocations from the City's Community Development Block Grant. These loans are secured by liens on the property. Federal regulations provide that the grantor maintains the ownership of the City's Community Development Block Grant funded revolving loan portfolio; accordingly, revolving loan fund transactions do not affect the operating statement. A small number of the special revenue loans, with a value of \$6,651,000, were made from Housing and Urban Development Section 108 funds and do not involve a revolving type loan account. The loans are repaid to the federal government. If the borrower fails to repay the loan, the City's Community Development Block Grant funds may be used to repay the federal government. The total amount receivable for the special revenue loans is offset by an allowance for uncollectible loans receivable. Special revenue loans receivable at December 31, 2003 total \$55,431,000.

Loans receivable of the capital project funds receive similar treatment to the special revenue funds' loans receivable, in that the total amount receivable is offset by an allowance for uncollectible loans receivable. The balance of the loans receivable at December 31, 2003 is \$1,725,000. This amount is related to Goodall Properties Ltd. and forgivable housing loans.

Cincinnati Development Loan Fund

The Cincinnati Housing Development Fund LLC (Fund) was created for the purpose of establishing and operating a fund to provide loans to developers for projects that include the acquisition, rehabilitation and new construction of market-rate housing. These projects must be within an area of the City suffering from population loss and disinvestment or urban blight. The members of the fund are U.S. Bank, NA, Provident Bank, and Fifth Third Bank.

Under the terms of an agreement dated February 28, 2003 between the City of Cincinnati and Financial Institutions which are members of the Housing Development Loan Fund LLC, the City committed \$15,000,000 to the Fund resulting in the three members of the Fund committing, in total, an additional \$100,000,000. The Fund's lending term began on February 28, 2003 and continues for a period of 10 years.

As loans are made by a Financial Institution a portion of funds provided by the City are transferred to a collateral account. In the event of default the Financial Institution will be repaid from the collateral account.

Per the agreement the City has no right to the return of the City Funds with the exception of the earliest to occur (i) February 28, 2013 (ii) a Financial Institutions event of default or (iii) the Termination Date. Because the City's money is the collateral for these loans if they default and any potential repayment to the City will not occur for at least ten years the City does not have a corresponding receivable recorded.

16. CONTINGENT LIABILITIES

Federal and State Grants

The City has received Federal and State grants in excess of \$58 million for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the City Administration believes such disallowances, if any, will be immaterial.

Litigation

Various claims and lawsuits are pending against the City as of December 31, 2003. A liability of \$5.0 million was recorded for those claims and judgments as of December 31, 2003. Over the past decade, the City has averaged annual payments of \$2,045,000 for claim and lawsuit settlements. Adequate funds have been provided to meet the claims paid both from the General Fund and restricted funds of the City. The City Administration believes there is no foreseen problem in having adequate resources to settle presently known cases.

17. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage. The City purchases commercial insurance to cover losses due to: theft of, damage to, or destruction of assets and purchases general liability insurance for specific operations and professional liability insurance for certain operations. All other risks of loss are self-insured by the City. There has been no reduction in insurance coverage from coverage in 2003. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

The City of Cincinnati provides the choice of two separate health insurance plans for its employees. Both of the plans are self-insured and accounted for as an internal service fund. This internal service fund, titled "Self Insurance - Medical" has been in existence since 1980. Operating funds are charged a monthly rate per employee, by type of coverage.

In 1990, the City began to account for and finance its risk of loss due to workers' compensation claims and established an internal service fund titled "Self Insurance - Workers' Compensation". Workers' compensation is administered by the State. The City reimburses the Bureau of Workers' Compensation for injured workers' claims. All funds of the City participate in the program and make payments to the internal service fund based on the experience premium that would normally be charged by the Bureau of Workers' Compensation. Policy years 1989 through 2000 were financed through the retrospective rating program. Policy years 2001 and 2002 were financed through the fully insured program with the State Fund workers' compensation program. Beginning with policy year 2003 the City has elected to be fully self-insured for workers' compensation. All of the City's workers' compensation liabilities are funded within the "Workers' Compensation - Self-Insurance" fund. Changes in the balances of claims liabilities and claims adjustment expenses during 2003 and 2002 are as follows:

(Amounts in Thousands)

	General		Water Works		Parking Facilities		Convention Center		Municipal Golf			
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Balance at January 1	\$ 402	\$ 780	\$ 120	\$ 68	\$ 5	\$ 1	\$ 26	\$ 12	\$ 0	\$ 0		
Current-Year Claims and Changes in Estimates	340	612	51	205	3	6	(24)	22	2	1		
Claim Payments	(612)	(990)	(97)	(153)	(6)	(2)	(0)	(8)	(2)	(1)		
Balance at December 31	<u>\$130</u>	<u>\$402</u>	<u>\$74</u>	<u>\$120</u>	<u>\$2</u>	<u>\$5</u>	<u>\$2</u>	<u>\$26</u>	<u>\$0</u>	<u>\$0</u>		

	Stormwater Management		Income Tax Infrastructure		Self Insurance Medical		Workers Compensation		General Long-Term Obligations		Totals	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Balance at January 1	\$ 3	\$ 3	\$ 26	\$ 0	\$8,494	\$7,470	\$ 19,072	\$19,450	\$ 6,065	\$3,143	\$34,213	\$30,927
Current-Year Claims and Changes in Estimates	(1)	3	(3)	61	67,440	57,139	(906)	1,975	3,046	4,292	69,948	64,316
Claim Payments	(0)	(3)	(19)	(35)	(65,233)	(56,115)	(3,024)	(2,353)	(51)	(1,370)	(69,044)	(61,030)
Balance at December 31	<u>\$2</u>	<u>\$3</u>	<u>\$4</u>	<u>\$26</u>	<u>\$10,701</u>	<u>\$ 8,494</u>	<u>\$15,142</u>	<u>\$19,072</u>	<u>\$ 9,060</u>	<u>\$6,065</u>	<u>\$ 35,117</u>	<u>\$34,213</u>

The claims liabilities at December 31, 2003 for the Internal Service Funds above (Self-Insurance Medical and Workers Compensation) are included in the following liabilities in the balance sheet:

(Amounts in Thousands)

	Self Insurance Medical	Workers Compensation
Accounts Payable	\$ 2,531	\$ 9
Accrued Liabilities		4,997
Estimated Liability For Unpaid Claim	<u>8,170</u>	<u>10,136</u>
Total	<u>\$10,701</u>	<u>\$15,142</u>

18. SUBSEQUENT EVENTS

On February 4, 2004 and March 31, 2004 City Council authorized the taking of bids on \$44,365,000 of general obligation bonds to be dated May 6, 2004. The six bond issues sold at coupon rates from 4.50% to 5.25%, but with a bid premium of \$3,364,833 and original issue discount of \$22,994 the effective rates were from 1.15% to 4.88%. The bonds include tax support issues of \$14,140,000 for Public Building Improvements, \$5,945,000 for Equipment Improvements, \$16,415,000 for Street Improvements, \$4,080,000

for Current Refunding, \$2,130,000 for Urban Renewal Refunding and \$1,655,000 for Economic Development.

Also on March 31, 2004 City Council authorized the taking of bids on \$9,260,000 of general obligation bond to be dated May 6, 2004. The bond issue sold at coupon rates from 3.25% to 5.6%, but with a bid premium of \$65,103 and original issue discount of \$23,911 the effective rates were from 2.39% to 5.65%. The bond includes tax supported issue of \$9,260,000 for Economic Development.

Convention Facilities Authority (CFA)

The CFA is an up to 11-member body corporate and politic, organized and existing under Chapter 351 of the Ohio Revised Code, as amended. The CFA issued bonds netting proceeds of \$111,176,644 dated February 12, 2004 for the purpose of expanding and renovating the Convention Center in Cincinnati.

Pursuant to a Memorandum of Understanding between the City and Hamilton County, a cooperative agreement was reached between the City and Hamilton County and a Project Service Agreement between the City and the CFA. The City will: (i) own the Convention Center, (ii) be responsible for the operation and maintenance of the Convention Center and (iii) manage the design and construction of the expansion and renovation project. Construction is anticipated to commence in May 2004 and be completed in July 2006.

In the financial plan for the convention center expansion and renovation the dedicated Transient Occupancy Tax (City) and Lodging Excise Tax (County) is expected to cover the debt service for senior (\$70.1 million) and subordinate (\$35.9 million) debt. Pursuant to a Memorandum of Understanding between the City, Hamilton County and the Convention Facilities Authority (CFA), the City has agreed to guarantee, subject to annual appropriation, the principal and interest on subordinate debt. The first full year of debt service is \$1,908,427 and has been appropriated in 2004 from tax increment revenue. Maximum annual debt service is \$2,309,250.

19. PENSION AND RETIREMENT

City employees are covered by one of three pension systems. They are the Ohio Police and Fire Pension Fund (OP&F) and the Public Employees Retirement System (PERS), which are State pension systems, and the City of Cincinnati's Retirement System. Each of these three systems is a cost-sharing multiple-employer defined benefit pension plan.

Ohio Police and Fire Pension Fund

Plan Description

Police and Fire Fighters of the City of Cincinnati are members of the Ohio Police and Fire Pension Fund. The City of Cincinnati contributes to the (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F 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 publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy

Plan members are required to contribute 10.0% of their annual covered salary, while the City of Cincinnati is required to contribute 19.5% and 24.0% respectively for police officers and fire fighters. The City of

Cincinnati's contributions to OP&F for the years ending December 31, 2003, 2002, and 2001 were \$23,233,000, \$21,989,000, and \$21,857,000, respectively, equal to the required contributions for each year.

The OP&F informed the City that the City's only unfunded prior service cost of the fund is the deficiency existing at the time the fund was established in 1967 as determined by actuarial evaluation. On March 1, 2000 the City sold bonds for the refunding of the City's obligation for the employer's accrued liability. Pursuant to Section 742.30 of the Ohio Revised Code, the City and the OP&F (the Fund) have entered into an agreement which permitted the City to make a one-time payment to the Fund for the purpose of extinguishing the City's obligation to the Fund for employer's accrued liability. The payment amount was \$41,454,864 which represents 68% of the first \$500,000 of the employer's accrued liability and 70% of the balance, plus accrued interest on the full amount of such accrued liability from March 1, 2000 to the date of payment.

Other Post employment Benefit Information

OP&F provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by the police and firefighters' retirement system is considered an Other Postemployment Benefit (OPEB). A portion of each employer's contribution to the Police and Fire Pension Fund is set aside for the funding of postemployment health care. The Ohio Revised Code provides the statutory authority allowing the fund's board of trustees to provide health care coverage to all eligible individuals. Health care funding and accounting are on a pay-as-you-go basis. In 2003, 7.75% of covered payroll was used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available was 13,527 for police and 10,396 for firefighters. The portion of the City's 2003 contributions that was used to pay postemployment benefits was \$4,783,196 for police and \$3,612,635 for firefighters. The total health care expense of the fund for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of member contributions of \$12,623,875.

State PERS

Plan Description

Only City employees who were members in the Public Employees Retirement System of Ohio (PERS) or another Ohio State Retirement System prior to their City employment, City personnel employed in the building crafts trade since 1961, elected officials and certain part-time employees are enrolled in PERS.

PERS is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to PERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 466-2085.

Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees contribute 8.5% of their annual compensation. The City's contribution rate for 2003 was 13.55% of covered payroll: 8.55% was the portion used to fund pension obligations and 5.00% was used to fund health care for

2003. City of Cincinnati's contributions to PERS for the years ending December 31, 2003, 2002, and 2001, were \$2,069,000, \$1,943,000, and \$1,822,000 respectively, equal to the required contributions for each year.

Other Postemployment Benefit Information

PERS provides postemployment health care coverage to age and service retirants with ten or more years of qualifying service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by PERS is considered an Other Postemployment Benefit (OPEB). A portion of each employer's contribution to PERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions.

OPEB are advance-funded on an actuarially determined basis. The number of active contributing participants at year-end 2003 was 364,881. The portion of the City's employer contribution that was used to fund postemployment benefits was \$763,571. The actuarial value of PERS net assets available for OPEB was \$10,000,000,000 at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18,700,000,000 and \$8,700,000,000 respectively.

City of Cincinnati Retirement System

Plan Description

The City of Cincinnati Retirement System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The System is considered part of the City of Cincinnati's financial reporting entity and is included in the City's financial report as a pension trust fund, see pages 30 and 31. No separate financial report is issued. Article XV of the Administrative Code of the City of Cincinnati provides the statutory authority vesting the general administration and responsibility for the proper operation of the System in the Board of Trustees of the City of Cincinnati Retirement System. There are four employers that contribute to the plan. They are the City of Cincinnati, University of Cincinnati, University Hospital and Hamilton County. Membership of the Retirement System of the City consisted of the following at December 31, 2003, the date of the latest actuarial valuation:

	<u>Pension</u>	<u>Health care</u>
Retirees and beneficiaries receiving benefits	4,369	4,369
Terminated plan members entitled to future benefits	153	153
Active plan members:		
Vested	2,975	1,787
Nonvested	<u>2,731</u>	<u>3,919</u>
Total	<u>10,228</u>	<u>10,228</u>

1,996 of the Nonvested members are part-time employees who are included in the system to comply with the Omnibus Budget Reconciliation Act of 1990, which mandated the inclusion of certain classifications of employees either in state or municipal retirement systems or the Federal Insurance Contribution Act (Social Security). The City of Cincinnati's Retirement System covers the majority of non-uniformed City employees and a closed group of members from other employers which includes employees of the University of Cincinnati and University Hospital who joined before control of these institutions was transferred to the State of Ohio, and former City employees staying with various operations transferred to the control of Hamilton County.

The service retirement allowance vests after five years of creditable service. Medical care benefits vest after fifteen years of creditable service, or if hired before January 9, 1997 after reaching age sixty with at least five years of creditable service. Any member in service may retire at any age upon completing thirty or more years of membership service or at age 60 with at least five years creditable service, with a retirement allowance commencing immediately; or any member upon completing five years of creditable service before age sixty may retire with a retirement allowance commencing at age sixty, provided, however, at the time of election of the deferred annuity there is no loan outstanding against his contributions.

The annual retirement allowance is equal to 2.5% of the average of the three highest years' compensation multiplied by the number of years of membership service. Employees hired before July 12, 1998 elected either the 2.5% or a 2.22% formula which factors in overtime pay and lump sum payments for vacation, sick leave and compensatory balances. All new employees hired July 12, 1998 and thereafter are subject to the 2.5% formula. Pensions are increased by 3% compounded annually commencing one year after retirement. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by the Cincinnati Municipal Code.

Contributions

Each member contributes at a rate of 7% of his salary until his retirement. This percent contributed by the employees is fixed by the fund's Board of Trustees on the basis of authority provided by Chapter 203 Section 77 of the Cincinnati Municipal Code. The City makes annual employer contributions based on a percentage of the salaries of all members. The contribution rate for 2003 was 7% for all employers. The Board has adopted a policy of applying the net employer contribution rate to the second following year after the actuarial valuation. City of Cincinnati's contributions to the City of Cincinnati Retirement System for the years ending December 31, 2003, 2002 and 2001 were \$11,929,000, \$11,974,000 and \$12,454,000, respectively equal to the required contributions for each year. Administrative costs are financed from the system assets. The unfunded actuarial accrued liability for pension costs as of December 31, 2003 was \$81,133,000 to be amortized over 15 years.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The City of Cincinnati Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - The Retirement System investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchange are valued at the last reported sales price at current exchange rates.

Securities Lending - The Retirement System securities lending program disclosures are presented in accordance with Governmental Accounting Standards Board Statement 28, Accounting and Financial Reporting for Securities Lending Transactions. The disclosures are located in Footnote 2 - Deposits with Financial Institutions and Investments and on the statement of plan net assets and statement of changes in plan net assets.

Derivatives - The Retirement System derivative disclosures are presented in accordance with Governmental Accounting Standards Board Technical Bulletin No. 94-1, Disclosures about Derivatives and Similar Debt and Investment Transactions and can be found in Footnote 2 - Deposits with Financial Institutions and Investments.

Other Postemployment Benefit Information

The System provides hospital and surgical insurance and dental and vision insurance to retired members who have earned fifteen years credited service at the time of termination or terminate after age sixty with five years credited service. Those who are receiving survivor benefits of eligible members are entitled to have their hospital and surgical insurance and dental and vision insurance premiums paid by the System. When benefits would be reduced by reason of the retired member's eligibility for hospital and medical benefits under federal social security laws, the System will pay whatever additional fees are required for the federal medical coverage.

The health care coverage provided by the System is considered an Other Postemployment Benefit (OPEB). It is advance-funded on an actuarially determined basis as a portion of the employer contribution requirement to the System. The Cincinnati Municipal Code provides authority for employer contributions.

The actuarial assumptions used for the December 31, 2003 valuation included an assumption for hospital and surgical benefits recognizing adjusted premiums based on experience for recent years adjusted to current year by assumed annual increases in premium costs. The cost of OPEBs are recognized as an expense as claims are paid. The employer contribution that was used to fund postemployment benefits was \$3,108,000. The actuarial value of the System's net assets available for OPEB at December 31, 2003 was \$724,049,000. The actuarially accrued liability based on the actuarial cost method used was \$782,698,000. The unfunded actuarial accrued liability for postemployment benefits at December 31, 2003 was \$58,649,000 to be amortized over 15 years.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/03
Actuarial cost method	Individual entry age normal
Asset valuation method	The actuarial value of assets is being reset to market value of assets as of December 31, 2003. For future years, asset gains and losses will be recognized at the rate of 20% per year. The investment gain/(loss) is taken as the excess of the actual return on assets over the expected return on assets. The investment gain/(loss) is then recognized at 20% per year until fully recognized. The actuarial value of assets is the market value minus the sum of the deferred investment gains/(losses) during the preceding five plan years. In addition, the actuarial value is restricted to be no less than 80% of the market value or no more than 120% of the market value.
Actuarial assumptions:	
Investment rate of return*	8.75% per year, net of expenses, compounded annually.
Mortality	
Non-disabled lives:	Uninsured Pensioner 1994 Mortality Table projected to 2009
Disabled Retirees:	Pension Benefit Guarantee Corp. Disabled Mortality Table

Turnover	2000 City of Cincinnati Rate of Termination Experience Table
Disability	1995 City of Cincinnati Disability Retirement Experience Table
Salary increases	Salary increases are assumed to vary by service. For those who had not elected the 2.50% formula an additional 10% assumption increase in average salary is used to reflect final lump sum payments.
Hospital and Surgical Benefits	Adjusted premiums are based on experience for recent years adjusted to current year by assumed annual increase in premium costs.
Medicare Part B	Premiums are assumed to increase in accordance with estimates from the 2004 (2002 last year) Annual Report of the Board of Trustees (previously the Congressional Budget Office) until the year 2013 (2011 last year) and then increase at 5.0%(5.5% last year) per year thereafter. 2004 Part B Premiums are \$799.
Dental Benefits	Premiums are set at \$206 (prior year \$278) and are assumed to increase at a decreasing rate, starting at 6.25% for 2004, then decreasing by 0.25% per year to 4.5% and remaining there for 15 years, then decreasing gradually over 17 years to zero. This takes the \$1,000 fixed cap on annual dental costs into account.
Vision Benefits	The vision premium is \$24 (prior year \$40) per year. The benefit level is fixed; however we anticipate a 0.5% annual increase in costs to take increases in administrative costs into account.
Option Electives:	75% of male participants and 25% of female participants will have a spouse who is covered under the medical benefit portion of the plan. Of these participants with a covered spouse, 85% will elect a Joint & Survivor option.
*Inflation rate	No assumption.
Cost-of-living adjustments	3% compound interest

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(AMOUNTS IN THOUSANDS)

PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/97	\$ 1,250,997	\$1,214,573	(\$36,424)	103.00 %	\$181,547	(20.06) %
12/31/98	1,411,847	1,235,332	(176,515)	114.29	181,691	(97.15)
12/31/99	1,554,854	1,378,625	(176,229)	112.78	184,477	(95.53)
12/31/00	1,627,207	1,439,180	(188,027)	113.06	182,556	(103.00)
12/31/01	1,699,977	1,473,359	(226,618)	115.38	191,756	(118.18)
12/31/02	1,623,059	1,586,583	(36,476)	102.30	186,266	(19.58)
12/31/03	1,555,672	1,636,805	81,133	95.04	184,407	44.00

HEALTHCARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/97	\$548,239	\$532,277	(\$15,962)	103.00 %	\$181,547	(8.79) %
12/31/98	624,185	504,851	(119,334)	123.64	181,691	(65.68)
12/31/99	696,701	531,059	(165,642)	131.19	184,477	(89.79)
12/31/00	736,491	623,386	(113,105)	118.14	182,556	(61.96)
12/31/01	775,960	845,443	69,483	91.78	191,756	36.24
12/31/02	748,291	757,166	8,875	98.83	186,266	4.76
12/31/03	724,049	782,698	58,649	92.51	184,407	31.80

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS

(AMOUNTS IN THOUSANDS)

PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1997	\$23,335	106.80 %
1998	14,560	127.83
1999	0	N/A
2000	0	N/A
2001	0	N/A
2002	3,980	218.99
2003	14,854	58.68

HEALTHCARE PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1997	\$7,778	106.80 %
1998	4,853	127.83
1999	0	N/A
2000	0	N/A
2001	0	N/A
2002	1,327	304.45
2003	4,951	81.60

REQUIRED
SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

CITY OF CINCINNATI, OHIO
Budgetary Comparison Schedule
General Fund
For the year ended December 31, 2003
(Amounts in Thousands)

	General Fund			Variance With Final Budget Positive(Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenue				
Taxes	\$ 218,701	\$ 218,701	\$ 219,707	\$ 1,006
Licenses and Permits	5,910	5,910	5,852	(58)
Use of Money and Property	11,020	11,020	13,692	2,672
Intergovernmental Revenue	53,638	53,638	54,314	676
Charges for Current Services	15,246	15,246	13,208	(2,038)
Miscellaneous	3,100	3,100	4,609	1,509
Total Revenue	<u>307,615</u>	<u>307,615</u>	<u>311,382</u>	<u>3,767</u>
Expenditures				
Current				
General Government	40,176	43,638	42,635	1,003
Community Development	10,139	9,747	9,736	11
Parks and Recreation	19,170	19,672	19,581	91
Public Safety	140,032	141,499	140,833	666
Transportation & Engineering	2,955	3,162	3,070	92
Public Services	20,268	21,639	21,328	311
Public Health	22,388	22,388	22,084	304
Employee Benefits	56,865	56,016	54,940	1,076
Capital Outlay	509	506	484	22
Total Expenditures	<u>312,502</u>	<u>318,267</u>	<u>314,691</u>	<u>3,576</u>
Excess of Revenue over (under) Expenditures	(4,887)	(10,652)	(3,309)	7,343
Other Financing Sources (Uses)				
Operating Transfer In		5,963	5,963	
Operating Transfers (Out)		(156)	(156)	
Total Other Financing Sources (Uses)		<u>5,807</u>	<u>5,807</u>	
Excess of Revenue over (under) Expenditures and Other Financing Sources	(4,887)	(4,845)	2,498	7,343
Cancellation of Prior Years Encumbrances			1,495	1,495
Fund Balances, January 1	14,976	14,976	14,976	
Fund Balances, December 31	<u>\$ 10,089</u>	<u>\$ 10,131</u>	<u>\$ 18,969</u>	<u>\$ 8,838</u>

Adjustments necessary to convert the results of operations at end of year on the budget basis to the modified accrual basis (GAAP) are as follows:

Excess of revenues and other financing sources over expenditures and other uses per the Budgetary Comparison Schedule	\$ 2,498
(Increases) decreases from revenues:	
Received in cash during year but already accrued as receivables (GAAP) at December 31, 2002	(30,149)
Accrued as receivables at December 31, 2003 but not recognized in budget	25,716
(Increases) decreases from encumbrances:	
Expenditures of amounts encumbered during prior years	(8,937)
Recognized as expenditures in the budget	12,220
(Increases) decreases from expenditures:	
Accrued as liabilities at December 31, 2002 recognized as expenditures (GAAP) but not in budget	7,677
Accrued as liabilities at December 31, 2003	(9,026)
Inventory purchase recognized as expenditures (budget) but not in GAAP	137
Net change in fund balance per the Statement of Revenues, Expenditures, and Changes in Fund Balance (Page 22)	\$ 136

See notes to required supplementary information.

City Of Cincinnati, Ohio
Note to the Required Supplementary Information
December 31, 2003

Note A- Budgetary Data

An operating budget is legally adopted each fiscal year for the General Fund. The budgetary data reports included within this report are prepared on a cash basis of accounting, with the exception of certain accrued personal service and employee benefit costs. Encumbrances, which do not lapse at year-end, are included as expenditures in the current year budget (Non-GAAP). The budgetary process begins at least six months prior to the calendar year for which the budget is to be adopted, with the City certifying the proposed budget to the County Auditor by July 20. By January 1, City Council may adopt annual or temporary appropriation measures using, in part, the official certificate of estimated resources approved by the County Budget Commission and tax rates certified by the County Auditor. By April 1, City Council must adopt annual appropriation ordinances. Only unencumbered appropriations lapse at year end.

The levels of appropriation control for each budgeted expenditure classification that may not be exceeded are: personal services, non-personal services, capital outlay, and debt service. Any revisions that alter the budgeted expenditure classification of any division within a City department must be approved by City Council. During the year, several supplementary appropriations were necessary.

Schedule of Expenditure of Federal Awards
(Non-GAAP Budgetary Basis)
For the year ended December 31, 2003
(Amounts in Thousands)

Grantor/Program Title	Fund	CFDA #	Grant #	Grant and Contract Revenue Received	Contributions and other Revenue	CFS Expenditures
1 <i>U.S. Department of Agriculture</i>						
* <i>Passed through Ohio Department of Health</i>						
* Hamilton County WIC Program	391	10.557	31-2-001-1-CL-03	1,839		(1,974)
* Hamilton County WIC Program	391	10.557	31-2-001-1-CL-04	624		(461)
Total for CFDA No. 10.557				2,463		(2,435)
TOTAL DEPARTMENT OF AGRICULTURE				2,463		(2,435)
2 <i>U.S. Department of Health and Human Services</i>						
<i>Passed through Council on Aging of Southwestern Ohio</i>						
* Special Programs for the Aging Title III Part B	324	93.044		37		(37)
**Total for CFDA No. 93.044				37		(37)
* Special Programs for the Aging Title III Part C	324	93.045		217	28	(126)
**Total for CFDA No. 93.045				217	28	(126)
* <i>Passed through Cincinnati Health Network</i>						
* Homeless Health Care Program	448	93.151	Contract #15-9022			
* Homeless Health Care Program	448	93.151	Contract #25-9086			
* Homeless Health Care Program	448	93.151	Contract #25-9141	120		(164)
***Total for CFDA No. 93.151				120		(164)
* <i>Passed through Ohio Department of Health</i>						
* Regional Lead Poisoning Prevention	380	93.197	31-2-001-1-BE-02	12	14	
* Regional Lead Poisoning Prevention	380	93.197	31-2-001-1-BE-03	70		(69)
* Regional Lead Poisoning Prevention	380	93.197	31-2-001-1-BE-04	23		(22)
Total for CFDA No. 93.197				105	14	(91)
* <i>Passed through Cincinnati Health Network</i>						
* Cincinnati Health Network	446	93.224	Contract #15-9057			
* Cincinnati Health Network	446	93.224	Contract #25-9087	26		
* Cincinnati Health Network	446	93.224	Contract #35-9174	287		(287)
***Total for CFDA No. 93.224				313		(287)
* <i>Passed through Ohio Department of Health</i>						
* Immunization Action Plan Special	415	93.268	31-02-001-2-AZ-01			
* Immunization Action Plan Special	415	93.268	31-2-001-2-AZ-02	6		
* Immunization Action Plan Special	415	93.268	31-2-001-2-AZ-03	320		(310)
Total for CFDA No. 93.268				326		(310)
Federal AIDS Prevention	378	93.940	31-2-01-F-DL-SE1			
Federal AIDS Prevention	378	93.940	31-2-001-2-AS-03	162		(218)
Federal AIDS Prevention	378	93.940	31-2-001-2-AS-04	732		(653)
Total for CFDA No. 93.940				894		(871)
STD Control Program	378	93.977	31-2-001-2-BX-03			
STD Control Program	378	93.977	31-2-001-2-BX-04	96		(83)
Total for CFDA No. 93.977				96		(83)
STD/HIV Prevention Training Centers	379	93.978	R30/CCR516650-03	392		(392)
Total for CFDA No. 93.978				392		(392)
* <i>Passed through Ohio Department of Health</i>						
* Heart Health in Hamilton County	425	93.991	31-2-001-2-ED-01			
* Heart Health in Hamilton County	425	93.991	31-2-001-2-ED-02	13		
* Heart Health in Hamilton County	425	93.991	31-2-001-2-ED-03	147		(151)
Total for CFDA No. 93.991				160		(151)
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				2,660	42	(2,512)
3 <i>U.S. Department of Housing & Urban Development</i>						
* <i>Passed through Ohio Department of Development</i>						
* Community Development Block Grant	304	14.218	B02-MC390003	15,044		(15,472)
* Community Development Block Grant	304	14.218	B03-MC390003	2,638	2,691	(5,236)
Total for CFDA No. 14.218				17,682	2,691	(20,708)
* <i>Passed through Ohio Department of Development</i>						
* Emergency Shelter Grant	445	14.231	S-02-MC-39-0003	128		(129)
* Emergency Shelter Grant	445	14.231	S-03-MC-39-0003	396		(396)
Total for CFDA No. 14.231				524		(525)
* <i>Passed through Ohio Department of Development</i>						
* HOME-Shelter Plus Care	410	14.238	OH16C10-0014	227		(227)
* HOME-Shelter Plus Care	410	14.238	OH16C20-0016	92		(78)
* HOME-Shelter Plus Care	410	14.238	OH16C80-0003	346		(336)
* HOME-Shelter Plus Care	410	14.238	OH16C90-0004	363		(350)
* HOME-Shelter Plus Care	410	14.238	OH16C96-0002	348		(366)
* HOME-Shelter Plus Care	410	14.238	OH16C97-0013	260		(260)
Total for CFDA No. 14.238				1,636		(1,617)

Schedule of Expenditure of Federal Awards
(Non-GAAP Budgetary Basis)
For the year ended December 31, 2003
(Amounts in Thousands)

Grantor/Program Title	Fund	CFDA #	Grant #	Grant and Contract Revenue Received	Contributions and other Revenue	CFS Expenditures
<i>Passed through Ohio Department of Development</i>						
* HOME	411	14.239	M-99-MC-39-0213	100		(100)
* HOME	411	14.239	M-00-MC-39-0213	974		(1,426)
* HOME	411	14.239	M-01-MC-39-0213	2,935		(2,935)
* HOME	411	14.239	M-02-MC-39-0213	611	171	(919)
Total for CFDA No. 14.239				4,620	171	(5,380)
<i>Passed through Ohio Department of Development</i>						
* Housing Opportunities For People With Aids	465	14.241	O-HH-02-F001	115		(115)
* Housing Opportunities For People With Aids	465	14.241	O-HH-03-F001	421		(421)
Total for CFDA No. 14.241				536		(536)
Empowerment Zone	324	14.244		2		(26)
Empowerment Zone	386	14.244	EZ-99-OH-0009	5,841		(5,841)
Empowerment Zone	386	14.244	EZ-99-04-0009	5,843		(5,867)
Total for CFDA No. 14.244				5,843		(5,867)
Findlay Market Phase III	980-0211C	14.246	06-01-04417	1,309		(780)
Total for CFDA No. 14.246				1,309		(780)
<i>Passed through Ohio Department of Development</i>						
* HUD Section 108 Loan Program	304	14.248	B01-MC390003			(1,320)
Total for CFDA No. 14.248						(1,320)
Lincoln Center Renovation	980	14.866				(645)
Total for CFDA No. 14.866						(645)
Cincinnati Lead Abatement Program	381	14.900	OHLAG0022-94			(121)
Cincinnati Lead Abatement Program	387	14.900	OHLHR0063-99			(121)
Cincinnati Lead Abatement Program	387	14.900	OHLHB022002	120		(121)
Total for CFDA No. 14.900				120		(121)
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				32,270	2,862	(37,499)
4 U.S. Department of the Interior						
ODNR-Hooked on Fishing	324	15.605		10		(4)
Total for CFDA No. 15.605				10		(4)
TOTAL DEPARTMENT OF THE INTERIOR				10		(4)
5 U.S. Department of Justice						
<i>Passed through Ohio Department of Youth Services</i>						
* Bloom/Taft Earn & Learn	447	16.548	00-JV-T50-5035			(32)
Total for CFDA No. 16.548						(32)
<i>Passed through Ohio Office of Criminal Justice Services</i>						
* Campaign for a Safe Community	368	16.579	2000-DG-B01-7343	21		(21)
* Mental Health Associates (Byrne)	368	16.579	2000-DG-B01-7350			(47)
* Computer Cop	447	16.579	2000-DG-B01-7352			(12)
* Computer Cop	447	16.579	2001-DG-B01-7352	10		(10)
* Computer Cop	447	16.579	2002-DG-B02-7263	24		(24)
Total for CFDA No. 16.579				55		(114)
<i>Passed through Ohio Office of Criminal Justice Services</i>						
* Congressional Earmark	368	16.580	2003-F1479-OH-D6	745		(745)
Total for CFDA No. 16.580				745		(745)
<i>Passed through Ohio Office of Criminal Justice Services</i>						
* Domestic Violence Advocacy	368	16.588	WF-VA5-8583	41		(63)
Total for CFDA No. 16.588				41		(63)
Local Law Enforcement Block Grant	364	16.592	2000 LB-BX 1630	(3)	3	(338)
Local Law Enforcement Block Grant	361	16.592	2001-LB-BX-2319		13	(167)
Local Law Enforcement Block Grant	375	16.592	2002-LB-BX-2510		68	(379)
Local Law Enforcement Block Grant	375	16.592	2003-LB-BX-1939	299	33	(884)
Total for CFDA No. 16.592				296	117	(884)
Police Risk Management Systems	980	16.710	CKWX 0167		283	(613)
Creating a Culture of integrity	368	16.710	2002-HSWX-0024			(21)
Total for CFDA No. 16.710					283	(634)
Troops to Cops	368	16.711	1999-TCWX-0174			(13)
Total for CFDA No. 16.711						(13)
TOTAL DEPARTMENT OF JUSTICE				1,137	400	(1,740)

Schedule of Expenditure of Federal Awards
(Non-GAAP Budgetary Basis)
For the year ended December 31, 2003
(Amounts in Thousands)

Grantor/Program Title	Fund	CFDA #	Grant #	Grant and Contract Revenue Received	Contributions and other Revenue	CFS Expenditures
6 U.S. Department of Labor Work Incentive Grant	464	17.207	WI-11016-01-60	560		(703)
Total for CFDA No. 17.207				560		(703)
Youth Offender	464	17.249	AF-11585-01-60	135		(183)
Total for CFDA No. 17.249				135		(183)
* Passed through Ohio Job & Family Service * WIA Adult	464	17.258	AF-11585-01-60	2,073		(1,470)
Total for CFDA No. 17.258				2,073		(1,470)
* Passed through Ohio Job & Family Service * WIA Youth	464	17.259	AF-11585-01-60	2,148		(1,898)
Total for CFDA No. 17.259				2,148		(1,898)
* Passed through Ohio Job & Family Service * One Stop	464	17.260		78		
WIA-Rapid Response	464	17.260		843		(559)
Total for CFDA No. 17.260				921		(559)
* Passed through Ohio Job & Family Service * ITA	464	17.261		271		
Total for CFDA No. 17.261				271		
Youth Worker Apprentice	464	17.268	AN-11634-01-60	15		(23)
Total for CFDA No. 17.268				15		(23)
TOTAL DEPARTMENT OF LABOR				6,123		(4,836)
7 U.S. Department of Transportation * Passed through Ohio Department of Transportation * Lunken Airport Signal Upgrade	980	20.106	3-39-0018-09			(6)
Local Match Funds - FAA Projects	980	20.106			(50)	(3)
* Lunken Improvements - '01	980	20.106	3-39-0018-1401			(64)
* Lunken Improvements - '02	980	20.106	3-39-0018-1502	300		(412)
* Lunken Improvements - '03	980	20.106	3-39-0018-1603		28	
Total for CFDA No. 20.106				300	(22)	(485)
* Passed through Ohio Department of Transportation * Bicycle Useage Enhancement	980	20.205	PID13893			(7)
Bicycle Grates-Phase IV	980	20.205	PID10605		95	(83)
* Gateway Public Improvements	980	20.205	PID14824			
* Historic Columbia Pkwy. Enhancemts	980	20.205	PID 15018		(2)	
Hopple St., Meeker to I-75 Improv.	980	20.205	PID 04905	730		(5)
Beechmont Ave SR 32 to Corbley	980	20.205	PID04959	999	500	(1,086)
Ft Washington Way - State Share	980	20.205	PID18433	4,978	325	(5,303)
FWW-3rd St Viaduct State Share	980	20.205	PID18438		683	(683)
Ft Washington Way - OKI Share	980	20.205	PID18436	635		(684)
Intermodal Center - ODOT/TRAC	980	20.205	PID20852	3,726	2,085	(3,211)
Ft. Washington Way - KYTC Share	980	20.205	PID19133	341	40	(381)
Queen City Ave-White/Wyoming	980	20.205	PID04909			(938)
Queen City Ave-White/Wyoming	980	20.205	PID10599		1,000	(884)
Total for CFDA No. 20.205				11,409	4,726	(13,265)
TOTAL DEPARTMENT OF TRANSPORTATION				11,709	4,704	(13,750)
8 Federal Emergency Management Agency FEMA Flood Control Grant	461	83.544	1164-DR-61-15000			(53)
FEMA Flood Control Grant	461	83.544	FEMA-1390-DR-061-15000	420	92	(518)
Total for CFDA No. 83.544				420	92	(571)
Assistance to Firefighters	472	83.554	EMW-2002-FG-12256	48		(48)
Total for CFDA No. 83.554				48		(48)
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY				468	92	(619)

Schedule of Expenditure of Federal Awards
(Non-GAAP Budgetary Basis)
For the year ended December 31, 2003
(Amounts in Thousands)

	Fund	CFDA #	Grant #	Grant and Contract Revenue Received	Contributions and other Revenue	CFS Expenditures
9 <i>Environmental Protection Agency</i>						
Brownfields	474	66.811	BT9758-93-010	63		(63)
Brownfield Assessment Pilot	453	66.811	98-53-6101	143		(143)
Total for CFDA No .66.811				206		(206)
TOTAL ENVIRONMENTAL PROTECTION AGENCY				206		(206)
10 <i>National Park Service</i>						
Urban Park and Recovery	980	15.919	39-CTY-1610-01-01	500		(213)
Mt. Auburn Hopkins Park	980	15.919	39-CTY-1610-02-01	500		(22)
Total for CFDA No. 15.919				500		(235)
TOTAL NATIONAL PARK SERVICE				500		(235)
TOTAL FEDERAL GRANTS & SUBSIDIES (Non-GAAP Basis)				57,546	8,100	(63,836)
Less Amount Recognized as Contributed Capital				(13,518)		
Less Accrual of Federal Grant & Subsidies at 12/31/02				(4,279)		
Plus Accrual of Federal Grant & Subsidies at 12/31/03				3,186		
Plus Deferral of Federal Grant & Subsidies at 12/31/02				305		
Less Adjustment to Deferral of Federal Grants and subsidies at 12/31/02				(79)		
Less Federal Grant reimbursement in Accounts Payable at 12/31/03				(31)		
Amount Recognized as Federal Grants & Subsidies (GAAP Basis)				43,130		
* Indicates Federal monies passed through another agency to the City of Cincinnati.						
** Aging Cluster				254	28	(163)
*** Consolidated Health Centers Cluster				433		(451)

The Schedule of Expenditures of Federal Awards is presented on a Non-GAAP budgetary basis. Total Community Development Block Grant loans outstanding at December 31, 2003 totaled \$44,467,000. Total Rental Rehab loans outstanding totaled \$10,964,000.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and
Members of the City Council
City of Cincinnati, Ohio and
Betty Montgomery, Auditor of State of Ohio

We have audited the financial statements of the City of Cincinnati, Ohio (the "City") as of and for the year ended December 31, 2003, and have issued our report thereon dated June 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated, June 9, 2004.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 9, 2004.

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

Deloitte & Touche LLP

June 9, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

The Honorable Mayor and
Members of the City Council
City of Cincinnati, Ohio and
Betty Montgomery, Auditor of State of Ohio

COMPLIANCE

We have audited the compliance of the City of Cincinnati, Ohio (the "City"), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2003.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal

program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Deloitte & Touche LLP

June 9, 2004

CITY OF CINCINNATI, OHIO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes _____ X no

Reportable condition(s) identified not considered to be material weaknesses? _____ yes _____ X N/A

Noncompliance material to financial statements noted? _____ yes _____ X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes _____ X no

Reportable condition(s) identified not considered to be material weakness(es)? _____ yes _____ X N/A

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))? _____ yes _____ X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster Number</u>
14.218	Community Development Block Grant
10.557	Hamilton County WIC
14.239	HOME
14.244	Empowerment Zone
20.205	Highway Planning & Construction
14.221	Rental Rehab Loans

Dollar threshold used to distinguish between Type A and Type B programs \$1,915,097
Auditee qualified as low-risk auditee? _____ yes _____ X no

- II. FINANCIAL STATEMENT FINDINGS SECTION—No matters are reportable
- III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION—No findings are reportable

CITY OF CINCINNATI, OHIO

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

No audit findings and questioned costs were reported in the Schedule of Findings and Questioned Costs from the Independent Auditors' Single Audit Reports for the year ended December 31, 2002.

Comprehensive Annual

Financial Report

2003

For the Year Ended December 31, 2003

City of Cincinnati, Ohio



2003

2003 was an exciting year for downtown Cincinnati. There was the opening of the Great American Ball Park in April, the opening of the new Contemporary Arts Center and the Theodore M. Berry International Friendship Park in May and finally, TallStacks came to the Riverfront in October.

COMPREHENSIVE ANNUAL

Financial Report

For the Year Ended December 31, 2003

2003

Director of Finance
William E. Moller

Finance Manager
Kathleen Creager

City of Cincinnati, Ohio



© Dan Tye

Introductory Section

2003



Contemporary Arts Center

© Roland Halbe

CITY OF CINCINNATI, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended December 31, 2003

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Letter of Transmittal.....	v
Certificate of Achievement.....	xiv
Organization Chart	xv
Principal City Officials	xvi
<hr/>	
FINANCIAL SECTION	
Report of Independent Auditors	1
Management’s Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds.....	21
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds.....	23
Statement of Net Assets – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds.....	28
Statement of Fiduciary Net Assets – Fiduciary Funds.....	30
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	31
Notes to Financial Statements	33
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	73

TABLE OF CONTENTS
(Continued)

FINANCIAL SECTION (Continued)	Page
Supplementary Information	
Major Governmental Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) – and Actual General Fund	78
Statement of Revenue, Expenditures and Changes in Fund Balance.	86
Nonmajor Governmental Funds.....	93
Combining Balance Sheet – Nonmajor Governmental Funds	95
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	96
Schedules of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual	
Health Services Fund	101
Street Construction, Maintenance and Repair Fund	102
Parking Meter Fund	103
Cable T.V. Fund	105
Income Tax Infrastructure Fund	106
Income Tax Transit Fund	109
Motor Vehicle License Fund	110
Special Recreation Fund	111
Nonmajor Enterprise Funds	113
Combining Statement of Net Assets	114
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	115
Combining Statement of Cash Flows	116
Internal Service Funds	119
Combining Statement of Net Assets	120
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	122
Combining Statement of Cash Flows	123
Fiduciary Funds – Trust and Agency Funds	125
Statement of Plan Net Assets – Pension Trust	126
Combining Statement of Changes in Plan Net Assets – Pension Trust	127
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	128
Combining Statement of Changes in Assets and Liabilities - Agency Funds	129
Capital Assets Used in the Operation of Governmental Funds.....	131
Schedule by Source	132
Schedule by Function and Activity.....	133
Schedule of Changes by Function and Activity.....	134

TABLE OF CONTENTS
(Continued)

FINANCIAL SECTION (Continued) Page

Schedules:

Outstanding Bonds and Notes	136
Schedule of Annual Debt Service	137
Schedule of Expenditures of Federal Awards	138
Infrastructure Income Tax	142

STATISTICAL SECTION Page

General Fund - General Governmental Expenditures by Function	143
General Fund - General Governmental Revenues by Source	143
General Fund – General Governmental Expenditures by Function – Chart.....	144
General Fund – General Governmental Revenues by Source – Chart.....	144
Property Tax Levy and Collections	145
Assessed Valuations and Estimated True Values	145
Property Tax Rates - Direct and Overlapping Governments	146
Computation of Direct and Overlapping Debt	146
Special Assessment Billings and Collections	146
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	147
Ratio of Annual Debt Service for General Bonded Debt to Total General Fund Expenditures	147
Legal Debt Margin	148
Water Works – Historical and Projected Water System Pumpage.....	149
Water Works – Top Ten Retail Customers.....	149
Water Works – Accounts Receivable	150
Water Works – Historical Financial Operations.....	150
Water Works – Projected Operating Results	151
Water Works – Parity Debt Service Requirement	152
Ten Largest Ad Valorem Taxpayers	153
Ten Largest Employers	154
Unemployment Statistics	154
Construction, Bank Deposits and Property Value	155
Salaries of Principal Officials	156
Surety Bond Coverage	156
Demographic Statistics	157
Cincinnati Profile	158

(This page intentionally left blank.)



City of Cincinnati

DEPARTMENT OF FINANCE

SUITE 250, CITY HALL
801 PLUM STREET
CINCINNATI OH 45202
PHONE (513) 352-3731

June 15, 2004

WILLIAM E. MOLLER
DIRECTOR OF FINANCE

The Honorable Mayor, Members of City Council,
and the Citizens of the City of Cincinnati, Ohio

We are pleased to submit the City of Cincinnati's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2003. This report is prepared by the Department of Finance, which is responsible for the accuracy of the data and the completeness and fairness of its presentation, including disclosures. We believe that the information presented is accurate in all material respects and reported in a manner designed to show the financial position and operating results of the City.

GAAP 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) which is located on page 3. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Cincinnati's 2003 CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory section, which provides information on the general contents of the report, contains this letter of transmittal, an organizational chart of City government, and a list of City officials. The Financial section is comprised of the auditor's report, the management's discussion and analysis, the basic financial statements, required supplementary information, and various statements and schedules pertaining to the City's funds and activities. The Statistical section provides various financial, economic, and demographic data about the City, generally on a multi-year basis.

The City is the only governmental unit in the reporting entity; it has no component units. In determining what constitutes the City reporting entity, the criteria established by the Governmental Accounting Standards Board were used. The City is not financially accountable for any potential component units. Hamilton County and the Cincinnati City School District are separate governmental jurisdictions that overlap the City's boundaries. These entities are not included in the City's financial reports.

The City provides the full range of municipal services including police and fire protection, parks, recreation, public services (highways, streets, and waste collection), health and human services, culture, public improvements, planning and zoning, general administrative, water and sewer services.

ECONOMIC CONDITION AND OUTLOOK

According to the Greater Cincinnati Chamber of Commerce in its Economic Outlook 2004, recovery has already begun in the Local Cincinnati area economy evidenced by the increase in manufacturing and total employment which seems to be “bucking the trend” of the national economy. The national economy is still consumer driven, but is expected to continue the recovery that began at the end of 2003 and will improve as technology and business investment increases and as unemployment decreases. Slightly above-trend growth is expected in 2004, though growth will be strongly influenced by unpredictable social and political factors.

To spur growth in 2003, the Department of Community Development and Planning recommended and the City Council approved ten Enterprise Zone project agreements worth \$38 million of new private investment that will create or retain 1,600 jobs within the City. The Department of Community Development also established six Job Creation/Income Tax Credit Agreements in 2003. These agreements will result in \$28.5 million of new private investment and will create or retain 1,531 jobs.

MAJOR INITIATIVES

In 2003, the City continued to improve customer service throughout the city government and promote revitalization of neighborhoods, downtown and the riverfront area. Major initiatives, accomplishments and positive changes were made in the following areas and are of particular interest.

I. Economic Development

The Cincinnati Center City Development Corporation (3CDC) is a private, non-profit corporation created in July 2003. It was created to increase the effectiveness and efficiency of development activities in the City as recommended by the Cincinnati Economic Development Task Force.

3CDC's primary focus will be implementation of real estate development projects and programs that strengthen the core assets of downtown. Initially, 3CDC will focus on three priorities: Fountain Square, Over the Rhine, and The Banks. 3CDC will work collaboratively with the City's Economic Development team and the Port of Greater Cincinnati Development Authority.

The City of Cincinnati has committed to invest \$100 million and 3CDC has committed to invest \$50 million over five years to support Center City Plan projects.

Major development projects along the Ohio River in downtown Cincinnati include Paul Brown Stadium, a \$455.5 million facility that opened in August 2000 and is the new home of the Cincinnati Bengals. The \$335.5 million Great American Ball Park and related infrastructure, the new home of the Cincinnati Reds, opened March 28, 2003. The stadiums anchor each end of a planned major riverfront development called The Banks (see below). Both facilities are funded by a county-wide ½ cent sales tax increase approved by voters in 1996.

In February 2004 the Port Authority reached an agreement with the Cincinnati Center City Development Corporation (3CDC) to work together to develop The Banks. The Port Authority will be the financing arm of the development. 3CDC will be the development manager of The Banks and as such will serve as a strategic advisor to the Port Authority in connection with implementing the plans for The Banks. The development program included a mix of uses to create a 24-hour, seven-day-a-week, pedestrian-friendly urban neighborhood. The development program features upscale housing, a 52-acre riverfront park, retail shops, office space, pedestrian plazas, additional green spaces, and other amenities.

Construction began, in June 2002, on a \$65 million national education center that will commemorate the historic efforts of the Underground Railroad. The 158,000 square foot Freedom Center, located on Second Street between Vine and Walnut Streets, will be the centerpiece cultural attraction in The Banks development.

The Freedom Center anticipates 450,000 paid attendees annually. It is funded with both private and public participation. The Freedom Center is expected to open in August 2004.

The downtown area has benefited from several new market rate housing projects to support the Cincinnati Business District (CBD) office, retail, and entertainment facilities. In the Garfield Place district, over 250 apartments have been completed in the initial four phases of a six-phase housing development.

Lois & Richard Rosenthal Center for Contemporary Art is a \$34 million project which opened in May 2003, at the corner of Sixth and Walnut Streets. The project was supported by a \$4.8 million City grant for site acquisition and clearance, environmental remediation, and public improvements. The Contemporary Arts Center provides the City with a major new tourist attraction and an additional anchor for the Backstage Entertainment District in the area surrounding the Aronoff Center for the Arts. The Contemporary Arts Center building is the first construction in the United States of a Zaha Hadid design.

Renovation to the historic Taft Museum that nearly doubled its size was completed in May 2004. Enhancements to the Fourth Street mansion-turned-museum, located in downtown Cincinnati, include additional exhibition space, a new education resource center, and a new multipurpose facility for performances, lectures, and special events. A new 70-space parking facility is also part of this \$22.8 million capital project. The City has provided \$750,000 in financial resources to support this project.

Renovations at Music Hall began in December 2003 to create offices and a multi-purpose room for the Cincinnati Opera. The plan allows for the Opera and the Cincinnati Symphony to grow at Music Hall. The Opera will occupy the renovated space and the Cincinnati Symphony will move into space currently used by the Opera. Cosmetic improvements to the historic structure will restore some of the exterior to the original architectural design. The City has provided \$650,000 to this \$3.2 million project. The renovation project is expected to be completed in fall 2004.

II. Livable Neighborhoods/ Safe Communities

The vitality of our 52 neighborhoods is key to the success of our City. In the final analysis, our success is measured by the City's responsiveness to its citizens. In 2003, significant steps were taken to provide high quality, timely services in a more cost effective manner. The City partnered with neighborhoods to make them cleaner and safer in 2003.

The Over the Rhine community is located in the heart of the City, immediately north of the Central Business District, and is surrounded by the West End, Mt. Auburn and Clifton Heights neighborhoods. Located adjacent to downtown and just south of the University-Medical complex, it is positioned between the two largest employment centers in the region.

Over the Rhine (OTR) is home to a number of regional destinations such as Music Hall, the Ensemble Theatre, and the Pendleton Arts Center. The OTR Comprehensive Plan, addressing the area's 5,200 habitable housing units, 12 city operated parks, four public and three private schools, as well as 350 businesses, was completed in 2002. The Cincinnati Housing Development Fund has committed \$4.5 million to OTR housing development. Condominium sales and development in OTR are escalating. Improving the economy of Over the Rhine is a major focus of the plan, which includes improving economic conditions for the people in the neighborhood as well as the climate for doing business and investing money.

Cincinnati City Council has committed \$10 million dollars between 2003 and 2007 to support implementation of the plan and has appropriated \$2 million for 2003 and \$2 million for 2004. These funds will be used to provide incentives for significant housing and retail/commercial development projects and augment over \$3.7 million in City support for building facade grants and streetscape improvements that are still being implemented.

The West End community is a neighborhood with diverse income and cultural legacies. It is located adjacent to the CBD and the OTR communities. The City of Cincinnati, through a blight study of the West End neighborhood, determined that the community was deteriorated and blighted. The study determined that ordinary investment in the area would not occur without the aid of the City through Urban Renewal legislation. The result was the West End Urban Design Plan.

The goal of the Urban Renewal Plan was the development of the New Mixed-Income Housing Development – now known as City West. The City West design concept provides for housing, commercial, retail, and park settings at one site. A welfare-to-work “Self Sufficiency Program” has been implemented to aid low-income tenants in their transition to home ownership in the new City West Development.

The City was recently awarded a \$3 million Clean Ohio Funds grant to remediate environmental contamination and redevelop a 17-acre site just west of the CBD. After demolition of existing structures and remediation of the site, Queensgate South Realty, LLC (QSR) plans to construct an office and light industrial campus. This redevelopment will attract service companies that need to be near the CBD, and will create 500 to 750 new jobs. This project is consistent with the Queensgate South Urban Renewal Plan and will improve the value and aesthetics of this major site adjacent to the CBD.

Uptown is the area anchored by the University of Cincinnati (UC), Children’s Hospital Medical Center (CHMC), the Cincinnati Zoo, and two area hospital alliances – the Health Alliance and Tri-Health. These five entities, known collectively as the Big 5, constitute the second largest employment generator in the region. The Big 5 have recently created a non-profit development corporation to foster development of all neighborhoods in the Uptown area.

In 2002, UC constructed a conference center, a molecular science research center, and a guest lodging facility. This \$60 million investment retained 70 jobs and will create 374 new jobs. UC completed the \$46 million Vontz Center for molecular studies in 2003. The Vontz Center was designed to house an advanced laboratory and teaching facility for the study of cancer and neuroscience.

UC has made a commitment to revitalize the neighborhoods bordering its campus: Corryville, University Heights, and Clifton Heights. The UC Foundation has made an investment of over \$75 million in revitalization projects in these neighborhoods.

CHMC is investing \$115 million to build an 11-story building that will provide significant expansion in research, clinical services, and administrative operations in the Uptown. This is expected to add 1,000 new jobs. The construction will commence in the summer of 2004 with a completion date in 2007. In addition to the development in Uptown, CHMC recently opened an \$8 million Campus in Cincinnati’s College Hill neighborhood for treatment of adolescent psychological disorders.

The Good Samaritan Hospital plans to spend \$122 million on expansion and renovation over the next five years. The project will include a patient-care tower, a 499-space parking garage and parking lots around 12.5-acre complex. The project is the hospital’s biggest construction venture in nearly 20 years.

These various projects will revitalize neighborhoods in an area central to the City and vital to Cincinnati’s most important educational and medical institutions.

The City of Cincinnati provides a full array of municipal services. In 2003 the Fire Department responded to 79,423 incidents in the City’s 52 neighborhoods. The Department employs approximately 720 uniformed employees and includes 26 fire stations that house 40 companies, 4 paramedic units, 6 basic life support ambulances, and an aircraft rescue firefighting unit.

The Police Department, with approximately 1,030 uniformed officers, responded to 294,789 calls for service, made 47,007 arrests, and completed 28,643 reports for violent and property crimes in 2003. Violent Crime decreased by more than 9% compared to 2002. The Police Department has successfully implemented Community Oriented Policing (COP) in all neighborhoods in Cincinnati. Community Problem Oriented Policing (CPOP), is an extension of COP, and will help solve quality of life and crime problems in neighborhoods.

In 2003, the Parks Department conserved and maintained 70 neighborhood parks, 34 preserves and nature areas, 5 parkways, 50 miles of hiking and bridle trails, 80,000 street trees along 1,000 miles of City streets, 5 nature centers, 9 scenic overlooks, 52 playgrounds, and over 100 picnic areas. The Parks Department also manages Krohn Conservatory and is responsible for picnic shelters, pavilions, and lodges.

In 2003, the Recreation Department maintained 204 individual recreation areas encompassing approximately 2,300 acres. The department's facilities also include 45 combination recreation and senior centers, 108 play areas, 41 swimming pools, 7 golf courses, 122 tennis courts at 35 locations, athletic fields at 140 sites throughout the city, 3 boat ramps and the Lunken Airport Play Field. It also controls the 33-acre Central Riverfront Complex, which includes Bicentennial Commons at Sawyer Point, Yeatman's Cove, the Public Landing, Concourse Fountain Marina, Serpentine Wall, the Rowing & Fitness Center, and historic Showboat Majestic.

Transportation and Engineering Department is in charge of planning, designing, building, and maintaining the City's transportation network which includes 2,840 street lane miles, 71 bridges, 49 miles of retaining walls, 1,700 miles of sidewalks, 300,000 street signs, 7 million lineal feet of pavement markings, 31,500 street lights, and 407 sets of hillside steps. In 2003, over 100 street lane miles were rehabilitated with a goal of 200 lane miles being rehabilitated by the end of 2004. Streetscapes in several neighborhoods were completed in 2003.

The Health Department provides comprehensive primary health care and dental services for underserved and high-risk populations through the operation of 6 health centers and 1 sexually transmitted disease center. Also provided are laboratory, pharmacy, immunization, nutritional services, and public health nursing programs. In 2003, services were provided to almost 48,000 users (30,000 uninsured) who made more than 135,000 visits to the health centers.

The Health Department also made over 30,000 public health inspections resulting from citizen requests or licensing requirements of state and municipal laws. It also issued about 100,000 birth and death certificates.

The Traffic and Road Operations Division of the Public Services Department maintained 725 traffic signals and 31,500 streetlights in 2003. The Neighborhood Operations division of that department collected approximately 115,000 tons of solid waste and 10,000 tons of yard waste from 127,000 households and 12,000 small businesses.

FINANCIAL INFORMATION

Internal Control

The Administration believes that the City's internal control structure provides reasonable assurance that assets are safeguarded, transactions are recorded and reported appropriately, and policies are followed. The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the expected benefit.

An important element of the City's control structure is the ongoing program to promote control consciousness throughout the organization. The Administration's commitment to this program is emphasized through written policies and procedures, and a well-qualified financial staff.

Budgetary Control

An operating budget is adopted each fiscal year for the General Fund and those Special Revenue Funds identified as appropriated in the financial statements. Budgetary data for the Nonappropriated Special Revenue Funds is maintained as well. For each budgeted expenditure classification, the level of appropriation control, which may not be exceeded, is: personal service, non-personal service, capital outlay and debt service. Any revisions that alter the appropriation control classification of any division within a City department must be approved by the City Council. Encumbrances do not lapse at year-end and are included as expenditures in the current year budget (Non-GAAP Budgetary Basis).

Virtually all of the general services of the City have been financed with resources from the General Fund. General Fund revenues include property taxes, the City income tax, the Ohio Local Government Fund, the Ohio Estate Tax, and other revenues provided by the citizens of this community.

Actual Non-GAAP General Fund expenditures/encumbrances in 2003 were \$314.7 million; this is a \$3.6 million savings compared with a 2003 expenditure appropriation of \$318.3 million. Actual Non-GAAP revenue of \$311.4 million exceeded the original 2003 revenue estimate of \$307.6 million by \$3.8 million. A breakdown for the last ten years of General Fund (GAAP Basis) revenue by source and General Fund (GAAP Basis) expenditures by function can be found in the Statistical Section on page 143.

Working Capital Reserve and General Fund Balance

City Council established standards for a minimum working capital reserve account in 1984 to assure a strong financial position and to protect Cincinnati's general obligation bond rating during periods of fiscal stress. The policy called for achievement of a minimum reserve level, for emergency needs of a catastrophic nature, of no less than 5% or more than 8% of general operating revenues by December 31, 1986. The targeted year-end reserve level was achieved in January of each year 1985 through 2003. For 2004, the target reserve of \$21.1 million (6.7% of 2004 estimated revenues) has already been achieved.

Proprietary Operations

The following events and trends had a significant effect on the financial results of operations of the proprietary funds:

Enterprise Funds

The Greater Cincinnati Water Works (GCWW) provides water and water related services within the City of Cincinnati, 90% of Hamilton County that is outside of the City, and portions of Butler, Warren and Clermont Counties. GCWW is responsible for the complete administration, operation, maintenance, and capital planning for the entire service area, which is approximately 400 square miles. The system supplies approximately 49 billion gallons of water a year through 3,000 miles of water mains to more than 235,000 residential and commercial accounts representing more than 1,000,000 consumers within the service area.

Water Works agreed to supply Boone County and the City of Florence in Northern Kentucky with drinking water. In December of 2001, crews began drilling a tunnel 40 feet below the Ohio River bed for the 36-inch water main that will eventually provide 60,000 Southern customers with water services. The City began providing water to Boone County in March 2003. The tunnel is the largest interstate transfer of water in the country, pumping 30 million gallons of water to Kentucky each day.

Lunken Airport, a 1,000-acre facility owned and operated by the City since 1930, handled approximately 130,000 flights in 2003. Lunken services many major corporations as well as local small businesses, private pilots, medical, and military flights.

In September 2002 the City Council and the Hamilton County Board of Commissioners formally approved a revised funding plan for expanding and renovating the Convention Center in Cincinnati. The plan included financial participation by the City, Hamilton County, and the private sector. The existing Convention Center has 162,000 square feet of exhibit space and 82,000 square feet of meeting/ballroom space. With the completion of the expansion the Convention Center will have a total of 198,000 square feet of exhibit space and 103,000 square feet of meeting/ballroom space.

Pension Trust Fund Operations

The City of Cincinnati Retirement System's net plan assets increased from \$1.98 billion in 2002 to \$2.28 billion in 2003. The \$300 million or 15.2% increase was the result of a year-end rebound of the stock market and stabilization of the economy. (See Pension Trust Fund financial statements on pages 30 and 31. See Footnote 19.)

Debt and Bonds Issued

Standard and Poor's rates the City's general obligation bonds "AA+", their second highest rating. The City's bond rating by Moody's is Aa1", their second highest rating. The ratings reflect the City's strong financial management and healthy local economy.

The gross debt at December 31, 2003 was \$629.8 million, consisting of \$222 million general long-term debt and \$408 million in self-supporting bonds and notes, as compared to \$488 million at December 31, 2002. The net tax supported debt at the end of the year was \$204 million, which is \$22 million more than the amount outstanding at the end of the previous year. During 2003, \$88,170,000 of bonds and notes matured and was paid.

On January 29, 2003 City Council authorized the issuance of \$112.4 million of Water Works Revenue Bonds. The bonds are dated March 1, 2003. On January 29, 2003 and April 9, 2003, City Council authorized the issuance of \$52.7 million of general obligation bonds. The bonds were dated May 1, 2003. The four bond issues were sold at coupon rates from 2.0% to 4.0%. The bonds include tax -supported issues of \$25.7 million for Street Improvements, \$6.2 million, for Public Building Improvements, \$9.7 million for Urban Redevelopment Improvement, and \$11.1 million for Equipment Improvements.

On July 25, 2003, City Council authorized the taking of bids on \$20.5 million of Economic Development Revenue bonds dated December 1, 2003, for the Convergys Corporation Project. The bonds were sold at coupon rates from 1.57% and 5.91%.

Cash Management

Cash temporarily idle during the year was invested in Certificates of Deposit, obligations of the U.S. Treasury, and the State Treasurer's investment pool. The City has an investment committee that meets regularly to review investment policies and procedures. Beginning in March 2003 separate portfolio's were created for general investments and bond investments in order to track specific interest earned on bond proceeds.

The City utilizes a ladder approach to schedule investment maturities. By policy the weighted average maturity of the general investment portfolio shall not exceed two years. The weighted average maturity as of December 31, 2003 was 409 days.

The City's Investment Policy identifies a benchmark that is used to monitor the performance of the investment portfolio. During 2003, the benchmark ranged from 1.94% to 2.82% and the rate of return for general investments ranged from 2.85% to 3.96%. The rate of return on general investments was 3.34% compared to 4.47% for all investments in 2002.

The City's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized. One hundred percent of the investments held by the City at December 31, 2003 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Risk Management

The City maintains a comprehensive all-risk property insurance program through a commercial carrier, covering approximately \$831 million in property values. The program contains a \$100,000 deductible, provides 100% replacement cost of property and has a maximum limit of \$100 million for earthquake damage and \$100 million for flood damage.

OTHER INFORMATION

Independent Audit

The firm of Deloitte & Touche LLP was selected in October 1999 to perform the City's audit for the five years 1999 to 2003. Deloitte & Touche LLP has audited the accompanying general-purpose financial statements. Their report is included herein.

A single audit is an organization-wide financial and compliance audit that is conducted in lieu of the traditional grant-by-grant multiple audits performed in the past. Federal law requires us to have this single audit of all City activities. We have remained in compliance with this requirement since its inception in 1985. Deloitte & Touche LLP conducted the single audit for the 2003 fiscal year.

Certificate of Achievement and Budget Award

During 2003, 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 Cincinnati for its CAFR for the fiscal year ended December 31, 2002. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a one-year period.

This is the 23rd consecutive year that the City has received this award. In 1979, for our 1978 annual financial report, we were the first governmental unit in Ohio to receive the Certificate. As of December 31, 2002, 115 municipal reporting entities in Ohio and only 1,661 units nationwide are holders of the Certificate. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for their review.

We are equally proud of the GFOA's Award for Distinguished Budget Presentation earned by the City for our 2003/2004 biennial budget. This is the 17th consecutive year that the City has received this award. For the fiscal years beginning in 2002, only 21 cities in Ohio and only 926 cities nationwide received the award.

ACKNOWLEDGMENTS

The preparation of this Comprehensive Annual Financial Report was accomplished by the efficient and dedicated services provided by the entire staff of the Department of Finance. Each member of the Department has our sincere appreciation for the contribution made in the preparation of this report. Appreciation is also expressed to those in other City departments for their cooperation and assistance in matters pertaining to the financial affairs of the City. We hereby acknowledge and thank all who contributed their time and effort.

Respectfully,

A handwritten signature in black ink that reads "William E. Moller". The signature is written in a cursive style with a large, prominent initial "W".

William E. Moller
Director of Finance

CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cincinnati,
Ohio

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

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



President

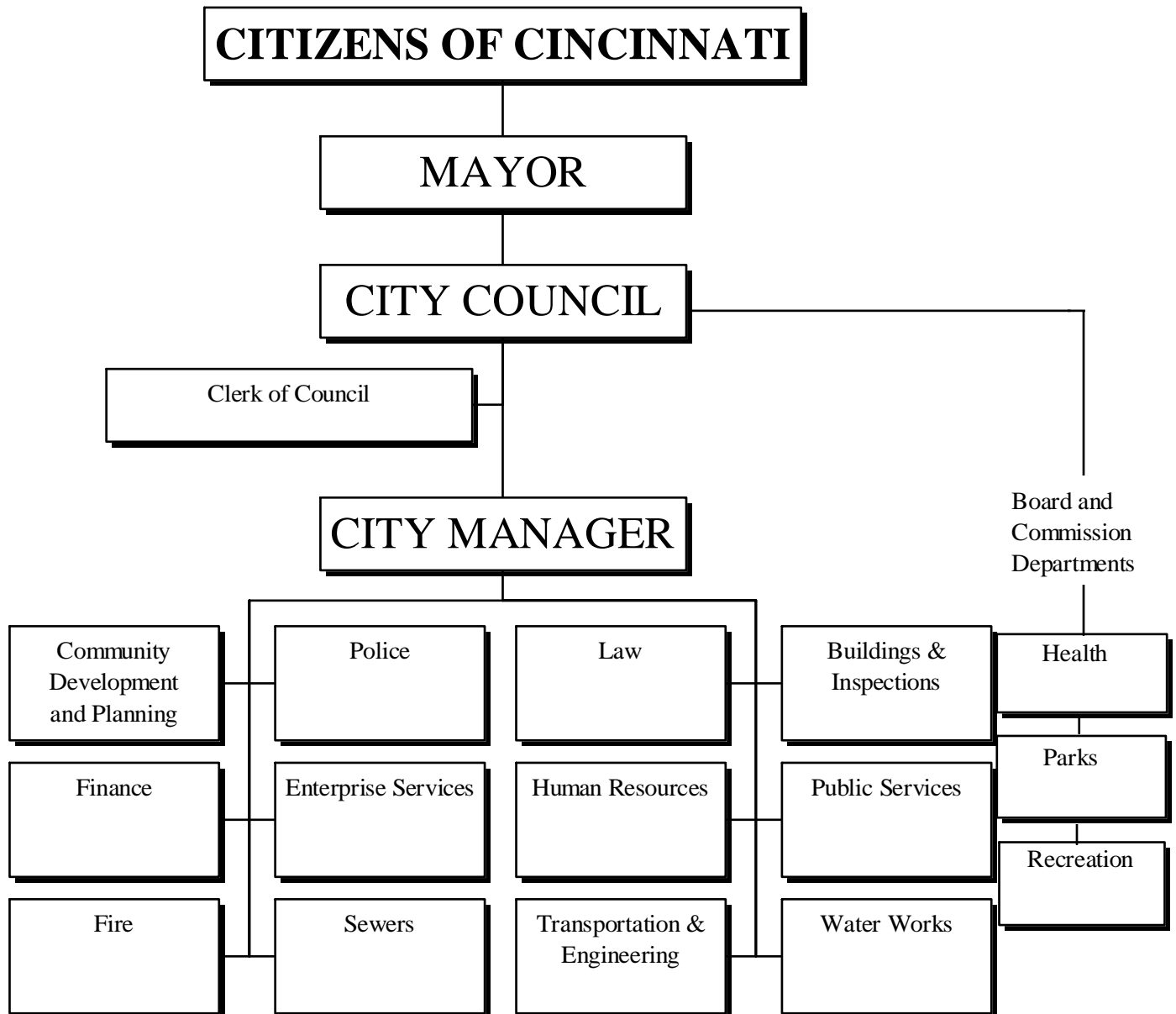
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cincinnati, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2002.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Cincinnati has received a Certificate of Achievement for the last twenty-three consecutive years (fiscal years ended 1980 - 2002). We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

CITY OF CINCINNATI



CITY OF CINCINNATI, OHIO

Principal City Officials

CITY COUNCIL

Charles J. Luken, Mayor
First term

Alicia Reece, Vice Mayor, third term
Y. Laketa Cole, second term
John Cranley, third term
David Crowley, second term
Pat B. DeWine, third term

Sam Malone, first term
David Pepper, second term
Christopher Smitherman, first term
James R. Tarbell, third term

CITY MANAGER

Valerie A. Lemmie

(This page intentionally left blank.)

Financial Section

2003

Great American Ball Park



© George Kalematis

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Cincinnati, Ohio and
Betty Montgomery, Auditor of State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cincinnati, Ohio ("City"), as of and for the year ended December 31, 2003, which collectively comprise of 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 an opinion on the respective financial statements based on our audit.

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

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the respective statement of net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cincinnati, Ohio, as of December 31, 2003, and the respective changes in financial position (and respective cash flows, where applicable) thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 14, and the Budgetary Comparison Schedule-General Fund on page 73 and Note to the Required Supplemental Information on page 74 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The supplementary information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplemental information is the responsibility of City's management. Such information has been subjected to the

auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to auditing procedures applied in the audit of the City's basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

June 9, 2004

City of Cincinnati Management's Discussion and Analysis

As management of the City of Cincinnati (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v - xiii of this report. The government wide financial statements are presented on a GAAP basis; that is they reflect accrual basis of accounting. The GAAP fund financial statements will differ from those presented on a budgetary basis.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.5 billion (net assets). Of this amount, \$171.4 million is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$86.3 million and may be used to meet government's on-going obligations. The unrestricted net assets of the City's business type activities are \$85.1 million and may be used to meet the on-going obligations of the City's water, parking, convention center, stormwater, aviation and golf business-type activities.
- The City's total net assets increased \$52.5 million in 2003. Net assets of the governmental activities increased by \$31.6 million, which represents a 4.1 percent increase from the 2002 balance. Net assets of business-type activities increased \$20.9 million or 3.3 percent increase from 2002. Governmental activities investment in capital assets, net of related debt increased \$44 million. Governmental activities restricted assets decreased \$21.3 million. Business-type activities investment in capital assets, net of related debt increased \$40.5 million. Business-type activities restricted assets increased \$1.0 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$343 million, a decrease of \$8.2 million in comparison with the prior year. On a combined basis approximately 47 percent, \$161.2 million, is considered unreserved at December 31, 2003. Unreserved fund balance includes \$97.1 million restricted for capital projects.
- At the end of the current fiscal year, the general fund reported a fund balance of \$65.5 million. The unreserved fund balance for the general fund was \$51.3 million, or 16.6 percent of the total general fund expenditures. There was a \$136 thousand increase in general fund balance for the year ended December 31, 2003.
- The City's total debt increased by \$142.3 million (29.2 percent) during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 17 to 19 of this report.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of the government-wide financial statements (statement of net assets and statement of activities) distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, community development, parks and recreation, public safety, transportation and engineering, enterprise services, public services, and public health. The business-type activities of the City include the Water Works, Parking Facilities, Convention Center, General Aviation, Municipal Golf, and Stormwater Management Funds.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The basic governmental fund financial statements can be found on pages 20 to 24 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 28 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, all of which are considered to be major funds. Data from the other 25 funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds - enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water works, parking facilities, convention center, municipal airport, municipal golf courses, and stormwater management system. *Internal service funds* are an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds for its printing services, general stores operation, municipal garage, property management function, self-insurance medical fund, workers' compensation fund, and regional computer center. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 25 to 29 of this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Works Fund, which is considered to be a major fund of the City. The other enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the other enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City uses fiduciary funds to account for pension, trust and agency funds. 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30 and 31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 to 70 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Budgetary Comparison of the City's General Fund. Required supplementary information can be found on pages 71 to 74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 75 to 134 of this report.

CITY OF CINCINNATI'S Net Assets

(AMOUNTS IN THOUSANDS)

	Governmental Activities		Business-type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$585,528	\$581,837	\$184,739	\$141,842	\$770,267	\$723,679
Capital assets	<u>805,405</u>	<u>727,349</u>	<u>767,451</u>	<u>692,554</u>	<u>1,572,856</u>	<u>1,419,903</u>
Total Assets	1,390,933	1,309,186	952,190	834,396	2,343,123	2,143,582
Long-term liabilities outstanding	350,900	333,668	242,056	159,621	592,956	493,289
Other liabilities	<u>243,392</u>	<u>210,472</u>	<u>53,886</u>	<u>39,416</u>	<u>297,278</u>	<u>249,888</u>
Total liabilities	594,292	544,140	295,942	199,037	890,234	743,177
Net assets:						
Invested in capital assets, net of related debt	534,066	490,028	566,748	526,297	1,100,814	1,016,325
Restricted	176,263	197,516	4,452	3,435	180,715	200,951
Unrestricted	<u>86,312</u>	<u>77,502</u>	<u>85,048</u>	<u>105,627</u>	<u>171,360</u>	<u>183,129</u>
Total net assets	<u>\$796,641</u>	<u>\$765,046</u>	<u>\$656,248</u>	<u>\$635,359</u>	<u>\$1,452,889</u>	<u>\$1,400,405</u>

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City assets exceeded liabilities by \$1.5 billion at the close of the most recent fiscal year.

The largest portion of the City's net assets \$1.1 billion (75.8 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets \$180.7 million (12.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance \$171.4 million (11.8 percent) represents *unrestricted net assets* and may be used to meet the government's ongoing obligations to citizens and creditors. It is important to note that although the total unrestricted net assets is \$171.4 million, the unrestricted net assets of the City's business-type activities (\$85.1 million) may not be used to fund governmental activities.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year.

Overall net assets of the City increased \$52.5 million in 2003. Net assets for governmental activities increased \$31.6 million, while net assets of business-type activities increased \$20.9 million.

There was a decrease of \$21.3 million in restricted net assets reported in connection with the City's governmental activities and a \$1.0 million increase in the City's business-type activities. The key factors in these changes were the City's contribution of \$15 million to the Cincinnati Housing Development Fund LLC and a decrease in revenue and other financing sources.

The City's governmental activities amount invested in capital assets, net of related debt, increased \$44 million as bond proceeds and capital grants were used to complete certain capital projects during 2003. The City's business-type activities amount invested in capital assets, net of related debt, increased \$40.5 million.

CITY OF CINCINNATI
Changes in Net Assets
(AMOUNTS IN THOUSANDS)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	\$ 111,474	\$ 103,108	\$ 113,443	\$ 114,011	\$ 224,917	\$ 217,119
Operating Grants and Contributions	53,721	56,719			53,721	56,719
Capital Grants and Contributions	27,323	21,247	12,190	14,641	39,513	35,888
General Revenues:						
Property Taxes	68,040	64,051			68,040	64,051
Income Taxes	259,488	252,790			259,488	252,790
Admission Taxes	4,075	3,446			4,075	3,446
Shared Taxes	68,018	66,386			68,018	66,386
Occupancy Taxes	1,449		1,019	1,662	2,468	1,662
Unrestricted Investment Earnings	11,199	46,277	2,396	3,879	13,595	50,156
Miscellaneous	52	249	4,780	2,455	4,832	2,704
Loss on disposal of assets	-	(5,331)	(372)	(870)	(372)	(6,201)
Total Revenues	<u>604,839</u>	<u>608,942</u>	<u>133,456</u>	<u>135,778</u>	<u>738,295</u>	<u>744,720</u>
Expenses:						
General Government	115,988	102,323			115,988	102,323
Community Development	65,028	52,327			65,028	52,327
Parks and Recreation	35,496	34,647			35,496	34,647
Public Safety	192,370	182,135			192,370	182,135
Transportation and Engineering	25,378	24,042			25,378	24,042
Enterprise Services	35,558	51,171			35,558	51,171
Public Services	44,662	40,036			44,662	40,036
Public Health	40,844	39,297			40,844	39,297
Interest on long-term debt	17,618	17,243			17,618	17,243
Water Works			84,142	78,039	84,142	78,039
Parking Facilities			7,416	7,127	7,416	7,127
Convention Center			7,117	7,715	7,117	7,715
General Aviation			2,083	1,937	2,083	1,937
Municipal Golf			6,282	5,634	6,282	5,634
Stormwater Management			5,829	4,652	5,829	4,652
Total Expenses	<u>572,942</u>	<u>543,221</u>	<u>112,869</u>	<u>105,104</u>	<u>685,811</u>	<u>648,325</u>
Change in net assets before transfers	31,897	65,721	20,587	30,674	52,484	96,395
Transfers	<u>(302)</u>	<u>(14,457)</u>	<u>302</u>	<u>14,457</u>	<u> </u>	<u> </u>
Change in net assets	31,595	51,264	20,889	45,131	52,484	96,395
Net assets – January 1 st	<u>765,046</u>	<u>713,782</u>	<u>635,359</u>	<u>590,228</u>	<u>1,400,405</u>	<u>1,304,010</u>
Net assets – December 31 st	<u>\$ 796,641</u>	<u>\$ 765,046</u>	<u>\$ 656,248</u>	<u>\$ 635,359</u>	<u>\$ 1,452,889</u>	<u>\$ 1,400,405</u>

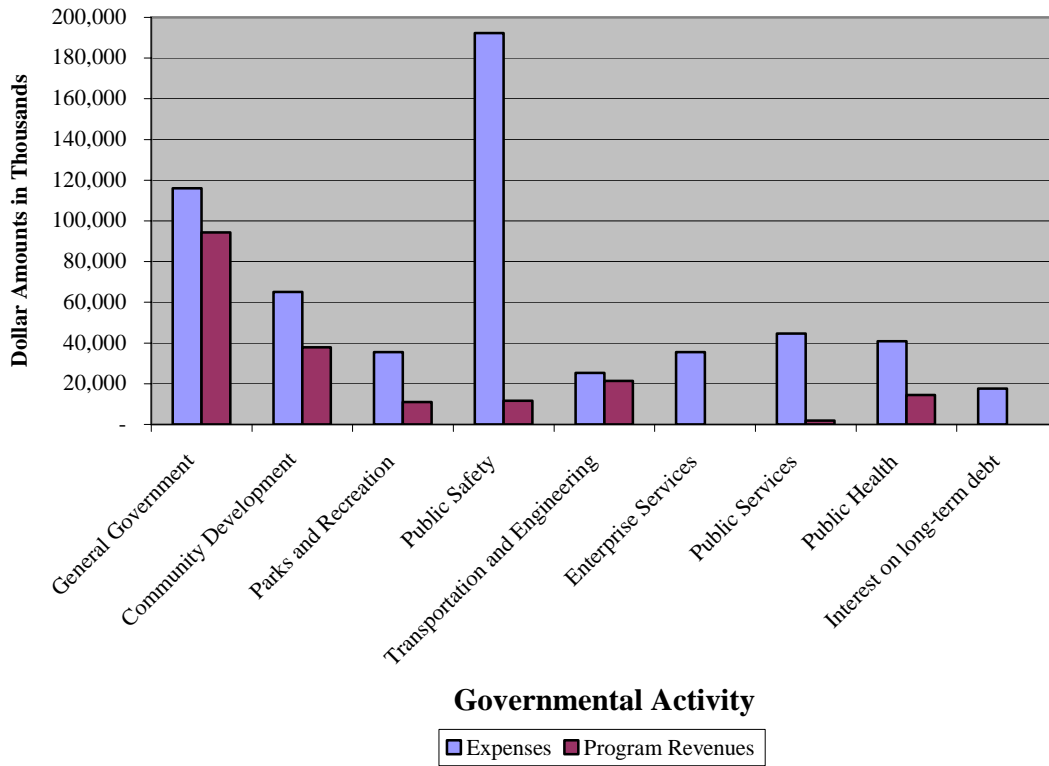
Governmental activities. Governmental activities increased the City's net assets in 2003 by \$31.6 million, thereby accounting for 60.2 percent of the total growth in the net assets of the City. Key elements of the change in net assets include:

- Income Tax revenues increased \$6.7 million.
- Property tax revenue increased \$4.0 million. A reappraisal of property values was completed in the year 2002 resulting in higher property valuations for 2003.
- General government charges for services increased by \$8.4 million due to increased billings to other funds for health care. This was offset by an increase in general government expense for health care payments.
- Capital grants and contributions increased \$6.0 million.
- Unrestricted investment earnings were \$11.2 million. This is a significant reduction from 2001 and 2002 because those years reflected proceeds received from the sale of stock that the City received as a result of the demutualization of Anthem Blue Cross Blue Shield.

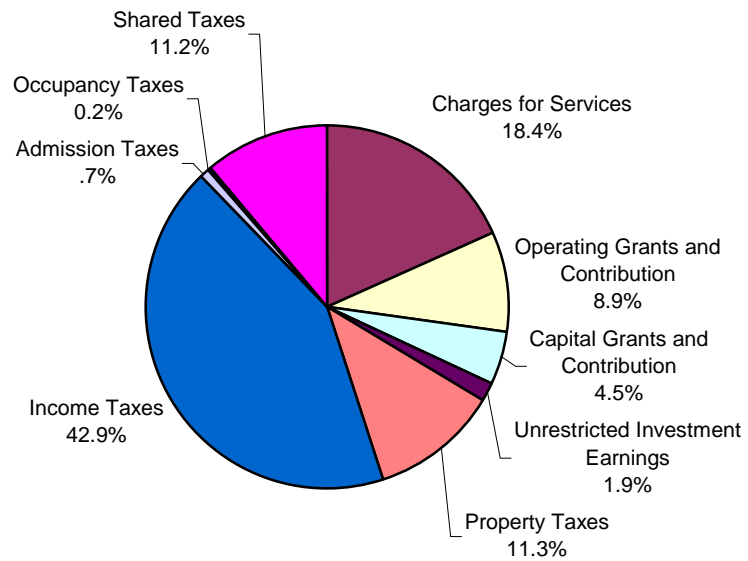
Business-type activities. Business-type activities increased the City's net assets in 2003 by \$20.9 million, accounting for 39.8 percent of the total growth in the government's net assets. Key elements of the increase include:

- Capital contributions in the amount of \$12.2 were received.
 - Contributions of water mains to Water Works accounted for \$8.7 million.
 - Contributions from the corporate community dedicated for the renovation and expansion of the Cincinnati Convention Center accounted for \$2.1 million.
- In March 2003 Water Works expanded its service area to include Boone County and City of Florence in Northern Kentucky, which accounted for \$2.7 million in revenues.

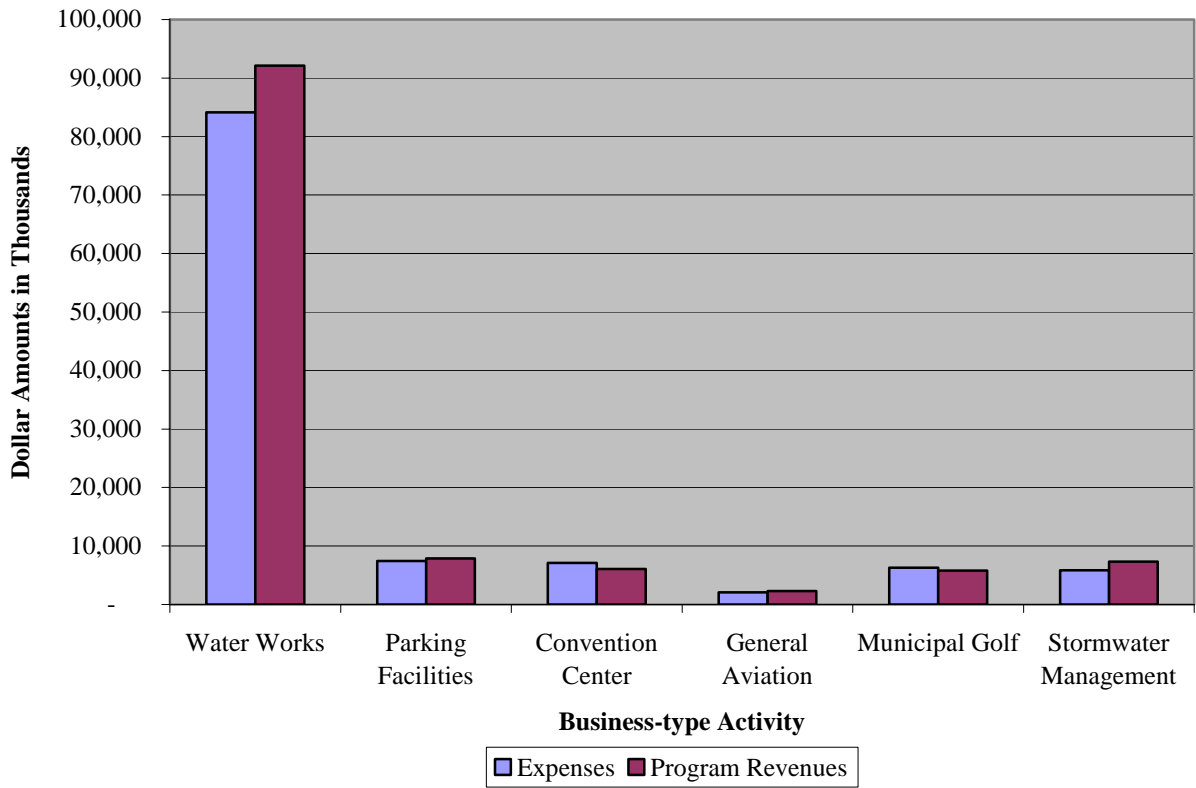
Expenses and Program Revenues - Governmental Activities



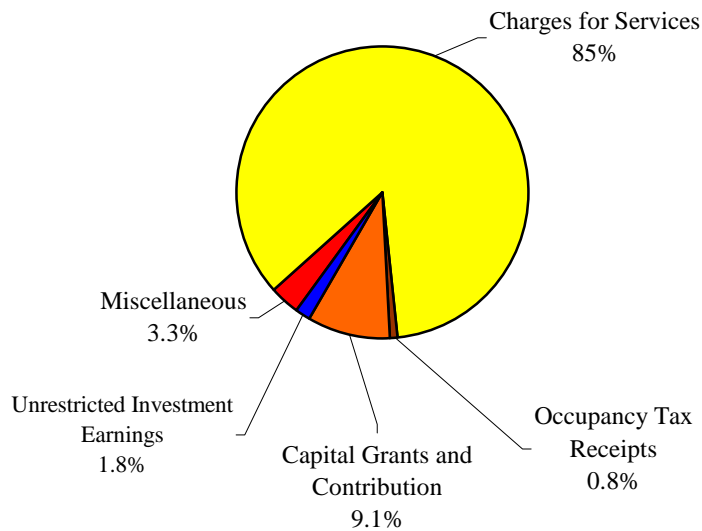
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$343 million, a decrease of \$8.2 million in comparison with the prior year. Approximately 47 percent of this total amount constitutes *unreserved fund balance*, which is available for spending. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has already been committed for encumbrances, working capital, inventory, and advances to other funds.

The general fund is the primary operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$51.3 million, while total fund balance reached \$65.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.6 percent of total general fund expenditures, while total fund balance represents 21.2 percent of that same amount.

The fund balance of the City's general fund increased by \$136 thousand during the current fiscal year. Key factors of the increase are as follows:

- Taxes increased \$5.3 million due to an increase in property values and an improving economy.
- Expenditures increased \$5.2 million in Public Safety. This increase in expenditures offset the additional revenue received.

The capital projects fund has a total fund balance of \$163.8 million, which is a decrease of \$24.9 million over 2002. Key factors of the decrease are as follows:

- The City contributed \$15.0 million to the Cincinnati Housing Development Fund LLC, which was created for the purpose of establishing and operating a fund to provide loans to developers for projects that include the acquisition, rehabilitation and new construction of market-rate housing.
- The remaining decrease is attributable to a decrease in revenue and other financing sources.

The debt service fund has a total fund balance of \$53.5 million that is reserved for the payment of debt service. The net increase in fund balance was \$16.6 million. Key factors of the increase are as follows:

- In December 2003 \$20.5 million in economic development revenue bonds were sold to benefit Convergys Corporation as part of an agreement for the creation and retention of jobs. Ten million dollars of the proceeds were paid to Convergys in 2003.
- Property tax revenue dedicated to debt service increased \$3.7 million

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Works at the end of the year amounted to \$51 million, and the total for the other enterprise funds is \$27.3 million. The total growth in net assets for the Water Works fund was \$18.9 million and the growth in net assets for the other enterprise funds was \$3.1 million. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The final amended General Fund budget had total appropriations of approximately \$5.8 million more than the original budget. The original appropriations were \$312.5 million while the final appropriations were \$318.3 million. Key elements of the changes in appropriation include:

- \$4,635,000 appropriation increase for Judgments against the City.
- \$970,000 appropriation increase for Recycling and Yard Waste Program.
- \$100,000 appropriation increase for Police visibility overtime
- \$93,000 appropriation increase to Transportation and Engineering

Judgment notes were sold in July 2003 and the proceeds were transferred into the general fund to fund this \$4.635 million increase in appropriations. The other increases were funded from transfers in from other funds and available fund balance. All other changes in appropriations were due to transfers between agencies and were within the original approved budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$1.57 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, machinery and equipment, park facilities, streets, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 10.8 percent (a 10.7 percent increase for governmental activities and a 10.8 percent increase for business-type activities).

City of Cincinnati's Capital Assets (net of depreciation)

(AMOUNTS IN THOUSANDS)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 159,691	\$ 156,371	\$ 25,336	\$ 25,349	\$ 185,027	\$ 181,720
Buildings	59,558	54,336	151,879	137,632	211,437	191,968
Improvements	120,665	103,553	368,579	312,893	489,244	416,446
Machinery and Equipment	51,217	42,326	80,837	79,776	132,054	122,102
Infrastructure	289,026	261,546			289,026	261,546
Construction in Progress	125,203	108,888	140,641	136,632	265,844	245,520
Property Acquired under Capital Leases	<u>45</u>	<u>329</u>	<u>179</u>	<u>272</u>	<u>224</u>	<u>601</u>
Total	<u>\$ 805,405</u>	<u>\$ 727,349</u>	<u>\$ 767,451</u>	<u>\$ 692,554</u>	<u>\$1,572,856</u>	<u>\$1,419,903</u>

Total capital assets, net of accumulated depreciation, increased \$153 million. Major capital asset events during 2003 included the following:

- Governmental activities capital assets increased \$78.1 million in 2003 net of depreciation and included:
 - Infrastructure improvements for bridges, Fort Washington Way improvements, street improvements, street rehabilitation and traffic signal upgrades of \$27.5 million.
 - Park and Recreation facility improvements of \$5.7 million.
 - Findlay Market improvements of \$4.7 million.
 - Fountain Square Plaza improvements of \$4.7 million.
 - Improvements to other city facilities of \$2.0 million.
 - Construction in Progress increased \$16.3 million.
 - Machinery and Equipment increased \$8.9 million.
 - Buildings increased \$5.3 million.
 - Land increased \$2.8 million.

- Business-type activities capital assets increased \$74.9 million net of depreciation and included:
 - Buildings for water utilities in the amount of \$17.7 million primarily for a pump station and water quality lab.
 - Improvements to water utilities for the pump station, water quality lab expansion and meter repair program of \$52.1 million.
 - Construction in progress for water utilities decreased by \$6.5 million as projects were completed and assets were moved to buildings and improvements.
 - Construction in progress for the Convention Center renovation and expansion increased \$7.5 million
 - Improvements to the stormwater utilities were \$1.9 million.
 - The net increase in construction in progress for stormwater was \$1.3 million.

Additional information on the City’s capital assets can be found in note 14 on pages 58 to 60 of this report.

Long-term debt. At the end of the current fiscal year, the City had \$629.8 million in short and long-term bonds and notes outstanding. Of this amount, \$392.3 million comprises debt backed by the full faith and credit of the government. The remainder of the City’s debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Cincinnati’s Outstanding Debt
General Obligation and Revenue Bonds
(AMOUNTS IN THOUSANDS)**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Bonds & Notes	\$ 324,472	\$ 294,970	\$ 67,845	\$ 84,067	\$ 392,317	\$ 379,037
Revenue Bonds	<u>38,140</u>	<u>18,522</u>	<u>199,310</u>	<u>89,885</u>	<u>237,450</u>	<u>108,407</u>
Total	<u>\$ 362,612</u>	<u>\$ 313,492</u>	<u>\$ 267,155</u>	<u>\$ 173,952</u>	<u>\$ 629,767</u>	<u>\$ 487,444</u>

The City’s total debt increased by \$142.3 million (29.2 percent) during the current fiscal year. Key events contributing to the change in long-term debt balances are as follows:

- In March 2003 the City issued \$112.4 million Water Works revenue bonds.

- In May 2003 the City issued \$52.7 million various purpose general obligation bonds primarily for street, public building and equipment improvements.
- In December 2003 the City issued \$20.5 million revenue bonds to finance the Convergys Corporation economic development project.
- In July 2003 the City issued \$4.635 million in judgement notes.
- During 2003 \$45.9 million in general long-term bond obligations were redeemed. Of the amounts redeemed \$16.2 in general obligation bonds redeemed were for business-type activities.
- During 2003 \$3.8 million in revenue bonds were redeemed of which \$2.9 million were for business-type activities.

The City's general obligation bond rating by Standard and Poor's Corporation and Moody's Investor Services, Inc. are "AA+" and "Aa1", respectively.

The City is within all of its legal debt limitations. The Ohio Revised Code provides that the net debt (as defined in the Ohio Revised Code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by the ratio of net debt to tax valuation and expressed in terms of a percentage. The City had a legal debt margin for total debt of \$379.6 million and a legal debt margin for unvoted debt of \$93.3 million.

Additional information the City's long-term debt can be found in note 9 on pages 51-55 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Cincinnati PMSA was 4.5 percent at December 2003, which is an increase of 0.6 percent over a year ago. This compares favorably to the State's average unemployment rate of 6.0 percent and the national average rate of 5.7 percent.
- The occupancy rate of the central business district Class A office space was 87 percent at the end of 2003 compared to a 90 percent occupancy rate at the end of 2002.
- The City is experiencing increasing costs for employee health care, retirement and contractually obligated labor costs.

All of these factors were considered in updating the City's biennial budget for the fiscal year 2004.

The General Fund balance is budgeted to be \$4.2 million at the end of 2004. This is a reduction of \$14.8 million from the 2003 actual year-end fund balance of \$19.0 million. The reduction is primarily due to increased cost associated with the following: employer contributions to the City Retirement System, employer contributions for employee healthcare, the approved Police labor contract and approved Fire labor contract.

Consistent with previously planned rate increases and the 2003/2004 Approved Budget, the Water Works plans a 3% rate increase in 2004. It is expected that future rate increases will range 3-4% or more annually to support water service and capital replacement, maintain sufficient debt service coverage ratios, and provide an adequate fund balance necessary to maintain the current bond rating. The 2004 rate increase will primarily support employee benefit cost increases and continued investment in infrastructure.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City Hall, Room 250, 801 Plum Street, Cincinnati, Ohio, 45202.

BASIC
FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF CINCINNATI, OHIO

Statement of Net Assets

December 31, 2003

(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
<u>Current</u>			
Cash and Equivalents	\$ 3,348	\$ 652	\$ 4,000
Equity in City Treasury Cash	182,394	24,618	207,012
Advances and Petty Cash	97		97
Investments, at Fair Value	62,372	49,984	112,356
Receivables:			
Taxes	105,166	112	105,278
Accounts, Net	2,558	15,382	17,940
Special Assessments	4,895		4,895
Accrued Interest and Dividends	2,531	502	3,033
Due from Fiduciary Activities	1,308	112	1,420
Due from Other Governments	21,952	10,288	32,240
Prepaid Items	961	705	1,666
Inventory	4,855	3,461	8,316
Restricted Assets:			
Cash and Cash Equivalents		18,246	18,246
Equity in City Treasury Cash		4,969	4,969
Internal Balances	(21,025)	21,025	
<u>Noncurrent</u>			
Equity in City Treasury Cash - long term	213,083	28,771	241,854
Restricted Equity in City Treasury Cash		5,796	5,796
Accounts Receivable, Net		116	116
Deferred Charges	1,033		1,033
Land	159,691	25,336	185,027
Buildings, net of Accumulated Depreciation	59,558	151,879	211,437
Improvements, net of Accumulated Depreciation	120,665	368,579	489,244
Machinery and Equipment, net of Accumulated Depreciation	51,217	80,837	132,054
Construction in Progress	125,203	140,641	265,844
Property Acquired under Capital Leases, net of Accumulated Amortization	45	179	224
Infrastructure Assets, net of Accumulated Depreciation	289,026		289,026
TOTAL ASSETS	\$ 1,390,933	\$ 952,190	\$ 2,343,123

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO

Statement of Net Assets

December 31, 2003

(Amounts in Thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
LIABILITIES			
<u>Current</u>			
Accounts Payable	\$ 27,830	\$ 2,891	\$ 30,721
Withholdings and Other Deposits	8,744		8,744
Due to Fiduciary Activities	277	74	351
Due to Other Governmental Agencies		1,529	1,529
Accrued Payroll	9,762	1,336	11,098
Accrued Liabilities	5,878	426	6,304
Accrued Interest	1,880	283	2,163
Deposits Payable	4,642	20	4,662
Unearned Revenue	66,540	6,335	72,875
Obligations under Capital Leases	26		26
Compensated Absences Payable	40,066	3,124	43,190
Unpaid Claims	15,712	80	15,792
Matured Bonds and Interest Payable	582		582
General Obligation Bonds and Notes Payable	54,743	22,687	77,430
Revenue Bonds Payable	2,288	7,010	9,298
Other	465		465
Advances from Other Governments	3,957		3,957
Payable from Restricted Assets:			
Construction Contracts		7,321	7,321
Deposits Payable		770	770
<u>Noncurrent</u>			
Non-Current Obligations under Capital Leases	85		85
General Obligation Bonds and Notes Payable	269,729	45,158	314,887
Revenue Bonds Payable	35,852	192,300	228,152
Compensated Absences Payable - Long Term	30,634	3,388	34,022
Deferred Bond Premium	997		997
Other	1,815	1,210	3,025
Unpaid Claims Payable - Long Term	11,788		11,788
TOTAL LIABILITIES	594,292	295,942	890,234
NET ASSETS			
Invested in capital assets, net of related debt	534,066	566,748	1,100,814
Restricted			
Expendable	168,573	4,452	173,025
Nonexpendable	7,690		7,690
Unrestricted	86,312	85,048	171,360
TOTAL NET ASSETS	\$ 796,641	\$ 656,248	\$ 1,452,889

The accompanying notes to the financial statements are an integral part of this statement.

City of Cincinnati, Ohio
Statement of Activities
For the year ended December 31, 2003
(Amounts in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 115,988	\$ 84,702	\$ 6,073	\$ 3,582	\$ (21,631)		\$ (21,631)
Community Development	65,028	1,644	34,923	1,310	(27,151)		(27,151)
Parks and Recreation	35,496	6,217	3,304	1,428	(24,547)		(24,547)
Public Safety	192,370	7,634	3,943		(180,793)		(180,793)
Transportation and Engineering	25,378	393		21,003	(3,982)		(3,982)
Enterprise Services	35,558				(35,558)		(35,558)
Public Services	44,662	1,858			(42,804)		(42,804)
Public Health	40,844	9,026	5,478		(26,340)		(26,340)
Interest on long-term debt	17,618				(17,618)		(17,618)
Total governmental activities	572,942	111,474	53,721	27,323	(380,424)		(380,424)
Business type activities:							
Water Works	84,142	87,538		8,661		\$ 12,057	12,057
Parking Facilities	7,416	7,885		6		475	475
Convention Center	7,117	2,994		3,057		(1,066)	(1,066)
General Aviation	2,083	1,867		457		241	241
Municipal Golf	6,282	5,811				(471)	(471)
Stormwater Management	5,829	7,348		9		1,528	1,528
Total Business-type activities	112,869	113,443		12,190		12,764	12,764
Total	\$ 685,811	\$ 224,917	\$ 53,721	\$ 39,513	(380,424)	12,764	(367,660)
General Revenues:							
Taxes:							
Property taxes					68,040		68,040
Income taxes					259,488		259,488
Admission taxes					4,075		4,075
Shared taxes					68,018		68,018
Occupancy taxes					1,449	1,019	2,468
Unrestricted investment earnings					11,199	2,396	13,595
Miscellaneous					52	4,780	4,832
Loss on disposal of assets						(372)	(372)
Transfers between governmental and business-type activities					(302)	302	
Total general revenues, miscellaneous, and transfers					412,019	8,125	420,144
Change in net assets					31,595	20,889	52,484
Net assets-beginning					765,046	635,359	1,400,405
Net assets-ending					\$ 796,641	\$ 656,248	\$ 1,452,889

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Balance Sheet
Governmental Funds
December 31, 2003
(Amounts in Thousands)

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Equivalents	\$	\$	\$	\$ 3,348	\$ 3,348
Equity in City Treasury Cash	62,360	172,646	39,727	55,699	330,432
Advances and Petty Cash	97				97
Investments, at Fair Value		42,104	12,288	7,980	62,372
Receivables:					
Taxes	55,232	5,200	37,839	6,895	105,166
Accounts, Net	1,290			796	2,086
Special Assessments	380	48		4,467	4,895
Accrued Interest and Dividends	1,058	181	165	88	1,492
Due from Other Funds	339	2,107		303	2,749
Due from Other Governments	17,138			3,981	21,119
Inventory	2,269	550		380	3,199
Advances to Other Funds	302			3,228	3,530
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 140,465</u>	<u>\$ 222,836</u>	<u>\$ 90,019</u>	<u>\$ 87,165</u>	<u>\$ 540,485</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 3,827	\$ 12,398	\$ 12	\$ 7,504	\$ 23,741
Withholdings and Other Deposits	8,744				8,744
Due to Other Funds	2,532	1,042		512	4,086
Accrued Payroll	8,009		6	1,098	9,113
Accrued Liabilities	823			56	879
Deposits Payable	2,789		418	1,324	4,531
Deferred Revenue	43,676	3,236	35,467	6,368	88,747
Notes Payable		15,410			15,410
Estimated Liability for Compensated Absences				7,248	7,248
Estimated Liability for Unpaid Claims	130			4	134
Advances from Other Funds	521	26,969		2,832	30,322
Advances from Other Governments	3,937				3,937
Matured Bonds and Interest Payable			582		582
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>74,988</u>	<u>59,055</u>	<u>36,485</u>	<u>26,946</u>	<u>197,474</u>
Fund Balances:					
Reserved for:					
Advances and Petty Cash	97				97
Encumbrances	11,470	44,959	3	36,655	93,087
Accordance with Trusts				7,286	7,286
Working Capital		21,130			21,130
Advances to Other Funds	302			3,228	3,530
Inventory	2,269	550		380	3,199
Debt Service			53,531		53,531
Unreserved, reported in:					
General Fund - Undesignated	49,839				49,839
General Fund - Designated for Int. Service Funds	1,500				1,500
Capital Projects		97,142			97,142
Special Revenue Funds - Undesignated				7,269	7,269
Special Revenue Funds - Designated for Contingencies				5,000	5,000
Permanent Funds				401	401
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>65,477</u>	<u>163,781</u>	<u>53,534</u>	<u>60,219</u>	<u>343,011</u>
Total Liabilities and Fund Balances	<u>\$ 140,465</u>	<u>\$ 222,836</u>	<u>\$ 90,019</u>	<u>\$ 87,165</u>	<u>\$ 540,485</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
December 31, 2003
(Amounts in Thousands)

Total fund balances - governmental funds	\$	343,011
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		805,405
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		22,247
Certain items accounted for as receivables under accrual accounting.		710
Some amounts reported for governmental-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.		(6,783)
Seven internal service funds are used by the City's management. The assets and liabilities of the internal service funds are included with governmental activities. The net property of \$29,086 as it relates to the internal service funds is included in the capital asset amount above.		53,843
Bond issue costs and discounts are expended in the fund level financial statements but are capitalized and amortized over the life of the bonds in the government-wide financial statements. This is the unamortized portion of those issue costs and discounts.		1,033
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable		(309,062)
Revenue bonds payable		(38,140)
Deferred bond premium		(997)
Compensated absences		(61,333)
Unpaid claims payable		(9,060)
Accrued interest on bonds		(1,880)
Other liability		(2,280)
Capital leases payable		(73)
		(796,641)
Total net assets - - governmental activities (page 18)	\$	796,641

The accompanying notes to the financial statements are an integral part of this statement.

City of Cincinnati, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 221,123	\$ 22,979	\$ 36,667	\$ 50,770	\$ 331,539
Licenses and Permits	5,870			3,461	9,331
Use of Money and Property	11,208	933	21,127	4,241	37,509
Special Assessments		54		3,708	3,762
Intergovernmental Revenue	54,490	5,122	3,155	12,442	75,209
Federal Grants		13,219		43,130	56,349
State Grants and Subsidies		5,401		1,452	6,853
Charges for Current Services	12,203	48		11,755	24,006
Miscellaneous	859	4,481	27	6,111	11,478
Total Revenue	<u>305,753</u>	<u>52,237</u>	<u>60,976</u>	<u>137,070</u>	<u>556,036</u>
EXPENDITURES					
Current					
General Government	40,382		686	11,051	52,119
Community Development	9,803		10,012	27,163	46,978
Parks and Recreation	19,352			9,059	28,411
Public Safety	138,369			3,757	142,126
Transportation and Engineering	2,969			4,359	7,328
Enterprise Services				35,558	35,558
Public Services	21,821			13,537	35,358
Public Health	22,125			12,507	34,632
Employee Benefits	53,578			5,067	58,645
Capital Outlay	200	95,064		26,196	121,460
Debt Service:					
Principal Retirement			55,385		55,385
Interest			16,979	478	17,457
Bond Issuance Cost			707		707
Total Expenditures	<u>308,599</u>	<u>95,064</u>	<u>83,769</u>	<u>148,732</u>	<u>636,164</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(2,846)	(42,827)	(22,793)	(11,662)	(80,128)
OTHER FINANCING SOURCES(USES)					
General Obligation Bonds and Notes Issued		58,840			58,840
Capital Lease Agreements		77			77
Revenue Bonds Issued			20,505		20,505
Premium on Bonds Issued			821		821
Discount on Revenue Bonds			(70)		(70)
Transfers In	6,081	27,532	41,478	17,246	92,337
Transfers (Out)	(3,099)	(68,524)	(23,378)	(5,581)	(100,582)
Total Other Financing Sources(Uses)	<u>2,982</u>	<u>17,925</u>	<u>39,356</u>	<u>11,665</u>	<u>71,928</u>
Net change in fund balances	136	(24,902)	16,563	3	(8,200)
Fund Balances at January 1	65,341	188,683	36,971	60,216	351,211
Fund Balances at December 31	<u>\$ 65,477</u>	<u>\$ 163,781</u>	<u>\$ 53,534</u>	<u>\$ 60,219</u>	<u>\$ 343,011</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2003
(Amounts in Thousands)

Net change in fund balances - total governmental funds	\$	(8,200)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$121,460) exceeded depreciation (\$35,176) in the current period.		86,284
Capital outlay expensed		(13,660)
Governmental funds report cash received for assets disposed of as revenue. However, in the statement of activities, that cash offsets the difference between the book value and accumulated depreciation of the disposed asset. This is the sum of the cash received (\$286) and the net loss (\$1,574) on the sale of assets.		(1,860)
Statement of activities reports an increase in revenues due to current activity in deferred revenues which is not reported at fund level.		989
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,000)
The long-term liability for compensated absences is not recorded in the fund level, but is reported in the statement of activities. This is the current year change in the liability, reported as an expense in the statement of activities.		(3,044)
The long-term liability for unpaid claims is not recorded in the fund level, but is reported in the statement of activities. This is the current year change in the liability, reported as an expense in the statement of activities.		(2,995)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		(23,960)
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.		(173)
Bond premiums are included in revenue at the fund level, but capitalized and amortized over the life of the bonds in the government-wide financial statements.		(617)

(Continued)

CITY OF CINCINNATI, OHIO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2003
(Amounts in Thousands)

(Continued)

Bond issuance costs are included in expenditures at the fund level, but are deferred and amortized over the life of the bonds in the government-wide financial statements	\$ 613
Bond discounts are included in expenditures at the fund level, but are deferred and amortized over the life of the bonds in the government-wide financial statements	70
Internal balances between the governmental activities and the business type activities are not reported at the fund level.	1,146
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue(expense) of certain internal service funds is reported with governmental activities.	<u>(1,998)</u>
Change in net assets of governmental activities (page 19)	<u><u>\$ 31,595</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Net Assets
Proprietary Funds
December 31, 2003
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS				
<u>Current</u>				
Cash and Equivalents	\$ 543	\$ 109	\$ 652	\$
Equity in City Treasury Cash	17,966	6,652	24,618	29,998
Receivables:				
Taxes		112	112	
Accounts, Net	13,611	1,771	15,382	472
Accrued Interest and Dividends	370	132	502	329
Due from Other Funds	972	133	1,105	3,439
Due from Other Governments	10,067	221	10,288	833
Prepaid Items	611	94	705	961
Inventory	3,461		3,461	1,656
Advances to Other Funds	295	13,556	13,851	13,414
Restricted Assets:				
Cash and Cash Equivalents	18,246		18,246	
Equity in City Treasury Cash	4,961	8	4,969	
Investments at Fair Value	49,984		49,984	
<u>Noncurrent</u>				
Equity in City Treasury Cash	20,989	7,782	28,771	35,047
Restricted Equity in City Treasury Cash	5,796		5,796	
Accounts Receivable, Net	116		116	
Land	2,610	22,726	25,336	283
Buildings, net of Accumulated Depreciation	116,073	35,806	151,879	12
Improvements, net of Accumulated Depreciation	315,884	52,695	368,579	4,032
Machinery and Equipment	80,151	686	80,837	24,714
Construction in Progress	97,276	43,365	140,641	
Property Acquired under Capital Leases, net of Accumulated Amortization		179	179	45
Total Assets	<u>759,982</u>	<u>186,027</u>	<u>946,009</u>	<u>115,235</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Net Assets
Proprietary Funds
December 31, 2003
(Amounts in Thousands)

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Other</u>	<u>Total</u>	<u>Internal</u>
		<u>Works</u>	<u>Enterprise</u>	<u>Enterprise</u>
		<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
LIABILITIES				
<u>Current</u>				
Accounts Payable	\$ 2,116	\$ 775	\$ 2,891	\$ 4,089
Due to Other Funds	375	301	676	1,462
Due to Other Governmental Agencies	1,529		1,529	
Accrued Payroll	1,078	258	1,336	649
Accrued Liabilities		426	426	4,999
Accrued Interest	204	79	283	
Obligations under Capital Leases				10
Deposits Payable		20	20	111
Unearned Revenue	5,952	383	6,335	40
Compensated Absences payable	2,479	645	3,124	1,583
Unpaid Claims payable	74	6	80	8,170
General Obligation Bonds and Notes Payable	11,830	10,857	22,687	
Revenue Bonds Payable	7,010		7,010	
Advances from Other Funds				473
Advances from Other Governments				20
Payable from Restricted Assets:				
Construction Contracts	7,321		7,321	
Deposits Payable	770		770	
<u>Noncurrent:</u>				
Obligations under Capital Leases				28
Compensated Absences payable	2,978	410	3,388	536
Arbitrage Liability	1,210		1,210	
Unpaid Claims payable				10,136
Revenue Bonds Payable	192,300		192,300	
General Obligation Bonds and Notes Payable	41,510	3,648	45,158	
Total Liabilities	<u>278,736</u>	<u>17,808</u>	<u>296,544</u>	<u>32,306</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	425,796	140,952	566,748	29,048
Restricted	4,444	8	4,452	
Unrestricted	51,006	27,259	78,265	53,881
Total Net Assets	<u>\$ 481,246</u>	<u>\$ 168,219</u>	649,465	<u>\$ 82,929</u>

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business type activities.

6,783

Net assets of business type activities

\$ 656,248

The accompanying notes to the financial statements are an integral part of this statement.

City of Cincinnati, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Services Funds
OPERATING REVENUES				
Charges for Current Services	\$ 87,538	\$ 25,905	\$ 113,443	\$ 97,602
Miscellaneous	4,018	762	4,780	1,767
Total Operating Revenues	91,556	26,667	118,223	99,369
OPERATING EXPENSES				
Personal services	31,741	7,486	39,227	16,142
Contractual services	8,692	8,728	17,420	8,612
Maintenance and repairs	3,006	1,614	4,620	1,984
Materials and supplies	6,256	472	6,728	9,167
Utilities	8,007	1,701	9,708	431
Insurance	264	108	372	70,096
Taxes	1	520	521	2
Depreciation and amortization	15,657	6,975	22,632	2,784
Rent	656	227	883	1,714
Other expense	482	159	641	21
Total Operating Expenses	74,762	27,990	102,752	110,953
Operating Income(Loss)	16,794	(1,323)	15,471	(11,584)
NONOPERATING REVENUES(EXPENSES)				
Interest revenue	2,041	355	2,396	1,492
Occupancy tax receipts		1,019	1,019	
Interest expense	(8,234)	(737)	(8,971)	(68)
Loss on disposal of assets	(323)	(49)	(372)	(21)
Nonoperating Revenues(Expenses)	(6,516)	588	(5,928)	1,403
Income (Loss) before Contributions and Transfers	10,278	(735)	9,543	(10,181)
Transfers In		1,210	1,210	10,199
Transfers (Out)		(908)	(908)	(2,256)
Capital contributions	8,661	3,529	12,190	240
Change in Net Assets	18,939	3,096	22,035	(1,998)
Net Assets at January 1	462,307	165,123		84,927
Net Assets at December 31	\$ 481,246	\$ 168,219		\$ 82,929

Some amounts reported for business-type activities in the statement of net assets are different because the net revenue of certain internal service funds is reported with business type activities.

(1,146)

Change in net assets of business type activities

\$ 20,889

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Receipts from Customers	\$ 91,507	\$ 26,794	\$ 118,301	\$ 39,339
Receipts from Other Funds		19	19	28,248
Receipts from Retirement System				34,554
Payments to Suppliers	(28,597)	(11,283)	(39,880)	(93,125)
Payments to Other Funds		(1,928)	(1,928)	(464)
Payments to Employees	(31,775)	(7,565)	(39,340)	(16,129)
Payments for Property Taxes	(1)	(491)	(492)	(2)
Net Cash Provided (Used) by Operating Activities	31,134	5,546	36,680	(7,579)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Repayment of Advances Made To Other Funds	42	9,792	9,834	
Repayment of Advances Received from Other Funds				(41)
Advances To Other Funds				(753)
Occupancy Tax Receipts		1,149	1,149	
Transfers to Other Funds		(908)	(908)	(2,256)
Transfers from Other Funds		1,210	1,210	10,199
Net Cash Provided by Noncapital Financing	42	11,243	11,285	7,149
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Contributed by Other Sources	1,142	3,514	4,656	
Proceeds from the Sale of Capital Assets	60		60	
Proceeds from the Sale Of Bonds	112,360		112,360	
Acquisition of Property, Plant and Equipment	(2,382)	(1,878)	(4,260)	(9,779)
Interest Paid on Bonds and Notes	(4,722)	(745)	(5,467)	(64)
Principal Paid on Bonds and Notes	(17,405)	(1,752)	(19,157)	
Payments on Long Term Capital Lease Obligations	(4)	(65)	(69)	(124)
Additions to Construction in Progress	(69,442)	(15,962)	(85,404)	
Net Cash Provided (Used) by Capital and Related Financing Activities	19,607	(16,888)	2,719	(9,967)
<u>Cash Flow from Investing Activities:</u>				
Purchase of Investments	(49,984)		(49,984)	
Interest and Dividends on Investments	2,341	416	2,757	1,728
Net Cash Provided (Used) by Investing Activities	(47,643)	416	(47,227)	1,728
Net Increase (Decrease) in Cash and Cash Equivalents	3,140	317	3,457	(8,669)
Cash and Cash Equivalents at Beginning of Year	65,361	14,234	79,595	73,714
Cash and Cash Equivalents at End of Year	\$ 68,501	\$ 14,551	\$ 83,052	\$ 65,045

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$ 16,794	\$ (1,323)	\$ 15,471	\$ (11,584)
Depreciation and Amortization Capitalized Assets Expensed	15,657	6,975 539	22,632 539	2,784
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Receivables	209	175	384	955
Due from Other Funds	(117)	(97)	(214)	2,621
Due from Other Governments	(145)	(157)	(302)	620
Inventory	481		481	(91)
Prepaid Items	(582)	(11)	(593)	177
Increase (Decrease) in:				
Accounts Payable	(203)	278	75	224
Deposits Payable	(252)	4	(248)	43
Due to Other Funds	(20)	(724)	(744)	(512)
Due to Other Governmental Agencies	(609)		(609)	(1,094)
Accrued Payroll	(23)	65	42	139
Accrued Liabilities		126	126	(536)
Deferred Revenue		(130)	(130)	33
Liability for Compensated Absences	(10)	(146)	(156)	(129)
Estimated Liability for Unpaid Claims	(46)	(28)	(74)	(1,229)
Net Cash Provided (Used) by Operating Activities	\$ 31,134	\$ 5,546	\$ 36,680	\$ (7,579)

Schedule of Noncash Investing, Capital and Financing Activities:

Acquisition of Property, Plant and Equipment from Capital Contributions	\$ 7,519	\$ 15	\$ 7,534	\$ 240
Total Noncash Investing, Capital and Financing Activities	\$ 7,519	\$ 15	\$ 7,534	\$ 240

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003
(Amounts in Thousands)

	Pension Trust	Investment Trust Fund	Agency
Assets			
Cash and Equivalents	\$ 119,111	\$	\$
Equity in City Treasury Cash		33,205	6,103
Investments, at fair value:			
U. S. Government Bonds	240,532		
U. S. Government Agencies	789		
U. S. Government Mortgage Backed Securities	116,338		
Corporate Bonds	190,040		
State and Local Obligations	3,741		
Equities	1,494,538		
Venture Capital	14,529		
U. S. Treasury Bills and Notes	9,951		228,566
Commercial Paper	19,036		
Other Bonds	29,360		
Other Assets	67		
Total Investments, at fair value	2,118,921		228,566
Collateral on Loaned Securities	582,485		
Receivables:			
Accounts, Net	29		20,749
Accounts Receivable for Securities Sold	91,028		
Accrued Interest and Dividends	9,436		541
Due from Other Funds	361		48
Due from Other Governments	162		
Inventory			905
Loans Receivable	19,214		
Machinery and Equipment	1,369		
Accumulated Depreciation	(759)		
Total Assets	2,941,357	33,205	\$ 256,912
Liabilities			
Accounts Payable	2,425		\$ 10,263
Accounts Payable for Securities Purchase	69,733		
Due to Other Funds	370		1,108
Due to Other Governmental Agencies			232,585
Obligations Under Securities Lending	582,485		
Accrued Payroll	36		1,141
Accrued Liabilities	6,502		6
Deposits Payable			5,918
Deferred Revenue	2		
Estimated Liability for Compensated Absences	83		5,891
Total Liabilities	661,636		\$ 256,912
Net Assets			
Held in Trust for Pool Participant		33,205	
Held in Trust for Employees' Pension Benefits *	1,555,672		
Held in Trust for Employees' Postemployment * Healthcare Benefits	724,049		
Total Net Assets	\$ 2,279,721	\$ 33,205	

*(The schedule of funding progress is shown on page 70.)

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2003
(Amounts in Thousands)

	Pension Trust	Investment Trust Fund
ADDITIONS		
Contributions:	\$	\$
Plan members	13,311	
Employer	12,620	
Participant Deposits		192,670
Total Contributions	25,931	192,670
Transfers From Other Retirement Systems	898	
Investment earnings:		
Interest and Dividends	60,618	1,234
Net appreciation (depreciation) in the fair value of investments	356,984	(355)
Total Investment earnings	417,602	879
Less investment management expenses	6,083	
Net Income From Investing Activities	411,519	879
From Security Lending Activities:		
Securities Lending Income	4,121	
Securities Lending Expense:		
Borrower Rebates	(3,149)	
Management Fees	(290)	
Total Securities Lending Expenses	(3,439)	
Net Income from Securities Lending Activities	682	
Total Additions	439,030	193,549
 DEDUCTIONS		
Benefit Payments:		
Pension and Annuities	92,303	
Distributions to Participants		189,577
Hospital and Medical Care	31,776	
Medicare	2,497	
Dental Benefits	900	
Vision Benefits	113	
Death Benefits, Active and Retired	1,123	
Loss Due to Death of Members with Loans	24	
Transfers - Retirement to other systems	3,335	
Total Benefits Payments	132,071	189,577
Refunds of contributions	1,545	
Administrative expenses:		
Personal Services	579	
Contractual Services	883	
Materials and Supplies	96	
Depreciation	265	
Total Administrative Expenses	1,823	
Total Deductions	135,439	189,577
Change in net assets	303,591	3,972
Net assets - beginning	1,976,130	29,233
Net assets - ending	\$ 2,279,721	\$ 33,205

The accompanying notes to the financial statements are an integral part of this statement.

(This page intentionally left blank.)

Notes to Financial Statements

	<u>PAGE</u>
1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	35
2) DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS	41
3) MIXED INVESTMENT POOL	43
4) COMMITMENTS	45
5) INTERFUND ASSETS/LIABILITIES	45
6) INTERFUND TRANSFERS	46
7) SEGMENT INFORMATION	47
8) LEASES	49
9) LONG-TERM DEBT	51
10) DEBT LIMITATION	55
11) TAXES	55
12) SHORT-TERM DEBT – BOND ANTICIPATION NOTES	57
13) RESTRICTED ASSETS	57
14) CAPITAL ASSETS	58
15) RECEIVABLES	61
16) CONTINGENT LIABILITIES	62
17) RISK MANAGEMENT	62
18) SUBSEQUENT EVENTS	63
19) PENSION AND RETIREMENT	64

This page intentionally left blank.

CITY OF CINCINNATI, OHIO

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cincinnati is a political subdivision of the State of Ohio. It is governed with the powers of home rule by a directly elected mayor with a four-year term and a council of nine members who are elected at large for two-year terms. In 2001, Cincinnati converted from a city manager-council form of government, through which it had operated since 1926, to a strong mayor-council form of government.

A. Reporting Entity

The City as a reporting entity consists of only one governmental unit. Cincinnati has no component units - defined as entities for which the government is considered to be financially accountable.

The following organizations are included in the combined financial statements of the City because, under Ohio law, they have limited corporate powers and are therefore not legally separate organizations:

Cincinnati Park Board
Cincinnati Recreation Commission
City Planning Commission
Cincinnati Board of Health
Civil Service Commission

Cincinnati owns a railway line, the Cincinnati Southern Railway that was completed in 1881 and extends from Cincinnati, Ohio to Chattanooga, Tennessee, a distance of 335 miles. Improvements have been made at various intervals; the most recent, a major line revision to eliminate tunnel clearance restrictions, grades, and curves, was completed in 1964. Improvements other than buildings in Governmental Activities include \$83,224,000 attributable to the City's cost to construct and improve this railway system. The railway is leased to the Cincinnati, New Orleans and Texas Pacific Railway Company until December 31, 2026, with an option to extend the lease for an additional 25 years. The lessee is part of the Norfolk Southern Railway System and is its second largest operating unit. Total rental income from the railway lease was \$16,407,000 in 2003 and \$16,211,000 in 2002.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a

specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Interfund receivables and payables between governmental and business type activities have been eliminated in the government-wide statement of net assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business type activities total column. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's business type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund financial statements consist of a series of statements focusing on information about the City's major governmental and proprietary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City of Cincinnati for 2003 are prepared in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB). These standards include the effective pronouncements of the National Council on Governmental Accounting and the American Institute of Certified Public Accountants which are considered to be "generally accepted accounting principles" for state and local entities, until they are altered, amended, supplemented, revoked or superseded by a subsequent GASB pronouncement.

The City reports the following major governmental funds:

General Fund is the accounting entity in which all governmental activity, except that which is required to be accounted for in other funds, is accounted for. Its revenues consist primarily of taxes, intergovernmental shared revenues, charges for services, and investment income.

General Fund expenditures represent costs of general government, community development, public safety, public services, public health, parks and recreation, and other.

Capital Projects Fund is used primarily to account for resources designated to construct or acquire governmental fund capital assets. Such resources are derived principally from proceeds of general obligation debt, federal and state grants and City income tax (see Note 11). It is the City's policy to use the proceeds derived from the sale of bonds only for the capital improvement purpose detailed in the bond-authorizing ordinance and in accordance with state statutes. Any premium and accrued interest received from the sale of bonds is deposited into the Debt Service Fund.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on general obligation debt and capital lease payments of the governmental funds.

The City reports the following major proprietary fund:

Water Works Enterprise Fund accounts for all activities of the City's Water Works Department. The

City collects, purifies, and sells water to Greater Cincinnati Area residents. Revenues consist primarily of user charges.

The City reports the following fund types:

Internal Service Funds account for reproduction and printing; automotive repairs and maintenance services; stores; land sales and leasing; employee medical costs; workers' compensation; and data processing services to other departments or agencies of the City, or to other governments. Internal service funds are used to account for the financing of goods or services provided by one department or agency to another department or agencies of the government, generally on a cost reimbursement basis.

Pension Trust Fund – This fund is used to account for the receipts and expenditures of the City's Retirement System.

Investment Trust Fund – This fund is used to account for the Metropolitan Sewer District Fund portion of the City's pool of cash and investments.

Agency Funds – These funds are used to account for assets held by the City in a fiduciary capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Measurement Focus

Except for budgetary purposes, the basis of accounting used by the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus. The government-wide and proprietary funds financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, property taxes, grants, shared revenues, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer's liability occurs and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Inventories of materials and supplies may be considered expenditures either when purchased or when used, and prepaid expense items may be considered expenditures either when paid for or when consumed. Proceeds of general long-term debt are reported as other financing sources.

Income taxes, delinquent property taxes, liquor permits, fines, local government fund, gasoline tax, and motor vehicle license fees for the current and prior periods are determined to be susceptible to accrual and are recognized as revenue in the current accounting period. All other major revenues of governmental funds

are determined not to meet the criteria of either being measurable or available. The proprietary fund type statements are prepared utilizing the flow of economic resources measurement focus and the accrual basis of accounting for revenues, which are recognized when they are earned, and for expenses, which are recognized when they are incurred. Unbilled service receivables are recognized by proprietary funds when the services are provided.

The fiduciary fund types recognize revenue and expenditures/expenses on a basis consistent with the fund's accounting measurement objective. The pension trust fund and the mixed investment pool statements are prepared utilizing the flow of economic resources measurement focus and the accrual basis of accounting. Agency funds do not have a measurement focus. Their financial statements are prepared utilizing the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Other Accounting Policies

- A.** *Investments* - The investments of the City (excluding the City of Cincinnati's Retirement System, (see Note 2)) are comprised primarily of time deposits and other securities guaranteed by the United States Government or its agencies and are stated at fair value based on quoted market prices.
- B.** *Inventories* - Inventories are valued at cost using either the moving weighted average or the first-in, first-out method. Inventories in the governmental funds and the proprietary funds are recorded using the consumption method whereby inventories are recorded as expenditures or expenses when they are used.
- C.** *Insurance* - The City maintains a comprehensive all risk property insurance program that provides insurance coverage for approximately \$831,000,000 in property values. In addition certain enterprise funds carry insurance coverage for specific purposes as determined by management. An estimated liability for uninsured losses is reported as required by Governmental Accounting Standards Board Statement 10 - Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. State law authorizes the issuance of judgment bonds to settle claims. The City's available legal debt margin of \$93,000,000 at December 31, 2003, is considered adequate for catastrophic loss coverage.
- D.** *Inter-Fund Transactions* - During the course of normal operations, the City has numerous transactions between funds including expenditures/expenses, advances and transfers of resources to provide services, construct assets and service debt. The governmental and proprietary fund type financial statements generally reflect such transactions as transfers or advances. The internal service funds record charges for services to City departments as operating revenue. All City funds record these payments to the internal service funds as operating expenditures/expenses. The proprietary funds record operating subsidies as other income whereas the fund paying the subsidy records it as either an expenditure/expense or transfer. Transfers are intended to reallocate money permanently from one fund to another. Advances represent the long-term portion of loans between funds. Inter-fund services provided and used are accounted for as revenues, expenditures, or expenses in the funds involved. The General Fund provides administrative services to enterprise funds. Based on an internal cost allocation plan certain costs initially borne by the General Fund are then billed as indirect charges to other funds of the City. The amounts charged for those services are treated as revenue to the General Fund and as operating expenses in the enterprise funds and as program expenses for individual functions and activities.

- E. *Capital Assets* -Capital assets which include property, plant and equipment, and infrastructure (e. g. roads, streets, bridges and retaining walls) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The City defines capital assets as assets with an individual cost of \$5,000 or more (\$100,000 for governmental infrastructure assets) and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, or estimated values that approximate historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Water Mains	100 years
Buildings and Improvements	25-70 years
Infrastructure	15-25 years
Machinery and Equipment	5-40 years
Automotive Equipment	3-20 years

- F. *Deferred Revenues* - The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Certain intergovernmental receivables, uncollected assessments and miscellaneous receivables not meeting the availability criteria have been deferred and will be realized in a subsequent period in the governmental funds.
- G. *Grants and Other Intergovernmental Revenues* - The proprietary fund types recognize the federal reimbursement-type capital grants as intergovernmental receivables and capital contributions as the related expenses are incurred. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City.
- H. *Operating Revenues and Expenses* - The City, in its proprietary funds, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.
- I. *Capitalization of Interest* - Interest is capitalized by the City in proprietary fund types when it is determined to be material. The City capitalizes interest in accordance with Statement of Financial Accounting Standard No. 62, Capitalization of Interest Costs in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants. This statement requires that the interest cost capitalized during construction be reduced by interest income earned on investments of the bond

proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

- J. *Statement of Cash Flows* - For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments held by trustees, with a maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and temporary investments with the City Treasurer are also considered to be cash equivalents since they are available to the proprietary funds on demand. The temporary investments, primarily consist of certificates of deposit and U. S. Treasury securities that have maturities of up to two years.
- K. *Pronouncements Effective for the 2003 Financial Statements* - With this financial report the City has changed its financial reporting to comply with Governmental Accounting Standards Board (GASB) Statement No. 41, *Budgetary Comparison – Perspective Differences* which was issued in May 2003 and amends Statement 34 to clarify the budgetary presentation requirements for governments with significant budgetary perspective differences that result in their not being able to present budgetary comparison information for their general fund and major special revenue funds. For governments that have implemented Statement 34 prior to the issuance of this Statement, the requirements of this Statement are effective for financial statements for periods beginning after June 15, 2002.
- L. *Pronouncements Issued But Not Yet Effective* – Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. This Statement was issued in May 2002 and amends Statement Number 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. This Statement is effective for financial statements for periods beginning after June 15, 2003.

Governmental Accounting Standards Board (GASB) Statement Number 40, *Deposit and Investment Risk Disclosures* was issued in March 2003 and amends Statement 3. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed. This Statement is effective for financial statements for periods beginning after June 15, 2004.

Governmental Accounting Standards Board (GASB) Statement Number 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* was issued in November 2003 and establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2004.

Governmental Accounting Standards Board (GASB) Statement Number 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* was issued in April 2004 and establishes uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans. This Statement is effective for periods beginning after December 15, 2004.

Governmental Accounting Standards Board (GASB) Statement Number 44, *Economic Condition Reporting: The Statistical Section* was issued in June 2004 and enhances and updates the Statistical Section that accompanies a state or local government's basic financial statements. This Statement is effective for periods beginning after June 15, 2005.

- M. *Working Capital Reserve* - City Council established standards for a minimum working capital reserve account in 1984 to assure a strong financial position and to protect Cincinnati's general obligation bond rating during periods of fiscal stress. The policy called for achievement of a minimum reserve level, for emergency needs of a catastrophic nature, of no less than 5% or more than 8% of general operating revenues by December 31, 1986. The targeted year-end reserve level was achieved in January of each year 1985 through 2003. The working capital reserve for 2003 was \$21,130,000 and is included in the Fund Balance Reserved for Working Capital in the Capital Projects Fund. The City is a chartered government and the working capital reserve, as established, is allowed by the charter.
- N. Restricted resources such as bond funds are assumed to be expended before non-restricted resources in paying for capital projects of both the governmental funds and the proprietary funds.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The City of Cincinnati combines the cash balances in individual funds to form a pool of cash and investments. Each fund reports its respective equity in City Treasury cash as an element of its resources. In addition, several funds separately hold cash and equivalents and investments, which are appropriately identified, in the combined balance sheet of the City. Earnings from the pooled cash and investments are allocated on a quarterly basis to each participating fund based on month-end equity balances. The data presented in the accompanying financial statements is for the City of Cincinnati as a whole.

Deposits

At year-end the carrying amount of the City's deposits, including certificates of deposit with various financial institutions was \$171,558,000 and the bank balance was \$181,699,000. The entire bank balance is held in the name of the City and is collateralized either by federal depository insurance or securities pledged as collateral and segregated by the Federal Reserve Bank in a pledge account. The collateral is held by the City's agent in the City's name; it cannot be released by the Federal Reserve Bank without the City's approval.

Statutes specify that the City Treasurer require institutions designated as a public depository to pledge and to deposit with the Treasurer's office, as security for the payment of all public moneys to be deposited in the public depository during the period of designation, eligible securities of an aggregate market value equal to the excess of the amount of public monies that are at the time so deposited over and above such portion or amount of such money as is at such time insured by the Federal Deposit Insurance Corporation, or by any other agency or instrumentality of the federal government. As an alternative, the City Treasurer may require such institution to deposit with him surety company bonds which, when executed, shall be for an amount equal to such excess amount.

Excluded from these amounts are deposits held by the City's Retirement System for which the year-end book balance was \$119,111,000. The year-end bank balance was \$13,652,000 and the cash equivalent balance was \$107,451,000. Cash of \$3,471,000 and cash equivalents of \$107,451,000 that were held in money managers custodial accounts at the Bank of New York at year-end are not subject to the same insurance and collateralization requirements as the City's deposits and are uncollateralized.

Investments

The fair value of investments for the City at December 31, 2003 was \$683,707,000. These investments include \$682,748,000 in U. S. Treasury Securities and \$959,000 in Equity Securities. The City is legally authorized to invest in obligations of the U.S. Treasury, federal agencies or instrumentalities, obligations of the State of Ohio and its political subdivisions and repurchase agreements. All investments of the City of Cincinnati are insured or registered, or are securities held by the City or its agent in the City's name. The City Treasurer may enter into a repurchase agreement of United States Treasury obligations or other

obligations for which the full faith and credit of the United States is pledged for the payment of principal and interest, or obligations or securities issued by any federal government agency. The City has not used reverse repurchase agreements or derivatives as investment instruments.

Excluded from the City's investments discussed above are assets held in trust by the City's Retirement System and Park Board. The fair value of investments for these funds at December 31, 2003 was \$2,125,763,000. These investments include \$368,312,000 in U. S. Treasury Securities, \$190,844,000 in Corporate Bonds and Notes, \$14,529,000 in Venture Capital and \$1,499,874,000 in Equity Securities, \$19,036,000 in Commercial Paper, \$3,741,000 in State and Local Obligations, \$29,360,000 in other bonds, and \$67,000 in other investments. In those cases where resources are maintained in trust, authority for investment of the property rests with either the trust agreement or local ordinance. Investments of the City of Cincinnati Retirement System are, by ordinance, subject to certain terms and limitations. The limitations do not apply to investments in securities of the City and federal government or their agencies. Investments of the City of Cincinnati Retirement System and Park Board are uninsured, with securities held by the counterparty, or by its trust department or agent but not in the City's name. The investment in Venture Capital is not considered an investment in a security for purposes of credit risk classification since it is not evidenced by securities that exist in physical or book entry form.

Securities Lending

City statutes and board of trustee policies permit the City of Cincinnati Retirement System to use investments of the plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same security in the future. Securities are loaned in exchange for collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned in exchange for collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned in exchange for collateral valued at 105% of the market value of the securities plus any accrued interest. Collateral cannot be pledged or sold unless the borrower defaults. The borrower is required to pay to the Lender the equivalent of all interest and dividends that are paid by the issuer during the term of the loan. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the System's overall loans was 4 days in December 2003. Cash collateral is invested in a short-term investment pool, which had an average weighted maturity of 23 days as of December 31, 2003. Cash collateral may also be invested separately in "term loans", in which the maturity of the term loan is matched to either the maturity of the cash collateral invested or the interest rate reset of the cash collateral invested. These loans have rights of substitution and securities can be recalled on demand. As of December 31, 2003, there were no violations of legal or contractual provisions, no borrower or lending agent default and no losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent.

The following represents the balances relating to the securities lending transactions at the financial statement date:

	(Amounts in Thousands)		
Fair Value of Underlying Securities	Cash Collateral Received/ Securities Collateral Value	Cash Collateral Investments Value	
Securities Lent			
Lent for cash collateral			
Stocks	\$282,908	\$291,873	\$291,873
U.S. Agencies	33,343	34,036	34,036
Corporate Bonds	36,975	37,955	37,955
U.S. Government Fixed Income	214,285	218,621	218,621
	<u>\$567,511</u>	<u>\$582,485</u>	<u>\$582,485</u>

Derivatives

Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. The retirement system enters into certain derivative financial instruments primarily to enhance the performance and reduce the volatility of the portfolio. It purchases S&P 500 futures contracts to gain exposure to the U.S. equity market, fixed income futures contracts and options to manage interest rate risk, and foreign exchange contracts are used occasionally to hedge foreign currency exposure. The retirement system's fixed income managers are authorized to invest in mortgage-backed securities (MBS), commercial mortgage-backed securities (CMB), collateralized mortgage obligations (CMO) and asset-backed securities (ABS). MBS securities are issued by government agencies and instrumentalities such as the FHA, FNMA, GNMA, FHLMC, while CMB and CMO securities are issued by non-government corporations. ABS securities are supported by loans which are secured by first residential mortgages, home equity mortgages, auto loans, credit card receivables, etc.

At December 31, 2003 the retirement system held the following derivative positions:

- 1.) Futures contracts settling March 19, 2004 to buy S&P 500 index securities with a notional value of approximately \$37.0 million.
- 2.) Futures contracts settling March 31, 2004 to sell U.S. Treasury securities with a notional value of \$39.0 million.
- 3.) Government issued mortgage-backed securities with a market value of \$63.7 million.
- 4.) Commercial mortgage-backed securities with a market value of \$23.6 million.
- 5.) Collateralized mortgage obligations with a market value of \$53.1 million.
- 6.) Asset-backed securities with a market value of \$6.4 million.

The retirement system held one short position on a put option expiring February 21, 2004 on a 10-year U.S. Treasury future as well as one short position on a put option expiring February 5, 2004 on a 30-year FHLMC MBS pass through security. These holdings had a market value of (\$39,535) as of December 31, 2003.

The retirement system held no foreign exchange contracts as of December 31, 2003.

3. MIXED INVESTMENT POOL

On April 10, 1968, the Board of County Commissioners of Hamilton County and the City of Cincinnati consolidated all County and City sanitary sewer facilities, under the direction and control of the Board of County Commissioners and the management and operation of the City. The cash balance in the fund established for this purpose, the Metropolitan Sewer District fund (MSD), is combined with the City's pool of cash and investments. For the purposes of financial reporting, the MSD portion of the City's pool of cash and investments is reported as an Investment Trust Fund. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight. Fair value amounts are determined at year end. The City has not provided or obtained any legally binding guarantees to support the value of the Mixed Investment Pool. MSD is required by Chapter 301 of the Cincinnati Municipal Code to participate in the Mixed Investment Pool. Disclosures required by GASB Statement 3 are discussed in Note 2.

Summary by major investment classification:

(Amounts in Thousands)

	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
Money Market Fund	\$ 25,000	\$ 25,000	1.02%	-
Certificates of Deposit	125,542	125,542	1.1% - 5.18%	01/09/04 - 03/19/07
U.S. Treasury Notes	137,170	137,540	1.125% - 6.0%	01/31/04 - 06/30/05
FHLB/FNMA Securities	185,068	185,662	1.56% - 5.625%	01/06/04 - 12/29/06
City of Cincinnati Notes	21,632	21,632	.88% - 6.75%	04/30/04 - 12/01/05
Cash	<u>3,556</u>	<u>3,556</u>		
Total	<u>\$497,968</u>	<u>\$498,932</u>		

The Mixed Investment Pool does not issue a separate report. The Mixed Investment Pool's financial statements can be found below:

**Mixed Investment Pool
Statement of Net Assets
as of December 31, 2003**

(Amounts in Thousands)

<u>Assets</u>	
Equity in City Treasury	<u>\$ 498,932</u>
<u>Net Assets</u>	
Held in Trust for Internal Pool Participants	\$ 465,727
Held in Trust for External Pool Participant	<u>33,205</u>
Total Net Assets	<u>\$ 498,932</u>

**Mixed Investment Pool
Statement of Changes in Net Assets
For the Year Ended December 31, 2003**

(Amounts in Thousands)

	<u>Internal Participants</u>	<u>External Participants</u>	<u>Total</u>
Additions:			
Contributions:			
Participant Deposits	\$1,190,636	\$192,670	\$1,383,306
Investment earnings:			
Interest and dividends	19,482	1,234	20,716
Net depreciation in the fair value of investments	<u>(5,732)</u>	<u>(355)</u>	<u>(6,087)</u>
Total investment earnings	<u>13,750</u>	<u>879</u>	<u>14,629</u>
Total additions	1,204,386	193,549	1,397,935
Deductions:			
Distributions to Participants	<u>1,248,640</u>	<u>189,577</u>	<u>1,438,217</u>
Change in Net Assets	(44,254)	3,972	(40,282)
Net assets – beginning	<u>509,981</u>	<u>29,233</u>	<u>539,214</u>
Net assets – ending	<u>\$ 465,727</u>	<u>\$ 33,205</u>	<u>\$ 498,932</u>

4. COMMITMENTS

Convergys - In July 2003 the City and Convergys Corporation entered into an Agreement for the Creation and Retention of Jobs. The City granted Convergys tax credits against the City's income tax for a period of fifteen years and a potential of \$29,750,000 in grants if specific conditions are met over a three year period. In December 2003 the City sold Economic Development Revenue Bonds in the amount of \$20,500,000 to partially fund these grants.

Based on eligibility requirements that were met in 2003 a \$10,000,000 grant was made to Convergys. If Convergys continues to meet its eligibility requirements they can receive up to \$10,000,000 in 2004 and \$3,000,000 in each of the years 2005, 2006, and 2007. An additional \$1,000,000 can be earned at any time if certain employment performance conditions are met.

The Vine and Central Parkway Garage and Housing Development

In September 2003 the City entered into an agreement with the Kroger Company to build a parking garage primarily for the benefit of Kroger. In return Kroger has agreed to keep its corporate headquarters and nearly 1,200 jobs in downtown Cincinnati. This development includes the construction of a 950 space parking garage, the creation of 25 market rate housing units and retail space. Kroger will rent a minimum of 850 spaces in the garage. The City will issue \$12,000,000 in revenue bonds to finance the garage.

The City will provide \$2,500,000 in funding to support the construction of the housing and retail space in the development. Approximately \$3,900,000 in private financing from the Cincinnati Development Fund and the Cincinnati Equity Fund has been secured for this project.

5. INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2003, is as follows (Amounts in Thousands):

DUE FROM/TO OTHER FUNDS

	Due From							Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Water Works Enterprise Fund	Nonmajor Enterprise Funds	Fiduciary Funds	
Due To								
General Fund	\$	\$ 3	\$ 23	\$ 2,051	\$ 191	\$ 69	\$ 195	\$ 2,532
Capital Project Fund	29		56	235	722			1,042
Nonmajor Governmental	71		186	200			55	512
Internal Service Funds	6	1,386	12	28		2	28	1,462
Water Works Enterprise Fund	9	61	5	240		3	57	375
Nonmajor Enterprise Funds	6	222	21	30	6		16	301
Fiduciary Funds	218	435		655	53	59	58	1,478
Total	\$ 339	\$ 2,107	\$ 303	\$ 3,439	\$ 972	\$ 133	\$ 409	\$ 7,702

ADVANCES TO/FROM OTHER FUNDS (Amounts in Thousands)

	Advances From					Total
	General Fund	Nonmajor Governmental	Internal Service Funds	Water Works Enterprise Fund	Nonmajor Enterprise Funds	
Advances To						
General Fund	\$	\$ 521	\$	\$	\$	\$ 521
Capital Project Fund			13,414		13,555	26,969
Nonmajor Governmental	125	2,707				2,832
Internal Service Funds	177			295	1	473
Total	\$ 302	\$ 3,228	\$13,414	\$295	\$13,556	\$ 30,795

6. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2003, consisted of the following (Amounts in Thousands):

	Transfers Out						Total
	General Fund	Capital Projects Fund	Debt Service Funds	Nonmajor Governmental	Internal Service Funds	Nonmajor Enterprise Funds	
Transfer In							
General Fund	\$	\$ 4,900	\$	\$	\$1,181	\$	\$ 6,081
Capital Projects Fund	92		23,378	3,080	982		27,532
Debt Service Fund	2,943	37,569		941	25		41,478
Nonmajor Governmental Funds	64	16,037		176	61	908	17,246
Internal Service Funds		8,815		1,384			10,199
Nonmajor Enterprise Funds		1,203			7		1,210
Total	\$ 3,099	\$68,524	\$23,378	\$5,581	\$2,256	\$ 908	\$103,746

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. SEGMENT INFORMATION

The City has issued bonds to finance parking facilities, municipal golf, and stormwater management facilities and improvements. The revenues of these activities are relied on for repayment of these bonds but property tax support is available, if necessary. Summary financial information for these funds is presented below.

(Amounts in Thousands)

CONDENSED STATEMENT OF NET ASSETS

	<u>Parking Facilities</u>	<u>Municipal Golf</u>	<u>Stormwater Management</u>
Assets:			
Current Assets	\$ 2,435	\$ 422	\$ 3,910
Due from Other Funds	3		124
Advances to Other Funds	4,003	105	7,000
Restricted Assets	8		
Capital Assets	34,859	8,860	36,942
Other Noncurrent Assets	<u>2,461</u>	<u>448</u>	<u>2,707</u>
Total Assets	<u>43,769</u>	<u>9,835</u>	<u>50,683</u>
Liabilities :			
Current Liabilities	1,426	656	1,350
Due to Other Fund	21	1	15
Noncurrent Liabilities	<u>10,011</u>	<u>576</u>	<u>2,445</u>
Total Liabilities	<u>11,458</u>	<u>1,233</u>	<u>3,810</u>
Net Assets :			
Invested in Capital Assets, Net of Related Debt	24,709	7,805	33,642
Restricted	8		
Unrestricted	<u>7,594</u>	<u>797</u>	<u>13,231</u>
Total Net Assets	<u>\$ 32,311</u>	<u>\$ 8,602</u>	<u>\$ 46,873</u>

(Amounts in Thousands)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	<u>Parking Facilities</u>	<u>Municipal Golf</u>	<u>Stormwater Management</u>
Operating Revenues	\$ 8,638	\$ 5,816	\$ 7,351
Depreciation Expense	(1,388)	(623)	(1,441)
Other Operating Expenses	<u>(5,617)</u>	<u>(5,585)</u>	<u>(4,136)</u>
Operating Income	<u>1,633</u>	<u>(392)</u>	<u>1,774</u>
Nonoperating Revenues (Expenses):			
Interest Revenue	181	15	109
Interest Expense	<u>(411)</u>	<u>(74)</u>	<u>(252)</u>
Total Non-Operating Revenue (Expenses)	<u>(230)</u>	<u>(59)</u>	<u>(143)</u>
Income before Contributions and Transfers	1,403	(451)	1,631
Transfer In	4		3
Transfers (Out)	(908)		
Contributions	<u>6</u>		<u>9</u>
Change in Net Assets	505	(451)	1,643
Beginning Net Assets	<u>31,806</u>	<u>9,053</u>	<u>45,230</u>
Ending Net Assets	<u>\$ 32,311</u>	<u>\$ 8,602</u>	<u>\$ 46,873</u>

(Amounts in Thousands)

CONDENSED STATEMENT OF CASH FLOWS

	<u>Parking Facilities</u>	<u>Municipal Golf</u>	<u>Stormwater Management</u>
Net Cash Provided (Used) by:			
Operating Activities	\$ 3,017	\$ 737	\$ 3,272
Noncapital Financing Activities	333	273	768
Capital and Related Financing Activities	(2,933)	(1,163)	(4,450)
Investing Activities	<u>174</u>	<u>24</u>	<u>159</u>
Net Increase (Decrease)	591	(129)	(251)
Beginning Cash and Cash Equivalent	<u>4,054</u>	<u>991</u>	<u>5,275</u>
Ending Cash and Cash Equivalent	<u>\$ 4,645</u>	<u>\$ 862</u>	<u>\$ 5,024</u>

8. LEASES

CITY AS LESSEE

Operating Leases

The City has entered into various leases for property, equipment and office space. These leases are considered for accounting purposes to be operating leases. The total cost for such leases were \$ 885,000 for the year ended December 31, 2003. Future minimum lease payments are as follows:

(Amounts in Thousands)

<u>Year</u>	<u>Amount</u>
2004	\$ 1,273
2005	1,052
2006	862
2007	770
2008	708
2009-2012	<u>583</u>
Total Future Minimum Lease Payments	<u>\$ 5,248</u>

Capital Leases

The City has capitalized leases for the following property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

(Amounts in Thousands)

	<u>Governmental Activities</u>
Leased Property/Equipment	\$ 2,217
Less: Accumulated Depreciation	<u>2,078</u>
Total	<u>\$ 139</u>

The following is a schedule of future minimum capital leases and the present value of the net minimum lease payments at December 31, 2003:

(Amounts in Thousands)

<u>Year</u>	<u>Governmental Activities</u>
2004	\$ 35
2005	32
2006	32
2007	19
2008	<u>14</u>
Total minimum lease payments	132
Less: Amounts representing interest	<u>21</u>
Present value of net minimum lease payments	<u>\$ 111</u>

CITY AS LESSOR

The City has entered into various contractual agreements for the rental of properties to various commercial enterprises, which are reported as operating leases for accounting purposes.

Amounts relating to the operating leases as of December 31, 2003 are included in the financial statements of the following:

(Amounts in Thousands)

	Business-type <u>Activities</u>	Governmental <u>Activities</u>
Land	\$ 537	\$ 2,056
Buildings	5,208	3,181
Improvements	483	83,267
Accumulated Depreciation	3,660	78,876
Depreciation Expense	188	708

Future minimum rentals on non-cancelable operating leases as of December 31, 2003 are as follows:

(Amounts in Thousands)

<u>Year</u>	Business-type <u>Activities</u>	Governmental <u>Activities</u>
2004	\$ 963	\$ 16,838
2005	722	16,823
2006	570	16,778
2007	453	16,593
2008	413	16,407
Remaining years	<u>387</u>	<u>278,920</u>
Total Future Minimum Rental Payments	<u>\$3,508</u>	<u>\$362,359</u>
Total Rentals for 2003:	\$1,065	\$ 16,407

Future minimum rentals of the railway line, recorded in Debt Service Fund, are assumed to equal the payments calculated for the current year. These minimum rentals are included in the Governmental Activities column.

Enterprise Funds

The General Aviation rentals (included in business-type activities) do not include contingent rentals which may be received on the basis of hours or usage in excess of stipulated minimums. Terms of the leases are normally on a five year basis with renewal options not to exceed fourteen years.

Governmental Capital Assets

The City-owned railway line, the Cincinnati Southern Railway, is leased to the Cincinnati, New Orleans, and Texas Pacific Railway Company until December 31, 2026, with a renewal option of twenty-five years. Pursuant to the Ohio Revised Code, the use of the rental income from the railway line is restricted to debt service.

During 1995, the City entered into a lease involving land with American Commercial Marine. The lease is for ten years, beginning January 1, 1996 and ending December 31, 2005.

9. LONG-TERM DEBT

General Obligation Bonds and Notes

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds and notes issued in prior years was \$568,157,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds and notes currently outstanding are as follows:

(Amounts in Thousands)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	0.88% - 7.875%	\$309,062
Business-type activities	3.5% - 6.75%	<u>67,845</u>
		<u>\$376,907</u>

The annual debt service requirements to maturity for the general obligation bonds and notes are as follows:

(Amounts in Thousands)

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 39,333	\$ 14,719	\$22,688	\$ 2,888
2005	26,652	13,090	11,590	2,050
2006	23,792	11,942	9,697	1,485
2007	22,580	10,917	7,470	1,030
2008	19,990	9,912	4,600	693
2009-2013	81,445	37,082	10,000	1,638
2014-2018	58,175	18,771	1,800	76
2019-2023	14,300	8,646		
2024-2028	8,130	5,917		
2029-2033	10,880	3,170		
2034-2035	<u>3,785</u>	<u>299</u>		
Total	<u>\$309,062</u>	<u>\$134,465</u>	<u>\$67,845</u>	<u>\$ 9,860</u>

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The net revenues of the Water Works are pledged to pay Water Works revenue bonds debt service. The original amount of revenue bonds authorized in prior years was \$122,471,000 of which \$122,421,000 was issued. During 2003, \$112,360,000 of revenue bonds were issued to finance Water Works projects and \$20,505,000 of revenue bonds were issued to finance Economic Development projects.

Revenue bonds outstanding at year-end are as follows:

(Amounts in Thousands)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Economic Development	Various	\$ 37,530
Urban Renewal	Various	610
Water Works	Various	<u>199,310</u>
		<u>\$237,450</u>

The annual debt service requirements to maturity for the revenue bonds are as follows:

(Amounts in Thousands)

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 2,288	\$2,055	\$ 7,010	\$ 9,367
2005	2,403	2,050	7,240	9,141
2006	2,480	1,935	7,470	8,909
2007	2,567	1,813	7,720	8,656
2008	2,670	1,682	7,955	8,427
2009-2013	10,532	6,321	45,205	36,704
2014-2018	7,975	3,367	57,945	23,952
2019-2023	<u>7,225</u>	<u>1,330</u>	<u>58,765</u>	<u>8,022</u>
Total	<u>\$38,140</u>	<u>\$20,553</u>	<u>\$199,310</u>	<u>\$113,178</u>

Bonds and Notes Outstanding at December 31, 2003

(AMOUNTS IN THOUSANDS)

Description	Interest Rates	Issue Dates	Maturity Dates	Original Authorized	Amount Due 2004	Amount Outstanding 12/31/2003
Bonds:						
General Property Tax	3.25%	1957	2007	\$ 1,000	\$ 20	\$ 80
Supported	4.1% to 4.75%	1994-1999	2004-2009	87,700	8,510	33,100
	5.15% to 6.0%	1984-1995	2004-2005	12,200	1,065	2,065
	7.875%	1987	2017	30,000	1,000	14,000
Various Rate Issues	2.0% to 6.2%	1991-2003	2004-2016	175,805	11,190	152,460
Urban Redevelopment						
Various Rate Issues	4.8% to 6.3%	1995	2015	3,250	140	2,420
Municipal Income Tax	4.6% to 5.2%	1994-2000	2004-2020	11,560	880	5,320
Recreational Facilities	5.15% to 6.75%	1977-1995	2004-2011	5,900	433	1,755
Various Rate Issues	4% to 5%	2001	2021	9,000	450	8,100
Urban Renewal	4.2%	1999	2004	6,000	1,200	1,200
	6.75%	1990	2005	1,500	100	200
Various Rate Issues	3.25% to 6.5%	1991-2002	2007-2012	21,480	2,320	15,590
Urban Development Taxable						
Various Rate Issues	2.0% to 6.25%	1998-2003	2019-2021	21,905	495	20,540
Police & Fire Pension	4.7% to 6.0%	2000	2004-2035	42,000	495	39,700
Total General Long-Term Bond Obligations				429,300	28,298	296,530
Recreational Facilities	4.6% to 5.375%	1977-1994	2004-2007	5,200	483	1,055
Off Street Parking	6.75%	1990	2004-2006	5,000	350	1,050
Water Works	4.1% to 4.75%	1994-1999	2004-2014	90,500	8,080	45,440
	5.15% to 6.75%	1989-1995	2004-2007	51,000	3,750	7,900
Stormwater	4.2 to 5.15%	1995-1999	2005-2007	8,800	925	3,300
Total Proprietary Fund Obligations				160,500	13,588	58,745
Total General Obligation Bonds Payable				589,800	41,886	355,275
Notes:						
Judgement	0.88%	2003	2004	4,635	4,635	4,635
Municipal Income Tax	5.5 to 6.75%	1999-2001	2004-2005	6,397	4,900	6,397
Convention Facilities	1.5%	2003	2004	15,410	15,410	15,410
Parking Improvement	3.5%	2002	2004	9,100	9,100	9,100
Economic Development	1.25%	2003	2004	1,655	1,500	1,500
Total General Obligation Notes Payable				37,197	35,545	37,042
Total General Obligation Bonds and Notes Payable				\$ 626,997	\$ 77,431	\$ 392,317
Revenue Bonds	1.57% to 8.48%	1990-2003	2004-2023	\$ 272,921	\$ 9,298	\$ 237,450
Total Outstanding Debt				\$ 899,918	\$ 86,729	\$ 629,767

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

(Amounts in Thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$273,473	\$ 52,705	\$29,648	\$296,530	\$28,298
General Obligation Notes	21,497	6,135	15,100	12,532	11,035
Revenue Bonds	<u>18,522</u>	<u>20,505</u>	<u>887</u>	<u>38,140</u>	<u>2,288</u>
Total Bonds and Notes Payable	313,492	79,345	45,635	347,202	41,621
Compensated Absences	67,522	35,488	32,310	70,700	40,066
Claims and Judgments	26,029	75,429	73,958	27,500	15,712
Capital Leases	171	77	137	111	26
Other	2,200	80		2,280	465
State Loan	<u>9,732</u>		<u>9,732</u>		
Governmental Activity Long-term liabilities	<u>\$419,146</u>	<u>\$190,419</u>	<u>\$161,772</u>	<u>\$447,793</u>	<u>\$97,890</u>
Business-type Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 74,967	\$	\$16,222	\$ 58,745	\$13,587
General Obligation Notes	9,100			9,100	9,100
Revenue Bonds	<u>89,885</u>	<u>112,360</u>	<u>2,935</u>	<u>199,310</u>	<u>7,010</u>
Total Bonds and Notes Payable	173,952	112,360	19,157	267,155	29,697
Compensated Absences	6,668	3,470	3,626	6,512	3,124
Claims and Judgments	154	56	130	80	80
Other	1,210			1,210	
Capital Leases	<u>69</u>		<u>69</u>		
Business-type Activity Long-term liabilities	<u>\$182,053</u>	<u>\$115,886</u>	<u>\$22,982</u>	<u>\$274,957</u>	<u>\$32,901</u>

For the governmental activities, claims and judgments are generally liquidated by the general fund. Compensated absences for the governmental activities are generally liquidated by the employee's home fund, the fund from which the employee's regular wages are paid.

Internal Service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$2,119,000 of compensated absences, \$18,306,000 of unpaid claims, and \$38,000 of capital leases for the internal service funds are included in the above amounts.

State Infrastructure Bank Loan

On May 19, 1999 City Council authorized the City Manager to amend the repayment terms of an April 30, 1998 note agreement the City had made with the Ohio Department of Transportation, State Infrastructure Bank. The loan to the City had an original principal amount not to exceed \$20,020,000 and was issued for the purpose of paying a portion of the Fort Washington Way Improvement project costs. The terms of the original note agreement required that the loan be repaid 18 months from the date of the initial disbursement under the note. The initial disbursement was made on May 29, 1998, so the first payment was required on November 29, 1999. Under the terms of the new loan agreement, the City was obligated to pay accrued interest and a principal payment of \$5,000,000 on February 1, 2000. On February 1, 2001, the City made a second principal payment of \$5,000,000 from a federal grant received from Fort Washington Way. Principal and interest payments were made also on August 1, 2001 and February 1, 2002. In August of 2002 an additional \$587,000 was drawn down.

On January 24, 2001 City Council authorized the City Manager to borrow an additional \$5,020,000 from the Ohio Department of Transportation. The first disbursement on this loan was made August 13, 2002.

A payment of principal and interest was made on February 1, 2003. On April 9, 2003 City Council authorized the issuance of bonds totaling \$9,705,000 to payoff the balance on the loans. On June 12, 2003 the remaining principal and the accrued interest on the initial loan was paid off. On August 12, 2003 the principal on the second loan of \$5,020,000 was paid off prior to the start of interest accruing.

10. DEBT LIMITATION

The City's "indirect" (ten mill) debt limit was removed by decision of the Ohio courts. In September 1977, the Supreme Court of Ohio dismissed an appeal from the decision of the Court of Appeals, First Appellate District, Hamilton County, Ohio, involving the City's debt limitations. In summary, the City instituted a test case against the Director of Finance for the purpose of obtaining a definitive construction of certain sections of the City Charter bearing on the right of the City to levy taxes in excess of the ten mill limitation of Section 5705.02 of the Ohio Revised Code. As a result of the Court decision, the City has the right to levy property taxes without limitation to support its lawfully issued bonds and notes, and the City's ability to incur debt will be limited only by the arithmetical (percentage) limitations set forth under Section 133.03 of the Ohio Revised Code.

Section 133.03 provides that the principal amount of both voted and unvoted debt of the City may not exceed 10-1/2% of the City's assessed valuation, and the principal amount of the City's unvoted debt may not exceed 5-1/2% of the City's assessed valuation. The Code also provides several exemptions of debt from the 5-1/2% and 10-1/2% limitations.

11. TAXES

City Income Tax

This locally levied tax applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City and to earnings of nonresidents (except certain transients) earned in the City. It also applies to net income of business organizations for business conducted in the City. The tax is the largest single source of General Fund revenue.

The City's income tax of 2.1% is subdivided into four components. The first component is the latest increase of .1% enacted July 1, 1988, to be spent only for the maintenance of the City's infrastructure. The second component is the .3% which can be used only for public transit purposes, including both capital and current operating expense. The third component is .15%, which can be used only for permanent improvement

purposes. The remaining 1.55% is first used to meet annual deficiencies, to the extent required, in the General Fund. The amount of the 1.55% income tax revenue over the fixed allocation to the General Fund at the end of any year is recognized as revenue in the Income Tax Permanent Improvement Fund. The unused amount can be carried forward for subsequent year capital or operating needs.

Actual collections of \$190,142,306 for the 1.55% portion in 2003 were more than the original allocation of \$187,993,000 for the General Fund. Consequently, the excess collections of \$2,149,000 were transferred to the Permanent Improvement Fund. The following table identifies the excess 1.55% income tax collections for the years 1999 through 2003 and collections in excess of allocation:

(Amounts in Thousands)

<u>Year</u>	<u>Actual Collections of 1.55%</u>	<u>Allocation to General Fund</u>	<u>Collections in Excess of Allocation</u>
1999	\$182,695	\$180,500	\$ 2,195
2000	183,035	183,035	
2001	188,598	188,598	
2002	185,258	185,258	
2003	190,142	187,993	2,149

Property Taxes

The assessed valuation of property within the City subject to the levy of ad valorem taxes includes real property, public utilities property and tangible personal property. The assessed value upon which the 2003 levy was based was \$4,871,308,000, \$319,864,000 and \$535,538,000 for real property, public utility property and tangible personal property, respectively (per Hamilton County Auditor). The City's property taxes are collected by the Hamilton County Auditor and are remitted to the City on a periodic basis. Real property taxes collected in any calendar year are generally levied on assessed values as of January 1 of the preceding year according to the following calendar:

Property Tax Calendar - 2004

Lien date	January 1, 2003
Levy date	October 31, 2003
First installment payment due	January 31, 2004
Second installment payment due	June 20, 2004

Assessed values are established by the County Auditor, at no more than 35% of appraised market value. The laws of the State of Ohio presently require that all property be revalued no less than every six years, at any time the County Auditor finds that true or taxable value thereof has changed, and in the third calendar year following the year in which a sexennial reappraisal is completed if ordered by the State Commissioner of Tax Equalization. Real property was reappraised during 2002 with the results affecting collections beginning in 2003. The City recognizes the property taxes due to be paid in 2004 as deferred revenue since the first settlement date is more than sixty days after year-end and does not meet the availability criteria for accrual.

Public utilities property taxes in any calendar year are those levied on assessed values as of December 31 of the preceding year. Tangible personal property of public utilities is assessed at various percentages of true value. Tangible personal property used in business, other than public utilities, is assessed at 25% of true value.

12. SHORT-TERM DEBT – BOND ANTICIPATION NOTES

The City issues bond anticipation notes in advance of issuance of bonds, depositing the proceeds in its capital projects fund. These notes are necessary to provide adequate funds at the time needed to support contracts for the improvements prior to issuance of the related bonds.

(Amounts in Thousands)

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Bond Anticipation Notes	\$0	\$38,788	\$23,378	\$15,410

13. RESTRICTED ASSETS

The balance of the restricted asset accounts in the enterprise funds are as follows (amounts in thousands):

Revenue bond construction account – Water Works	\$ 51,278
Revenue bond reserve account – Water Works	18,246
Revenue bond construction account – Parking Facilities	8
Customer deposits – Water Works	849
Construction account - other – Water Works	<u>8,614</u>
Total restricted assets	<u>\$78,995</u>

14. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

(Amounts in Thousands)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 156,371	\$ 4,724	\$ (1,404)	\$ 159,691
Construction in Progress	108,888	41,373	(25,058)	125,203
Total capital assets, not being depreciated	<u>265,259</u>	<u>46,097</u>	<u>(26,462)</u>	<u>284,894</u>
Capital assets, being depreciated:				
Buildings	131,187	10,020	(62)	141,145
Improvements other than buildings	232,534	23,766	(161)	256,139
Machinery and Equipment	97,968	19,166	(7,474)	109,660
Property acquired under capital leases	2,141		(125)	2,016
Infrastructure	<u>390,317</u>	<u>47,099</u>	<u>(1,328)</u>	<u>436,088</u>
Total capital assets, being depreciated	<u>854,147</u>	<u>100,051</u>	<u>(9,150)</u>	<u>945,048</u>
Less accumulated depreciation for:				
Buildings	(76,851)	(4,661)	(75)	(81,587)
Improvements other than buildings	(128,981)	(6,504)	11	(135,474)
Machinery and Equipment	(55,642)	(8,221)	5,420	(58,443)
Property acquired under capital leases	(1,812)	(284)	125	(1,971)
Infrastructure	<u>(128,771)</u>	<u>(18,291)</u>		<u>(147,062)</u>
Total accumulated depreciation	<u>(392,057)</u>	<u>(37,961)</u>	<u>5,481</u>	<u>(424,537)</u>
Total capital assets, being depreciated, net	<u>462,090</u>	<u>62,090</u>	<u>(3,669)</u>	<u>520,511</u>
Governmental Activities capital assets, net	<u>\$ 727,349</u>	<u>\$108,187</u>	<u>\$(30,131)</u>	<u>\$805,405</u>

Capital asset activity for the year ended December 31, 2003 was as follows:

(Amounts in Thousands)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 25,349	\$	\$ (13)	\$ 25,336
Construction in Progress	136,632	87,640	(83,631)	140,641
Total capital assets, not being depreciated	<u>161,981</u>	<u>87,640</u>	<u>(83,644)</u>	<u>165,977</u>
Capital assets, being depreciated:				
Buildings	253,182	21,838	(435)	274,585
Improvements other than buildings	435,245	61,906	(438)	496,713
Machinery and Equipment	168,386	10,366	(973)	177,779
Property acquired under capital leases	637		(190)	447
Total capital assets, being depreciated	<u>857,450</u>	<u>94,110</u>	<u>(2,036)</u>	<u>949,524</u>
Less accumulated depreciation for:				
Buildings	(115,550)	(7,485)	329	(122,706)
Improvements other than buildings	(122,352)	(5,983)	201	(128,134)
Machinery and Equipment	(88,610)	(9,071)	739	(96,942)
Property acquired under capital leases	(365)	(93)	190	(268)
Total accumulated depreciation	<u>(326,877)</u>	<u>(22,632)</u>	<u>1,459</u>	<u>(348,050)</u>
Total capital assets, being depreciated, net	<u>530,573</u>	<u>71,478</u>	<u>(577)</u>	<u>601,474</u>
Business-type Activities capital assets, net	<u>\$ 692,554</u>	<u>\$ 159,118</u>	<u>\$ (84,221)</u>	<u>\$ 767,451</u>

Depreciation expense was charged to functions/programs of the City as follows:

(Amounts in Thousands)

Governmental activities:

General Government	\$ 1,081
Community Development	4,386
Parks and Recreation	3,550
Public Safety	3,214
Transportation and Engineering	18,878
General Services	
Public Services	3,767
Public Health	301
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>2,784</u>

Total depreciation expense – governmental activities: \$ 37,961

Business-type activities:	
Water Works	\$ 15,657
Parking Facilities	1,388
Convention Center	2,880
General Aviation	643
Municipal Golf	623
Stormwater Management	<u>1,441</u>
Total depreciation expense – business-type activities:	<u>\$ 22,632</u>

Governmental Activities Construction in Progress at December 31, 2003 is comprised of the following:

(Amounts in Thousands)

<u>Administering Department</u>	<u>Project Authorizations</u>	<u>Expended to December 31, 2003</u>	<u>Committed</u>	<u>Required Future Financing</u>
Transportation & Engineering	\$ 74,953	\$ 10,118	\$ 64,835	\$ 18,655
Community Development	99,856	52,252	47,604	12,827
Recreation	38,025	17,973	20,052	8,490
Safety	7,788	2,377	5,411	1,391
Parks	22,993	15,899	7,094	1,002
Public Services	24,348	17,547	6,801	
Other	<u>16,226</u>	<u>9,037</u>	<u>7,189</u>	<u>3,723</u>
Totals	<u>\$284,189</u>	<u>\$125,203</u>	<u>\$158,986</u>	<u>\$ 46,088</u>

Required future financing represents State and Federal commitments in support of City projects.

Business Activities Construction in Progress at December 31, 2003 is comprised of the following:

(Amounts in Thousands)

<u>Enterprise Fund</u>	<u>Project Authorizations</u>	<u>Expended to December 31, 2003</u>	<u>Committed</u>	<u>Required Future Financing</u>
Water Works	\$131,932	\$ 97,276	\$34,656	\$
Parking Facilities	25,275	13,572	11,703	7,700
Convention Center	26,544	20,530	6,014	4,278
General Aviation	4,836	3,764	1,072	581
Municipal Golf	978	509	469	
Stormwater Management	<u>11,990</u>	<u>4,990</u>	<u>7,000</u>	
Totals	<u>\$201,555</u>	<u>\$140,641</u>	<u>\$60,914</u>	<u>\$12,559</u>

15. RECEIVABLES

Accounts Receivable are presented in the general purpose financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to the General Fund at December 31, 2003, are as follows: Taxes Receivable (\$2,435,000) and other accounts receivable (\$3,490,000). The uncollectible accounts related to the Debt Service Fund at December 31, 2003 are Taxes Receivable (\$2,507,000). The balance for the allowance for doubtful accounts in the Capital Projects Fund at December 31, 2003 is (\$1,728,000). The balance of the allowance accounts for Appropriated Special Revenue is (\$145,000) and Non-Appropriated Special Revenue is (\$2,595,000) as of December 31, 2003. The balances of the allowance accounts of the proprietary funds as of December 31, 2003 are as follows: Water Works (\$2,571,000), Regional Computer Center (\$14,000), Convention Center (\$65,000), General Aviation (\$0), Municipal Golf (\$1,000), Parking Facilities (\$2,000), and Stormwater Management (\$558,000).

Loans receivable of the special revenue funds are made from revolving type loan accounts financed by allocations from the City's Community Development Block Grant. These loans are secured by liens on the property. Federal regulations provide that the grantor maintains the ownership of the City's Community Development Block Grant funded revolving loan portfolio; accordingly, revolving loan fund transactions do not affect the operating statement. A small number of the special revenue loans, with a value of \$6,651,000, were made from Housing and Urban Development Section 108 funds and do not involve a revolving type loan account. The loans are repaid to the federal government. If the borrower fails to repay the loan, the City's Community Development Block Grant funds may be used to repay the federal government. The total amount receivable for the special revenue loans is offset by an allowance for uncollectible loans receivable. Special revenue loans receivable at December 31, 2003 total \$55,431,000.

Loans receivable of the capital project funds receive similar treatment to the special revenue funds' loans receivable, in that the total amount receivable is offset by an allowance for uncollectible loans receivable. The balance of the loans receivable at December 31, 2003 is \$1,725,000. This amount is related to Goodall Properties Ltd. and forgivable housing loans.

Cincinnati Development Loan Fund

The Cincinnati Housing Development Fund LLC (Fund) was created for the purpose of establishing and operating a fund to provide loans to developers for projects that include the acquisition, rehabilitation and new construction of market-rate housing. These projects must be within an area of the City suffering from population loss and disinvestment or urban blight. The members of the fund are U.S. Bank, NA, Provident Bank, and Fifth Third Bank.

Under the terms of an agreement dated February 28, 2003 between the City of Cincinnati and Financial Institutions which are members of the Housing Development Loan Fund LLC, the City committed \$15,000,000 to the Fund resulting in the three members of the Fund committing, in total, an additional \$100,000,000. The Fund's lending term began on February 28, 2003 and continues for a period of 10 years.

As loans are made by a Financial Institution a portion of funds provided by the City are transferred to a collateral account. In the event of default the Financial Institution will be repaid from the collateral account.

Per the agreement the City has no right to the return of the City Funds with the exception of the earliest to occur (i) February 28, 2013 (ii) a Financial Institutions event of default or (iii) the Termination Date. Because the City's money is the collateral for these loans if they default and any potential repayment to the City will not occur for at least ten years the City does not have a corresponding receivable recorded.

16. CONTINGENT LIABILITIES

Federal and State Grants

The City has received Federal and State grants in excess of \$58 million for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the City Administration believes such disallowances, if any, will be immaterial.

Litigation

Various claims and lawsuits are pending against the City as of December 31, 2003. A liability of \$5.0 million was recorded for those claims and judgments as of December 31, 2003. Over the past decade, the City has averaged annual payments of \$2,045,000 for claim and lawsuit settlements. Adequate funds have been provided to meet the claims paid both from the General Fund and restricted funds of the City. The City Administration believes there is no foreseen problem in having adequate resources to settle presently known cases.

17. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage. The City purchases commercial insurance to cover losses due to: theft of, damage to, or destruction of assets and purchases general liability insurance for specific operations and professional liability insurance for certain operations. All other risks of loss are self-insured by the City. There has been no reduction in insurance coverage from coverage in 2003. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

The City of Cincinnati provides the choice of two separate health insurance plans for its employees. Both of the plans are self-insured and accounted for as an internal service fund. This internal service fund, titled "Self Insurance - Medical" has been in existence since 1980. Operating funds are charged a monthly rate per employee, by type of coverage.

In 1990, the City began to account for and finance its risk of loss due to workers' compensation claims and established an internal service fund titled "Self Insurance - Workers' Compensation". Workers' compensation is administered by the State. The City reimburses the Bureau of Workers' Compensation for injured workers' claims. All funds of the City participate in the program and make payments to the internal service fund based on the experience premium that would normally be charged by the Bureau of Workers' Compensation. Policy years 1989 through 2000 were financed through the retrospective rating program. Policy years 2001 and 2002 were financed through the fully insured program with the State Fund workers' compensation program. Beginning with policy year 2003 the City has elected to be fully self-insured for workers' compensation. All of the City's workers' compensation liabilities are funded within the "Workers' Compensation - Self-Insurance" fund. Changes in the balances of claims liabilities and claims adjustment expenses during 2003 and 2002 are as follows:

(Amounts in Thousands)

	General		Water Works		Parking Facilities		Convention Center		Municipal Golf			
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Balance at January 1	\$ 402	\$ 780	\$120	\$ 68	\$ 5	\$ 1	\$ 26	\$12	\$ 0	\$ 0		
Current-Year Claims and Changes in Estimates	340	612	51	205	3	6	(24)	22	2	1		
Claim Payments	(612)	(990)	(97)	(153)	(6)	(2)	(0)	(8)	(2)	(1)		
Balance at December 31	<u>\$130</u>	<u>\$402</u>	<u>\$74</u>	<u>\$120</u>	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ 2</u>	<u>\$26</u>	<u>\$ 0</u>	<u>\$ 0</u>		

	Stormwater Management		Income Tax Infrastructure		Self Insurance Medical		Workers Compensation		General Long-Term Obligations		Totals	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Balance at January 1	\$ 3	\$ 3	\$ 26	\$ 0	\$8,494	\$7,470	\$ 19,072	\$19,450	\$ 6,065	\$3,143	\$34,213	\$30,927
Current-Year Claims and Changes in Estimates	(1)	3	(3)	61	67,440	57,139	(906)	1,975	3,046	4,292	69,948	64,316
Claim Payments	(0)	(3)	(19)	(35)	(65,233)	(56,115)	(3,024)	(2,353)	(51)	(1,370)	(69,044)	(61,030)
Balance at December 31	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 26</u>	<u>\$10,701</u>	<u>\$ 8,494</u>	<u>\$15,142</u>	<u>\$19,072</u>	<u>\$ 9,060</u>	<u>\$6,065</u>	<u>\$35,117</u>	<u>\$34,213</u>

The claims liabilities at December 31, 2003 for the Internal Service Funds above (Self-Insurance Medical and Workers Compensation) are included in the following liabilities in the balance sheet:

(Amounts in Thousands)

	Self Insurance Medical	Workers Compensation
Accounts Payable	\$ 2,531	\$ 9
Accrued Liabilities		4,997
Estimated Liability For Unpaid Claim	<u>8,170</u>	<u>10,136</u>
Total	<u>\$10,701</u>	<u>\$15,142</u>

18. SUBSEQUENT EVENTS

On February 4, 2004 and March 31, 2004 City Council authorized the taking of bids on \$44,365,000 of general obligation bonds to be dated May 6, 2004. The six bond issues sold at coupon rates from 4.50% to 5.25%, but with a bid premium of \$3,364,833 and original issue discount of \$22,994 the effective rates were from 1.15% to 4.88%. The bonds include tax support issues of \$14,140,000 for Public Building Improvements, \$5,945,000 for Equipment Improvements, \$16,415,000 for Street Improvements, \$4,080,000

for Current Refunding, \$2,130,000 for Urban Renewal Refunding and \$1,655,000 for Economic Development.

Also on March 31, 2004 City Council authorized the taking of bids on \$9,260,000 of general obligation bond to be dated May 6, 2004. The bond issue sold at coupon rates from 3.25% to 5.6%, but with a bid premium of \$65,103 and original issue discount of \$23,911 the effective rates were from 2.39% to 5.65%. The bond includes tax supported issue of \$9,260,000 for Economic Development.

Convention Facilities Authority (CFA)

The CFA is an up to 11-member body corporate and politic, organized and existing under Chapter 351 of the Ohio Revised Code, as amended. The CFA issued bonds netting proceeds of \$111,176,644 dated February 12, 2004 for the purpose of expanding and renovating the Convention Center in Cincinnati.

Pursuant to a Memorandum of Understanding between the City and Hamilton County, a cooperative agreement was reached between the City and Hamilton County and a Project Service Agreement between the City and the CFA. The City will: (i) own the Convention Center, (ii) be responsible for the operation and maintenance of the Convention Center and (iii) manage the design and construction of the expansion and renovation project. Construction is anticipated to commence in May 2004 and be completed in July 2006.

In the financial plan for the convention center expansion and renovation the dedicated Transient Occupancy Tax (City) and Lodging Excise Tax (County) is expected to cover the debt service for senior (\$70.1 million) and subordinate (\$35.9 million) debt. Pursuant to a Memorandum of Understanding between the City, Hamilton County and the Convention Facilities Authority (CFA), the City has agreed to guarantee, subject to annual appropriation, the principal and interest on subordinate debt. The first full year of debt service is \$1,908,427 and has been appropriated in 2004 from tax increment revenue. Maximum annual debt service is \$2,309,250.

19. PENSION AND RETIREMENT

City employees are covered by one of three pension systems. They are the Ohio Police and Fire Pension Fund (OP&F) and the Public Employees Retirement System (PERS), which are State pension systems, and the City of Cincinnati's Retirement System. Each of these three systems is a cost-sharing multiple-employer defined benefit pension plan.

Ohio Police and Fire Pension Fund

Plan Description

Police and Fire Fighters of the City of Cincinnati are members of the Ohio Police and Fire Pension Fund. The City of Cincinnati contributes to the (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F 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 publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy

Plan members are required to contribute 10.0% of their annual covered salary, while the City of Cincinnati is required to contribute 19.5% and 24.0% respectively for police officers and fire fighters. The City of

Cincinnati's contributions to OP&F for the years ending December 31, 2003, 2002, and 2001 were \$23,233,000, \$21,989,000, and \$21,857,000, respectively, equal to the required contributions for each year.

The OP&F informed the City that the City's only unfunded prior service cost of the fund is the deficiency existing at the time the fund was established in 1967 as determined by actuarial evaluation. On March 1, 2000 the City sold bonds for the refunding of the City's obligation for the employer's accrued liability. Pursuant to Section 742.30 of the Ohio Revised Code, the City and the OP&F (the Fund) have entered into an agreement which permitted the City to make a one-time payment to the Fund for the purpose of extinguishing the City's obligation to the Fund for employer's accrued liability. The payment amount was \$41,454,864 which represents 68% of the first \$500,000 of the employer's accrued liability and 70% of the balance, plus accrued interest on the full amount of such accrued liability from March 1, 2000 to the date of payment.

Other Post employment Benefit Information

OP&F provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by the police and firefighters' retirement system is considered an Other Postemployment Benefit (OPEB). A portion of each employer's contribution to the Police and Fire Pension Fund is set aside for the funding of postemployment health care. The Ohio Revised Code provides the statutory authority allowing the fund's board of trustees to provide health care coverage to all eligible individuals. Health care funding and accounting are on a pay-as-you-go basis. In 2003, 7.75% of covered payroll was used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available was 13,527 for police and 10,396 for firefighters. The portion of the City's 2003 contributions that was used to pay postemployment benefits was \$4,783,196 for police and \$3,612,635 for firefighters. The total health care expense of the fund for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of member contributions of \$12,623,875.

State PERS

Plan Description

Only City employees who were members in the Public Employees Retirement System of Ohio (PERS) or another Ohio State Retirement System prior to their City employment, City personnel employed in the building crafts trade since 1961, elected officials and certain part-time employees are enrolled in PERS.

PERS is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to PERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 466-2085.

Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees contribute 8.5% of their annual compensation. The City's contribution rate for 2003 was 13.55% of covered payroll: 8.55% was the portion used to fund pension obligations and 5.00% was used to fund health care for

2003. City of Cincinnati's contributions to PERS for the years ending December 31, 2003, 2002, and 2001, were \$2,069,000, \$1,943,000, and \$1,822,000 respectively, equal to the required contributions for each year.

Other Postemployment Benefit Information

PERS provides postemployment health care coverage to age and service retirees with ten or more years of qualifying service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by PERS is considered an Other Postemployment Benefit (OPEB). A portion of each employer's contribution to PERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions.

OPEB are advance-funded on an actuarially determined basis. The number of active contributing participants at year-end 2003 was 364,881. The portion of the City's employer contribution that was used to fund postemployment benefits was \$763,571. The actuarial value of PERS net assets available for OPEB was \$10,000,000,000 at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18,700,000,000 and \$8,700,000,000 respectively.

City of Cincinnati Retirement System

Plan Description

The City of Cincinnati Retirement System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The System is considered part of the City of Cincinnati's financial reporting entity and is included in the City's financial report as a pension trust fund, see pages 30 and 31. No separate financial report is issued. Article XV of the Administrative Code of the City of Cincinnati provides the statutory authority vesting the general administration and responsibility for the proper operation of the System in the Board of Trustees of the City of Cincinnati Retirement System. There are four employers that contribute to the plan. They are the City of Cincinnati, University of Cincinnati, University Hospital and Hamilton County. Membership of the Retirement System of the City consisted of the following at December 31, 2003, the date of the latest actuarial valuation:

	<u>Pension</u>	<u>Health care</u>
Retirees and beneficiaries receiving benefits	4,369	4,369
Terminated plan members entitled to future benefits	153	153
Active plan members:		
Vested	2,975	1,787
Nonvested	<u>2,731</u>	<u>3,919</u>
Total	<u>10,228</u>	<u>10,228</u>

1,996 of the Nonvested members are part-time employees who are included in the system to comply with the Omnibus Budget Reconciliation Act of 1990, which mandated the inclusion of certain classifications of employees either in state or municipal retirement systems or the Federal Insurance Contribution Act (Social Security). The City of Cincinnati's Retirement System covers the majority of non-uniformed City employees and a closed group of members from other employers which includes employees of the University of Cincinnati and University Hospital who joined before control of these institutions was transferred to the State of Ohio, and former City employees staying with various operations transferred to the control of Hamilton County.

The service retirement allowance vests after five years of creditable service. Medical care benefits vest after fifteen years of creditable service, or if hired before January 9, 1997 after reaching age sixty with at least five years of creditable service. Any member in service may retire at any age upon completing thirty or more years of membership service or at age 60 with at least five years creditable service, with a retirement allowance commencing immediately; or any member upon completing five years of creditable service before age sixty may retire with a retirement allowance commencing at age sixty, provided, however, at the time of election of the deferred annuity there is no loan outstanding against his contributions.

The annual retirement allowance is equal to 2.5% of the average of the three highest years' compensation multiplied by the number of years of membership service. Employees hired before July 12, 1998 elected either the 2.5% or a 2.22% formula which factors in overtime pay and lump sum payments for vacation, sick leave and compensatory balances. All new employees hired July 12, 1998 and thereafter are subject to the 2.5% formula. Pensions are increased by 3% compounded annually commencing one year after retirement. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by the Cincinnati Municipal Code.

Contributions

Each member contributes at a rate of 7% of his salary until his retirement. This percent contributed by the employees is fixed by the fund's Board of Trustees on the basis of authority provided by Chapter 203 Section 77 of the Cincinnati Municipal Code. The City makes annual employer contributions based on a percentage of the salaries of all members. The contribution rate for 2003 was 7% for all employers. The Board has adopted a policy of applying the net employer contribution rate to the second following year after the actuarial valuation. City of Cincinnati's contributions to the City of Cincinnati Retirement System for the years ending December 31, 2003, 2002 and 2001 were \$11,929,000, \$11,974,000 and \$12,454,000, respectively equal to the required contributions for each year. Administrative costs are financed from the system assets. The unfunded actuarial accrued liability for pension costs as of December 31, 2003 was \$81,133,000 to be amortized over 15 years.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The City of Cincinnati Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - The Retirement System investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchange are valued at the last reported sales price at current exchange rates.

Securities Lending - The Retirement System securities lending program disclosures are presented in accordance with Governmental Accounting Standards Board Statement 28, Accounting and Financial Reporting for Securities Lending Transactions. The disclosures are located in Footnote 2 - Deposits with Financial Institutions and Investments and on the statement of plan net assets and statement of changes in plan net assets.

Derivatives - The Retirement System derivative disclosures are presented in accordance with Governmental Accounting Standards Board Technical Bulletin No. 94 -1, Disclosures about Derivatives and Similar Debt and Investment Transactions and can be found in Footnote 2 - Deposits with Financial Institutions and Investments.

Other Postemployment Benefit Information

The System provides hospital and surgical insurance and dental and vision insurance to retired members who have earned fifteen years credited service at the time of termination or terminate after age sixty with five years credited service. Those who are receiving survivor benefits of eligible members are entitled to have their hospital and surgical insurance and dental and vision insurance premiums paid by the System. When benefits would be reduced by reason of the retired member's eligibility for hospital and medical benefits under federal social security laws, the System will pay whatever additional fees are required for the federal medical coverage.

The health care coverage provided by the System is considered an Other Postemployment Benefit (OPEB). It is advance-funded on an actuarially determined basis as a portion of the employer contribution requirement to the System. The Cincinnati Municipal Code provides authority for employer contributions.

The actuarial assumptions used for the December 31, 2003 valuation included an assumption for hospital and surgical benefits recognizing adjusted premiums based on experience for recent years adjusted to current year by assumed annual increases in premium costs. The cost of OPEBs are recognized as an expense as claims are paid. The employer contribution that was used to fund postemployment benefits was \$3,108,000. The actuarial value of the System's net assets available for OPEB at December 31, 2003 was \$724,049,000. The actuarially accrued liability based on the actuarial cost method used was \$782,698,000. The unfunded actuarial accrued liability for postemployment benefits at December 31, 2003 was \$58,649,000 to be amortized over 15 years.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/03
Actuarial cost method	Individual entry age normal
Asset valuation method	The actuarial value of assets is being reset to market value of assets as of December 31, 2003. For future years, asset gains and losses will be recognized at the rate of 20% per year. The investment gain/(loss) is taken as the excess of the actual return on assets over the expected return on assets. The investment gain/(loss) is then recognized at 20% per year until fully recognized. The actuarial value of assets is the market value minus the sum of the deferred investment gains/(losses) during the preceding five plan years. In addition, the actuarial value is restricted to be no less than 80% of the market value or no more than 120% of the market value.
Actuarial assumptions:	
Investment rate of return*	8.75% per year, net of expenses, compounded annually.
Mortality	
Non-disabled lives:	Uninsured Pensioner 1994 Mortality Table projected to 2009
Disabled Retirees:	Pension Benefit Guarantee Corp. Disabled Mortality Table

Turnover	2000 City of Cincinnati Rate of Termination Experience Table
Disability	1995 City of Cincinnati Disability Retirement Experience Table
Salary increases	Salary increases are assumed to vary by service. For those who had not elected the 2.50% formula an additional 10% assumption increase in average salary is used to reflect final lump sum payments.
Hospital and Surgical Benefits	Adjusted premiums are based on experience for recent years adjusted to current year by assumed annual increase in premium costs.
Medicare Part B	Premiums are assumed to increase in accordance with estimates from the 2004 (2002 last year) Annual Report of the Board of Trustees (previously the Congressional Budget Office) until the year 2013 (2011 last year) and then increase at 5.0%(5.5% last year) per year thereafter. 2004 Part B Premiums are \$799.
Dental Benefits	Premiums are set at \$206 (prior year \$278) and are assumed to increase at a decreasing rate, starting at 6.25% for 2004, then decreasing by 0.25% per year to 4.5% and remaining there for 15 years, then decreasing gradually over 17 years to zero. This takes the \$1,000 fixed cap on annual dental costs into account.
Vision Benefits	The vision premium is \$24 (prior year \$40) per year. The benefit level is fixed; however we anticipate a 0.5% annual increase in costs to take increases in administrative costs into account.
Option Electives:	75% of male participants and 25% of female participants will have a spouse who is covered under the medical benefit portion of the plan. Of these participants with a covered spouse, 85% will elect a Joint & Survivor option.
*Inflation rate	No assumption.
Cost-of-living adjustments	3% compound interest

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(AMOUNTS IN THOUSANDS)

PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/97	\$ 1,250,997	\$1,214,573	(\$36,424)	103.00 %	\$181,547	(20.06) %
12/31/98	1,411,847	1,235,332	(176,515)	114.29	181,691	(97.15)
12/31/99	1,554,854	1,378,625	(176,229)	112.78	184,477	(95.53)
12/31/00	1,627,207	1,439,180	(188,027)	113.06	182,556	(103.00)
12/31/01	1,699,977	1,473,359	(226,618)	115.38	191,756	(118.18)
12/31/02	1,623,059	1,586,583	(36,476)	102.30	186,266	(19.58)
12/31/03	1,555,672	1,636,805	81,133	95.04	184,407	44.00

HEALTHCARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/97	\$548,239	\$532,277	(\$15,962)	103.00 %	\$181,547	(8.79) %
12/31/98	624,185	504,851	(119,334)	123.64	181,691	(65.68)
12/31/99	696,701	531,059	(165,642)	131.19	184,477	(89.79)
12/31/00	736,491	623,386	(113,105)	118.14	182,556	(61.96)
12/31/01	775,960	845,443	69,483	91.78	191,756	36.24
12/31/02	748,291	757,166	8,875	98.83	186,266	4.76
12/31/03	724,049	782,698	58,649	92.51	184,407	31.80

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS

(AMOUNTS IN THOUSANDS)

PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1997	\$23,335	106.80 %
1998	14,560	127.83
1999	0	N/A
2000	0	N/A
2001	0	N/A
2002	3,980	218.99
2003	14,854	58.68

HEALTHCARE PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1997	\$7,778	106.80 %
1998	4,853	127.83
1999	0	N/A
2000	0	N/A
2001	0	N/A
2002	1,327	304.45
2003	4,951	81.60

REQUIRED
SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

CITY OF CINCINNATI, OHIO
Budgetary Comparison Schedule
General Fund
For the year ended December 31, 2003
(Amounts in Thousands)

	General Fund			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 218,701	\$ 218,701	\$ 219,707	\$ 1,006
Licenses and Permits	5,910	5,910	5,852	(58)
Use of Money and Property	11,020	11,020	13,692	2,672
Intergovernmental Revenue	53,638	53,638	54,314	676
Charges for Current Services	15,246	15,246	13,208	(2,038)
Miscellaneous	3,100	3,100	4,609	1,509
Total Revenue	<u>307,615</u>	<u>307,615</u>	<u>311,382</u>	<u>3,767</u>
Expenditures				
Current				
General Government	40,176	43,638	42,635	1,003
Community Development	10,139	9,747	9,736	11
Parks and Recreation	19,170	19,672	19,581	91
Public Safety	140,032	141,499	140,833	666
Transportation & Engineering	2,955	3,162	3,070	92
Public Services	20,268	21,639	21,328	311
Public Health	22,388	22,388	22,084	304
Employee Benefits	56,865	56,016	54,940	1,076
Capital Outlay	509	506	484	22
Total Expenditures	<u>312,502</u>	<u>318,267</u>	<u>314,691</u>	<u>3,576</u>
Excess of Revenue over (under) Expenditures	(4,887)	(10,652)	(3,309)	7,343
Other Financing Sources (Uses)				
Operating Transfer In		5,963	5,963	
Operating Transfers (Out)		(156)	(156)	
Total Other Financing Sources (Uses)		<u>5,807</u>	<u>5,807</u>	
Excess of Revenue over (under) Expenditures and Other Financing Sources	(4,887)	(4,845)	2,498	7,343
Cancellation of Prior Years Encumbrances			1,495	1,495
Fund Balances, January 1	14,976	14,976	14,976	
Fund Balances, December 31	<u>\$ 10,089</u>	<u>\$ 10,131</u>	<u>\$ 18,969</u>	<u>\$ 8,838</u>

Adjustments necessary to convert the results of operations at end of year on the budget basis to the modified accrual basis (GAAP) are as follows:

Excess of revenues and other financing sources over expenditures and other uses per the Budgetary Comparison Schedule	\$ 2,498
(Increases) decreases from revenues:	
Received in cash during year but already accrued as receivables (GAAP) at December 31, 2002	(30,149)
Accrued as receivables at December 31, 2003 but not recognized in budget	25,716
(Increases) decreases from encumbrances:	
Expenditures of amounts encumbered during prior years	(8,937)
Recognized as expenditures in the budget	12,220
(Increases) decreases from expenditures:	
Accrued as liabilities at December 31, 2002 recognized as expenditures (GAAP) but not in budget	7,677
Accrued as liabilities at December 31, 2003	(9,026)
Inventory purchase recognized as expenditures (budget) but not in GAAP	137
Net change in fund balance per the Statement of Revenues, Expenditures, and Changes in Fund Balance (Page 22)	\$ 136

See notes to required supplementary information.

City Of Cincinnati, Ohio
Note to the Required Supplementary Information
December 31, 2003

Note A- Budgetary Data

An operating budget is legally adopted each fiscal year for the General Fund. The budgetary data reports included within this report are prepared on a cash basis of accounting, with the exception of certain accrued personal service and employee benefit costs. Encumbrances, which do not lapse at year-end, are included as expenditures in the current year budget (Non-GAAP). The budgetary process begins at least six months prior to the calendar year for which the budget is to be adopted, with the City certifying the proposed budget to the County Auditor by July 20. By January 1, City Council may adopt annual or temporary appropriation measures using, in part, the official certificate of estimated resources approved by the County Budget Commission and tax rates certified by the County Auditor. By April 1, City Council must adopt annual appropriation ordinances. Only unencumbered appropriations lapse at year end.

The levels of appropriation control for each budgeted expenditure classification that may not be exceeded are: personal services, non-personal services, capital outlay, and debt service. Any revisions that alter the budgeted expenditure classification of any division within a City department must be approved by City Council. During the year, several supplementary appropriations were necessary.

SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

MAJOR GOVERNMENTAL FUND

GENERAL FUND

The General Fund is the general operating fund for the City. It is used to account for resources, traditionally associated with governments, which are not required to be accounted for in another fund.

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Taxes				
Real Property	\$ 23,320	\$ 23,320	\$ 24,073	\$ 753
Personal Property	3,300	3,300	2,879	(421)
Public Utility Property Tax Reimbursement	688	688	688	
City Income Tax	187,993	187,993	187,993	
Admissions	3,400	3,400	4,074	674
Total Taxes	218,701	218,701	219,707	1,006
Payments In Lieu of Taxes			27	27
Licenses and Permits				
Street Use	1,698	1,698	1,473	(225)
Health	290	290	290	
Police and Protective	66	66	68	2
Beer and Liquor	515	515	506	(9)
Business and Merchandising	19	19	17	(2)
Amusements	106	106	95	(11)
Professional and Occupational	126	126	155	29
Buildings, Structures and Equipment	3,090	3,090	3,248	158
Total Licenses and Permits	5,910	5,910	5,852	(58)
Use of Money and Property				
Fines, Forfeits and Penalties	3,000	3,000	3,701	701
Income from Treasury Investments	7,800	7,800	9,787	1,987
Rents	100	100	118	18
General Concessions and Commissions	120	120	86	(34)
Total Use of Money and Property	11,020	11,020	13,692	2,672
Intergovernmental Revenue				
Proportionately Shared State Taxes				
Local Government Revenue Assistance	3,075	3,075	2,875	(200)
Local Government Fund - Sales, Franchise, State Income Tax	27,799	27,799	25,976	(1,823)
Local Government Fund - Financial Institution Tax	630	630	579	(51)
Estate Tax	19,300	19,300	21,973	2,673
State Income Tax - Real Property Tax Reduction	2,671	2,671	2,903	232
State Income Tax - Tangible Property Tax Reduction	150	150		(150)
Payments from Other Governmental Units	13	13	4	(9)
Revenue from Private Sources			4	4
Total Intergovernmental Revenue	53,638	53,638	54,314	676
Charges for Current Services				
General Government	7,562	7,562	7,782	220
Parks and Recreation	3	3		(3)
Buildings and Inspections				
Other Inspection Certificates	210	210	311	101
Elevator Certifications	500	500	563	63
Public Safety				
Police and Communication Charges	20	20	33	13
Motor Vehicle Response	946	946		(946)
Impounded Vehicle Fees	585	585	932	347
Protective Inspection Fees	50	50	48	(2)
Protection Service - Burglary Alarm	140	140	139	(1)
Emergency Transportation Service	3,750	3,750	2,046	(1,704)
Other Public Safety Charges	205	205	145	(60)

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND (Continued)	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Public Services				
Recycling Incentive Fee	\$ 325	\$ 325	\$ 373	\$ 48
Other Public Services Charges	50	50	28	(22)
Public Health				
Vital Statistics	782	782	689	(93)
Clinic Fees	106	106	106	
Other Public Health Charges	12	12	13	1
Total Charges for Current Services	15,246	15,246	13,208	(2,038)
Miscellaneous Revenue	3,100	3,100	4,582	1,482
TOTAL REVENUE	307,615	307,615	311,382	3,767
Expenditures				
City Council				
Personal Services	1,357	1,286	1,264	22
Non-Personal Services	68	139	126	13
Total City Council	1,425	1,425	1,390	35
Office of the Mayor				
Personal Services	403	388	358	30
Non-Personal Services	40	55	55	
Total Office of the Mayor	443	443	413	30
Office of the Clerk of Council				
Personal Services	298	298	252	46
Non-Personal Services	524	524	355	169
Capital Outlay	1	1		1
Total Office of the Clerk of Council	823	823	607	216
Regional Computer Center				
Non-Personal Services	3,726	3,726	3,670	56
Total Regional Computer Center	3,726	3,726	3,670	56
Department of the City Manager				
Office of the City Manager				
Personal Services	963	963	950	13
Non-Personal Services	482	482	454	28
Capital Outlay	10	10		10
Total Office of the City Manager	1,455	1,455	1,404	51
Office of the City Manager				
Citizen's Complaint Authority				
Personal Services	511	491	465	26
Non-Personal Services	49	69	48	21
Total Division of Citizen's Complaint Authority	560	560	513	47
Total Department of the City Manager	2,015	2,015	1,917	98

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
(Continued)				
Expenditures				
Department of Law				
Division of Legal Services				
Personal Services	\$ 3,698	\$ 3,663	\$ 3,592	\$ 71
Non-Personal Services	776	811	804	7
Total Department of Law	4,474	4,474	4,396	78
Department of Human Resources				
Personal Services	1,529	1,606	1,606	
Non-Personal Services	447	370	364	6
Total Department of Human Resources	1,976	1,976	1,970	6
Department of Finance				
Office of the Director				
Personal Services	234	234	210	24
Non-Personal Services	52	52	24	28
Capital Outlay	5	5	4	1
Total Office of the Director	291	291	238	53
Division of Budget & Evaluation				
Personal Services	721	711	697	14
Non-Personal Services	87	97	64	33
Total Division of Budget and Evaluation	808	808	761	47
Division of Accounts and Audits				
Personal Services	989	989	968	21
Non-Personal Services	698	698	635	63
Total Division of Accounts and Audits	1,687	1,687	1,603	84
Division of Treasury				
Personal Services	407	407	397	10
Non-Personal Services	517	512	508	4
Total Division of Treasury	924	919	905	14
Division of Risk Management				
Non-Personal Services	111	111	111	
Total Division of Risk Management	111	111	111	
Division of Income Tax				
Personal Services	2,293	2,293	2,228	65
Non-Personal Services	744	744	676	68
Total Division of Income Tax	3,037	3,037	2,904	133
Division of Purchasing				
Personal Services	752	752	692	60
Non-Personal Services	220	225	211	14
Total Division of Purchasing	972	977	903	74

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND (Continued)	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Division of Internal Audit				
Personal Services	\$ 349	\$ 349	\$ 349	\$
Non-Personal Services	46	46	40	6
Total Internal Audit Unit	395	395	389	6
Total Department of Finance	8,225	8,225	7,814	411
Department of Community Development				
Office of the Director				
Personal Services	308	300	300	
Non-Personal Services	68	95	92	3
Total Office of the Director	376	395	392	3
Division of Housing Development				
Personal Services	188	105	104	1
Non-Personal Services	807	787	787	
Total Division of Housing Development	995	892	891	1
Division of Human Services				
Personal Services	361	321	321	
Non-Personal Services	5,248	4,746	4,746	
Total Division of Human Services	5,609	5,067	5,067	
Division of Community Development				
Personal Services	355	564	561	3
Non-Personal Services	880	906	905	1
Total Division of Community Development	1,235	1,470	1,466	4
Division of Workforce Development				
Personal Services	77	84	84	
Non-Personal Services	1,310	1,279	1,279	
Total Division of Workforce Development	1,387	1,363	1,363	
Division of Historic Conservation/Land Use Management				
Personal Services	459	508	505	3
Non-Personal Services	78	52	52	
Capital Outlay	3			
Total Division of Historic Conserv/Land Use Management	540	560	557	3
Total Department of Community Development	10,142	9,747	9,736	11
Department of Public Recreation				
West Region Division				
Personal Services	1,456	1,401	1,399	2
Non-Personal Services	142	142	142	
Total West Region Division	1,598	1,543	1,541	2
East Region Division				
Personal Services	1,632	1,647	1,644	3
Non-Personal Services	199	199	199	
Total East Region Division	1,831	1,846	1,843	3

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
(Continued)				
Expenditures				
Central Region Division				
Personal Services	\$ 2,094	\$ 1,954	\$ 1,950	\$ 4
Non-Personal Services	193	193	193	
Total Central Region Division	2,287	2,147	2,143	4
Maintenance Division				
Personal Services	2,456	2,516	2,512	4
Non-Personal Services	2,248	2,483	2,483	
Total Maintenance Division	4,704	4,999	4,995	4
Division of Seniors and Special Populations				
Personal Services	903	828	827	1
Non-Personal Services	28	33	32	1
Total Division of Seniors and Special Populations	931	861	859	2
Division of Athletics				
Personal Services	1,007	1,132	1,131	1
Non-Personal Services	179	134	134	
Total Division of Athletics	1,186	1,266	1,265	1
Division of Waterfront Activities				
Personal Services	312	307	304	3
Non-Personal Services	232	232	232	
Total Division of Waterfront Activities	544	539	536	3
Division of Administration				
Personal Services	1,242	1,187	1,186	1
Non-Personal Services	159	596	596	
Capital Outlay	21	21	20	1
Total Division of Administration	1,422	1,804	1,802	2
Total Department of Public Recreation	14,503	15,005	14,984	21
Department of Parks				
Division of Administration and Program Services				
Personal Services	154	154	154	
Non-Personal Services	2	2	2	
Total Division of Administration and Program Services	156	156	156	
Division of Operations				
Personal Services	1,622	1,622	1,615	7
Non-Personal Services	918	918	918	
Total Division of Operations	2,540	2,540	2,533	7
Division of Planning, Design and Development				
Personal Services	1,377	1,377	1,313	64
Non-Personal Services	615	615	615	
Total Division of Planning, Design and Development	1,992	1,992	1,928	64
Total Department of Parks	4,688	4,688	4,617	71

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
(Continued)				
Expenditures				
Department of Buildings and Inspections				
Office of the Director				
Personal Services	\$ 340	\$ 401	\$ 390	\$ 11
Non-Personal Services	160	236	236	
Total Office of the Director	500	637	626	11
Division of Licenses and Permits				
Personal Services	1,347	1,277	1,252	25
Non-Personal Services	90	89	89	
Total Division of Licenses and Permits	1,437	1,366	1,341	25
Division of Building Construction Inspection				
Personal Services	3,028	2,961	2,961	
Non-Personal Services	288	288	287	1
Total Division of Building Construction Inspection	3,316	3,249	3,248	1
Total Department of Buildings and Inspections	5,253	5,252	5,215	37
Department of Police				
Personal Services	74,782	74,802	74,611	191
Non-Personal Services	10,365	10,596	10,596	
Capital Outlay	121	121	115	6
Total Department of Police	85,268	85,519	85,322	197
Department of Fire Protection				
Personal Services	48,909	49,964	49,521	443
Non-Personal Services	5,976	6,137	6,105	32
Capital Outlay	103	103	100	3
Total Department of Fire Protection	54,988	56,204	55,726	478
Department of Transportation and Engineering				
Office of the Director				
Personal Services	322	362	358	4
Non-Personal Services	144	136	118	18
Total Office of the Director	466	498	476	22
Division of Transportation, Planning and Urban Design				
Personal Services	183	232	218	14
Non-Personal Services	66	63	32	31
Total Division of Transportation, Planning and Urban Design	249	295	250	45
Division of Engineering				
Personal Services	464	528	527	1
Non-Personal Services	159	243	234	9
Total Division of Engineering	623	771	761	10
Division of Traffic Engineer				
Personal Services	91	91	81	10
Non-Personal Services	1,526	1,507	1,502	5
Total Division of Traffic Engineer	1,617	1,598	1,583	15
Total Department of Transportation and Engineering	2,955	3,162	3,070	92

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND (Continued)	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Department of Public Services				
Office of the Director				
Personal Services	\$ 619	\$ 619	\$ 600	\$ 19
Non-Personal Services	194	194	177	17
Capital Outlay	5	5	5	
Total Office of the Director	818	818	782	36
Traffic and Road Operations Division				
Personal Services	305	305	301	4
Non-Personal Services	550	950	949	1
Total Traffic and Road Operations Division	855	1,255	1,250	5
Neighborhood Operations Division				
Personal Services	8,290	8,565	8,463	102
Non-Personal Services	6,985	7,681	7,592	89
Total Neighborhood Operations Division	15,275	16,246	16,055	191
Division of Facility Management				
Personal Services	711	711	653	58
Non-Personal Services	2,614	2,614	2,593	21
Total Division of Facility Management	3,325	3,325	3,246	79
Total Department of Public Services	20,273	21,644	21,333	311
Department of Public Health				
Office of the Commissioner				
Personal Services	657	657	657	
Non-Personal Services	103	103	102	1
Capital Outlay	40	40	40	
Total Office of the Commissioner	800	800	799	1
Division of Technical Resources				
Personal Services	2,564	2,564	2,354	210
Non-Personal Services	1,183	1,183	1,169	14
Total Division of Technical Resources	3,747	3,747	3,523	224
Division of Community Health Services				
Personal Services	2,714	2,714	2,684	30
Non-Personal Services	413	413	396	17
Total Division of Community Health Services	3,127	3,127	3,080	47
Division of Primary Care - Special Services				
Personal Services	5,344	5,344	5,344	
Non-Personal Services	803	803	790	13
Total Division of Primary Care - Special Services	6,147	6,147	6,134	13
Division of Primary Care - Health Centers				
Personal Services	6,436	6,436	6,435	1
Non-Personal Services	2,171	2,171	2,153	18
Total Division of Primary Care - Health Centers	8,607	8,607	8,588	19
Total Department of Public Health	22,428	22,428	22,124	304

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
(Continued)				
Expenditures				
Nondepartmental Accounts				
Pension Systems				
Contribution to City Pension System	\$ 5,474	\$ 5,224	\$ 5,142	\$ 82
Contribution to State Pension System	1,216	1,215	1,215	
Contribution to Police Pension System	13,826	13,417	13,417	
Contribution to Fire Pension System	12,571	12,646	12,604	42
Employee Benefits				
Contribution to Employee Hospital Care	17,273	17,273	16,505	768
Dental and Vision Care	2,600	2,520	2,481	39
Medicare Tax	2,012	2,012	1,984	28
Public Employee Assistance	183	204	204	
Contribution to Workers' Compensation Insurance				
Police Officers and Firefighters' Insurance	300	300	225	75
State Unemployment Compensation	500	295	295	
Lump Sum Payments	800	800	767	33
Life Insurance	105	105	100	5
City Council Staff Benefits	5	5	1	4
Professional Services and Legal Fees				
Judgments against the City	1,500	5,444	5,444	
Collaborative Policing Effort	1,000	1,000	1,000	
Miscellaneous Accounts				
Mayor's Office Obligations	10	10	9	1
Justice Department Policing Effort	1,500	1,500	1,500	
Reserve for Contingencies	500	19		19
Cincinnati Public Schools	5,000	5,000	5,000	
Port Authority of Greater Cincinnati	350	350	350	
Property Investment Reimbursement Agreements	1,972	1,972	1,944	28
Motorized and Construction Equipment	200	200	200	
Total Nondepartmental Accounts	68,897	71,511	70,387	1,124
TOTAL EXPENDITURES	312,502	318,267	314,691	3,576
Excess of Revenue over Expenditures	(4,887)	(10,652)	(3,309)	7,343
Other Financing Sources (Uses)				
Transfer In		5,963	5,963	
Transfer (Out)		(156)	(156)	
Total Other Financing Sources (Uses)	-	5,807	5,807	
Excess (Deficiency) of Revenue over (under) Expenditures and Other Financing Sources (Uses)	(4,887)	(4,845)	2,498	7,343
Cancellation of Prior Years Encumbrances			1,495	1,495
Fund Balance, January 1	14,976	14,976	14,976	
Fund Balance, December 31	\$ 10,089	\$ 10,131	\$ 18,969	\$ 8,838

CITY OF CINCINNATI, OHIO

Statement of Revenue, Expenditures and Changes in Fund Balance

For the year ended December 31, 2003

(Amounts in Thousands)

GENERAL FUND

Revenue

Taxes

Real Property	\$	24,510
Public Utility Property Tax Reimbursement		688
Personal Property		2,879
City Income Tax		188,971
Admissions		<u>4,075</u>

Total Taxes 221,123

Payments in Lieu of Taxes 26

Licenses and Permits

Street Use		1,473
Health		290
Police and Protective		68
Beer and Liquor		521
Business and Merchandising		17
Amusements		95
Professional and Occupational		155
Buildings, Structures and Equipment		<u>3,251</u>

Total Licenses and Permits 5,870

Use of Money and Property

Fines, Forfeits and Penalties		3,650
Income from Treasury Investments		7,472
General Concessions and Commissions		<u>86</u>

Total Use of Money and Property 11,208

Intergovernmental Revenue

Proportionately Shared State Taxes

Local Government Revenue Assistance		2,875
Local Government Fund - Sales, Franchise, State Income		25,976
Local Government Fund - Financial Institution Tax		579
State Income Tax - Real Property Tax Reduction		2,903
State Income Tax - Tangible Property Tax Reduction		176
Estate Tax		<u>21,973</u>

(Continued)

CITY OF CINCINNATI, OHIO

Statement of Revenue, Expenditures and Changes in Fund Balance

For the year ended December 31, 2003

(Amounts in Thousands)

GENERAL FUND

(Continued)

Revenue

Intergovernmental Revenue

Payments from Other Governmental Units	\$	4
Revenue from Private Sources		4

Total Intergovernmental Revenue 54,490

Charges for Current Services

General Government 6,571

Charges for Current Services

Buildings and Inspections

Other Inspection Certificates	308
Elevator Certifications	563

Public Safety

Police and Communication Charges	38
Fire Protection Service Outside of City	2
Impounded Vehicle Fees	1,132
Protective Inspection Fees	49
Protection Service - Burglary Alarm	161
Emergency Transportation Service	2,046
Other Public Safety Charges	123

Public Services 402

Public Health

Vital Statistics	689
Clinic Fees	106
Other Public Health Charges	13

Total Charges for Current Services 12,203

Miscellaneous Revenue 833

TOTAL REVENUE 305,753

Expenditures

City Council 1,409

Office of the Clerk of Council 566

(Continued)

CITY OF CINCINNATI, OHIO

Statement of Revenue, Expenditures and Changes in Fund Balance

For the year ended December 31, 2003

(Amounts in Thousands)

GENERAL FUND

(Continued)

Expenditures

Office of the Mayor	\$	409
Office of the City Manager		
Division of the City Manager		1,357
Division of Citizen's Complaint Authority		<u>514</u>
Total Office of the City Manager		1,871
Department of Law		4,388
Department of Human Resources		1,975
Department of Finance		
Office of the Director		244
Division of Budget and Evaluation		754
Division of Treasury		888
Division of Income Tax		2,990
Division of Risk Management		112
Division of Purchasing		903
Division of Accounts and Audits		1,660
Division of Internal Audit		<u>384</u>
Total Department of Finance		7,935
Department of Community Development		
Office of the Director		375
Division of Housing Development		1,102
Division of Human Services		4,934
Division of Community Development		1,553
Division of Workforce Development		1,296
Division of Historic Conservation, Land Use Management and City Planning		<u>543</u>
Total Department of Community Development		9,803

(Continued)

CITY OF CINCINNATI, OHIO

Statement of Revenue, Expenditures and Changes in Fund Balance
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND

(Continued)

Expenditures

Department of Public Recreation

Division of Community Activities - West Region	\$	1,504
Division of Community Activities - East Region		1,852
Division of Community Activities - Central Region		2,140
Division of Community Activities - Maintenance Division		5,161
Division of Seniors and Special Populations		856
Division of Athletics		1,265
Division of Waterfront Activities		533
Division of Administrative Services		<u>1,377</u>

Total Department of Public Recreation 14,688

Department of Parks

Division of Administration and Program Service		156
Division of Planning, Design and Development		1,960
Division of Operations		<u>2,548</u>

Total Department of Parks 4,664

Department of Buildings and Inspections

Office of the Director		570
Division of Licenses and Permits		1,333
Division of Building Construction Inspection		<u>3,214</u>

Total Department of Buildings and Inspections 5,117

Department of Police

84,052

Department of Fire

54,317

Department of Transportation and Engineering

Office of the Director		386
Division of Engineering		795
Division of Transportation Planning		195
Division of Traffic Engineering		<u>1,593</u>

Total Department of Transportation and Engineering 2,969

(Continued)

CITY OF CINCINNATI, OHIO

Statement of Revenue, Expenditures and Changes in Fund Balance

For the year ended December 31, 2003

(Amounts in Thousands)

GENERAL FUND

(Continued)

Expenditures

Department of Public Services	
Director's Office	\$ 772
Traffic and Road Operations Division	1,192
Neighborhood Operations Division	16,831
Division of Facility Management	<u>3,026</u>
Total Department of Public Services	21,821
Department of Regional Computer Center	3,992
Department of Public Health	
Office of the Commissioner	811
Division of Technical Resources	3,481
Division of Community Health Services	3,064
Division of Primary Health Care - Special Programs	6,141
Division of Primary Health Care - Health Centers	<u>8,628</u>
Total Department of Public Health	22,125
Nondepartmental Accounts	
Contribution to City Pension System	4,581
Contribution to State Pension System	1,215
Contribution to Police Pension System	13,418
Contribution to Fire Pension System	12,604
Contribution to Employee Hospital Care	15,862
Contribution to Dental and Vision Care	2,385
Contribution to Medicare	1,985
Public Employees Assistance Program	204
Police Officers and Firefighters' Insurance	255
State Unemployment Compensation	75
Lump Sum Payment	893
Life Insurance	100
City Council Staff Benefits	1
Judgments against the City	5,179
Collaborative Policing Effort	947
Mayor's Office Obligations	7

(Continued)

CITY OF CINCINNATI, OHIO

Statement of Revenue, Expenditures and Changes in Fund Balance
For the year ended December 31, 2003
(Amounts in Thousands)

GENERAL FUND (Continued)

Expenditures

Nondepartmental Accounts

Justice Department Policing Effort	\$ 843
Cincinnati Public Schools	5,000
Port Authority for Greater Cincinnati Development	350
Property Investment Reimbursement Agreements	<u>394</u>

Total Nondepartmental Accounts 66,298

Capital Outlay - Motorized and Construction Equipment 200

TOTAL EXPENDITURES 308,599

Excess of Revenue over Expenditures (2,846)

Other Financing Sources (Uses)

Transfers In	6,081
Transfers (Out)	<u>(3,099)</u>

Total Other Financing Sources (Uses) 2,982

Excess (Deficiency) of Revenue and Other Financing Sources
over (under) Expenditures and Other Uses 136

Fund Balance, January 1 65,341

Cumulative Effect of a Change in Accounting Principle

Fund Balance, December 31 \$ 65,477

(This page intentionally left blank.)

CITY OF CINCINNATI, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Health Services Fund - Used to improve, establish, expand, and/or maintain health services to the citizens of Cincinnati.

Street Construction, Maintenance and Repair Fund - Used to account for street maintenance, repair and cleaning, and the operation and maintenance of traffic signals. Financing is provided by the City's share of State-levied Motor Vehicle License Tax, Gasoline Tax, and reimbursements of expenses.

Parking Meter Fund - Used to account for resources provided by collections from parking meters.

Cable T.V. Fund - Used to account for the proceeds of cable franchise fees received from the cable provider.

Income Tax Infrastructure Fund - Used to account for the proceeds of a .1% levy on earned income for infrastructure purposes.

Income Tax Transit Fund - Used to account for the proceeds of a .3% levy on earned income for transit purposes.

Motor Vehicle License Fund - Used to account for resources provided by the locally levied Municipal Motor Vehicle License Tax.

Special Recreation Fund - Used to account for monies received for special activities such as enrichment exercise programs or caretaker services.

Recreation - Used to account for Federal funds, private contributions, and user fees, and for expenditures made for special recreation activities.

Parks - Used to account for State funds, private contributions, and user fees, and for expenditures made for special parks activities.

Safety - Used to account for Federal and State funds and private contributions, and for expenditures made for public safety purposes.

Health - Used to account for Federal and State funds, private contributions and user fees, and for expenditures made for public health purposes.

Cincinnati Blue Ash Airport - Used to account for the revenue and the expenditures for the operation and maintenance of a municipal airport.

Community Development - Used to account for Federal funds received for city-wide development operations.

Department of Labor Grants - Used to account for Federal funds received for the relief of unemployment through jobs and training.

Other - Used to account for Federal and State funds, private contributions and user fees, and for expenditures for specific purposes not otherwise designated.

Bettman Nature Center - Used to account for the investment and expenditure of bequests made for the Bettman Nature Center.

CITY OF CINCINNATI, OHIO

PERMANENT FUNDS

Groesbeck Endowment - Used to account for the investment and expenditure of bequests made for the cost of music concerts in Burnet Woods.

Schmidlapp Park Music - Used to account for the investment and expenditure of bequests made for the cost of music concerts in Eden Park.

Joanna Peters Bequest - Used to account for the investment and expenditure of bequest made for the treatment of alcoholism.

W. M. Ampt Music Endowment - Used to account for the investment and expenditure of bequests made for the cost of concerts in various City parks.

Crosley Field Trust - Used to account for the investment and expenditure of bequests made for the maintenance of the Crosley Field Sports Complex.

Kroger Trust - Used to account for the investment and expenditure of bequest made for the maintenance of the Hartwell Recreation Center.

Yeatman's Cove Park Trust - Used to account for the investment and expenditure of bequest made for the maintenance of the Yeatman's Cove Park.

Park Board Fund - Used to account for the investment and expenditure of bequests related to the maintenance and improvement of Fleishmann Gardens, the Geier Esplanade, and various citywide parks.

CITY OF CINCINNATI, OHIO
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003
(Amounts in Thousands)

	Special Revenue Funds - Appropriated							
	Health Services	Street Construction Maintenance and Repair	Parking Meter	Cable T.V.	Income Tax Infrastructure	Income Tax Transit	Motor Vehicle License	Special Recreation
Assets								
Cash and Equivalents	\$		\$		\$		\$	\$ 43
Equity in City Treasury Cash	2,635	1,805	1,080	2,427	5,294	8,346	569	1,997
Investments								
Receivables:								
Taxes					1,724	5,171		
Accounts, Net	300	20		8	9		6	
Special Assessments								
Accrued Interest				1		32		9
Due from Other Funds	60	15		16	47		48	
Due from Other Governments		580					217	
Inventory					98			
Advances to Other Funds	500	496						
Total Assets	<u>\$ 3,495</u>	<u>\$ 2,916</u>	<u>\$ 1,080</u>	<u>\$ 2,452</u>	<u>\$ 7,172</u>	<u>\$ 13,549</u>	<u>\$ 840</u>	<u>\$ 2,049</u>
Liabilities								
Accounts Payable	\$ 107	\$ 189	\$ 148	\$ 197	\$ 385		\$ 4	\$ 118
Due to Other Funds	70	28		21	45		112	2
Accrued Payroll	39	206	6	54	382		33	38
Accrued Liabilities	1	2			1			
Deposits Payable		6		400			1	1
Deferred Revenue					383	1,148		
Estimated Liability for Compensated Absences								
Estimated Liability for Unpaid Claims					4			
Advances from Other Funds								
Total Liabilities	<u>217</u>	<u>431</u>	<u>154</u>	<u>672</u>	<u>1,200</u>	<u>1,148</u>	<u>150</u>	<u>159</u>
Fund Equity								
Fund Balances:								
Reserved for Encumbrances	196	472	82	233	1,174		39	313
Reserved for Advances to Other Funds	500	496						
Reserved for Inventory					98			
Reserved in Accordance with Trust								
Unreserved - Designated for Contingencies						5,000		
Unreserved - Undesignated	2,582	1,517	844	1,547	4,700	7,401	651	1,577
Total Fund Equity	<u>3,278</u>	<u>2,485</u>	<u>926</u>	<u>1,780</u>	<u>5,972</u>	<u>12,401</u>	<u>690</u>	<u>1,890</u>
Total Liabilities and Fund Equity	<u>\$ 3,495</u>	<u>\$ 2,916</u>	<u>\$ 1,080</u>	<u>\$ 2,452</u>	<u>\$ 7,172</u>	<u>\$ 13,549</u>	<u>\$ 840</u>	<u>\$ 2,049</u>

CITY OF CINCINNATI, OHIO
 Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
 For the year ended December 31, 2003
 (Amounts in Thousands)

	Special Revenue Funds - Appropriated							
	Health Services	Street Construction Maintenance and Repair	Parking Meter	Cable T.V.	Income Tax Infrastructure	Income Tax Transit	Motor Vehicle License	Special Recreation
<u>Revenue</u>								
Taxes	\$	\$	\$	\$	\$ 12,330	\$ 36,991	\$	\$
Licenses and Permits				2,349				
Use of Money and Property						243		316
Special Assessments								
Intergovernmental Revenue		7,283					2,592	
Federal Grants								
State Grants and Subsidies								619
Charges for Current Services	3,756	18		42	30		18	3,699
Earnings from Investments								
Contributions								
Miscellaneous					1			1
Total Revenue	3,756	7,301		2,391	12,361	37,234	2,610	4,635
<u>Expenditures</u>								
Current								
General Government	106		164	1,116	1,726	513	66	136
Community Development			63		53	52		
Parks and Recreation			321		1,446	21		3,631
Public Safety			271					
Transportation and Engineering			426		3,531	85		
Public Services		6,019	1,127	32	2,754		2,668	
Enterprise Services				33		35,525		
Public Health	3,465							
Employee Benefits	150	1,273	32	235	1,637		177	123
Capital Outlay	4	44			4			20
Debt Service								
Interest								
Total Expenditures	3,725	7,336	2,404	1,416	11,151	36,196	2,911	3,910
Excess (Deficiency) of Revenue over Expenditures	31	(35)	(2,404)	975	1,210	1,038	(301)	725
Other Financing Sources (Uses)								
Transfers In			908	12		25		13
Transfers (Out)				(1,714)	(939)	(140)		(300)
Total Other Financing Sources (Uses)			908	(1,702)	(939)	(115)		(287)
Net Change in Fund Balances	31	(35)	(1,496)	(727)	271	923	(301)	438
Fund Balances, January 1	3,247	2,520	2,422	2,507	5,701	11,478	991	1,452
Fund Balances, December 31	\$ 3,278	\$ 2,485	\$ 926	\$ 1,780	\$ 5,972	\$ 12,401	\$ 690	\$ 1,890

CITY OF CINCINNATI, OHIO
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003
(Amounts in Thousands)

Special Revenue Funds - Nonappropriated

	Recreation	Parks	Safety	Health	Cincinnati Blue Ash Airport	Community Development	Department of Labor Grants	Other	Bettman Nature Center
Assets									
Cash and Equivalents	\$	\$ 2,957	\$	\$	\$	\$ 201	\$	\$	\$ 15
Equity in City Treasury Cash	825	1,136	12,409	6,106	124	513	2,179	7,371	
Investments		212							1,082
Receivables:									
Taxes									
Accounts, Net			4	242	7			200	
Special Assessments						3,417		1,050	
Accrued Interest	2	5	37						
Due from Other Funds				86				31	
Due from Other Governments	11		100	283		1,804		986	
Inventory				253				29	
Advances to Other Funds	25							2,207	
Total Assets	\$ 863	\$ 4,310	\$ 12,550	\$ 6,970	\$ 131	\$ 5,935	\$ 2,179	\$ 11,874	\$ 1,097
Liabilities									
Accounts Payable	\$ 15	\$ 19	\$ 722	\$ 440	\$ 5	\$ 1,998	\$ 1,938	\$ 1,203	\$
Due to Other Funds			8	74		76	2	74	
Accrued Payroll		6		211		73	9	41	
Accrued Liabilities				51		1			
Deposits Payable			863					53	
Deferred Revenue						3,787		1,050	
Estimated Liability for Compensated Absences			7,248						
Estimated Liability for Unpaid Claims									
Advances from Other Funds			2,207	500				125	
Total Liabilities	15	25	11,048	1,276	5	5,935	1,949	2,546	
Fund Equity									
Fund Balances:									
Reserved for Encumbrances	4	27	966	948	13	11,299	4,646	16,243	
Reserved for Advances to Other Funds	25							2,207	
Reserved for Inventory				253				29	
Reserved in Accordance with Trust									
Unreserved - Designated for Contingencies									
Unreserved - Undesignated	819	4,258	536	4,493	113	(11,299)	(4,416)	(9,151)	1,097
Total Fund Equity	848	4,285	1,502	5,694	126	230	9,328	1,097	
Total Liabilities and Fund Equity	\$ 863	\$ 4,310	\$ 12,550	\$ 6,970	\$ 131	\$ 5,935	\$ 2,179	\$ 11,874	\$ 1,097

CITY OF CINCINNATI, OHIO
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2003
(Amounts in Thousands)

Special Revenue Funds - Nonappropriated

	Recreation	Parks	Safety	Health	Cincinnati Blue Ash Airport	Community Development	Department of Labor Grants	Other	Bettman Nature Center
Revenue									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$ 1,449	\$
Licenses and Permits			347	765					
Use of Money and Property	19	235	(23)		58	512		1,525	206
Special Assessments						77		3,631	
Intergovernmental Revenue			1,899	618				50	
Federal Grants	274		1,236	4,818		22,031	5,646	9,125	
State Grants and Subsidies	207	63	87	360				116	
Charges for Current Services	70	511	79	2,894		112	380	146	
Miscellaneous	2	764	179	300		4,469	2	393	
Total Revenue	572	1,573	3,804	9,755	58	27,201	6,028	16,435	206
Expenditures									
Current									
General Government			145	105		1,216	2,785	2,973	
Community Development						1,379	3,679	21,937	
Parks and Recreation	684	1,583						1,320	7
Public Safety			3,373					113	
Transportation and Engineering					63			254	
Public Services								937	
Enterprise Services									
Public Health				9,020				22	
Employee Benefits				1,093		347			
Capital Outlay			119	57	2	23,785		2,161	
Debt Service									
Interest						478			
Total Expenditures	684	1,583	3,637	10,275	65	27,205	6,464	29,717	7
Excess (Deficiency) of Revenue over Expenditures	(112)	(10)	167	(520)	(7)	(4)	(436)	(13,282)	199
Other Financing Sources (Uses)									
Transfers In	12	164				4		16,108	
Transfers (Out)			(2,260)	(2)	(50)				(5)
Total Other Financing Sources (Uses)	12	164	(2,260)	(2)	(50)	4		16,108	(5)
Net Change in Fund Balances	(100)	154	(2,093)	(522)	(57)		(436)	2,826	194
Fund Balances, January 1	948	4,131	3,595	6,216	183		666	6,502	903
Fund Balances, December 31	\$ 848	\$ 4,285	\$ 1,502	\$ 5,694	\$ 126	\$	\$ 230	\$ 9,328	\$ 1,097

CITY OF CINCINNATI, OHIO
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003
(Amounts in Thousands)

	Permanent Funds							Total Nonmajor Governmental Funds	
	Groesbeck Endowment Fund	Schmidlapp Park Music Fund	Joanna Peters Bequest	The W.M. Ampt Music Endowment Fund	Crosley Field Trust	Kroger Trust	Yeatman's Cove Park Trust		Park Board Fund
Assets									
Cash and Equivalents	\$	\$	\$	\$	\$	\$	\$	\$ 132	\$ 3,348
Equity in City Treasury Cash	39	52	92	88		69	543		55,699
Investments	397		1	134	607			5,547	7,980
Receivables:									
Taxes									6,895
Accounts, Net									796
Special Assessments									4,467
Accrued Interest							2		88
Due from Other Funds									303
Due from Other Governments									3,981
Inventory									380
Advances to Other Funds									3,228
Total Assets	<u>\$ 436</u>	<u>\$ 52</u>	<u>\$ 93</u>	<u>\$ 222</u>	<u>\$ 607</u>	<u>\$ 69</u>	<u>\$ 545</u>	<u>\$ 5,679</u>	<u>\$ 87,165</u>
Liabilities									
Accounts Payable	\$	\$	\$	\$	\$	\$	\$ 16	\$	7,504
Due to Other Funds									512
Accrued Payroll									1,098
Accrued Liabilities									56
Deposits Payable									1,324
Deferred Revenue									6,368
Estimated Liability for Compensated Absences									7,248
Estimated Liability for Unpaid Claims									4
Advances from Other Funds									2,832
Total Liabilities							16		26,946
Fund Equity									
Fund Balances:									
Reserved for Encumbrances									36,655
Reserved for Advances to Other Funds									3,228
Reserved for Inventory									380
Reserved in Accordance with Trust	436	52	93	222	225	50	529	5,679	7,286
Unreserved - Designated for Contingencies									5,000
Unreserved - Undesignated					382	19			7,670
Total Fund Equity	<u>436</u>	<u>52</u>	<u>93</u>	<u>222</u>	<u>607</u>	<u>69</u>	<u>529</u>	<u>5,679</u>	<u>60,219</u>
Total Liabilities and Fund Equity	<u>\$ 436</u>	<u>\$ 52</u>	<u>\$ 93</u>	<u>\$ 222</u>	<u>\$ 607</u>	<u>\$ 69</u>	<u>\$ 545</u>	<u>\$ 5,679</u>	<u>\$ 87,165</u>

CITY OF CINCINNATI, OHIO
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Permanent Funds								Total Nonmajor Governmental Funds
	Groesbeck Endowment Fund	Schmidlapp Park Music Fund	Joanna Peters Bequest	The W.M. Ampt Music Endowment Fund	Crosley Field Trust	Kroger Trust	Yeatman's Cove Park Trust	Park Board Fund	
<u>Revenue</u>									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$ 50,770
Licenses and Permits									3,461
Use of Money and Property	93	1	3	18	91	2	14	928	4,241
Special Assessments									3,708
Intergovernmental Revenue									12,442
Federal Grants									43,130
State Grants and Subsidies									1,452
Charges for Current Services									11,755
Miscellaneous									6,111
Total Revenue	93	1	3	18	91	2	14	928	137,070
<u>Expenditures</u>									
Current									
General Government									11,051
Community Development									27,163
Parks and Recreation					1		18	27	9,059
Public Safety									3,757
Transportation and Engineering									4,359
Public Services									13,537
Enterprise Services									35,558
Public Health									12,507
Employee Benefits									5,067
Capital Outlay									26,196
Debt Service									
Interest									478
Total Expenditures					1		18	27	148,732
Excess (Deficiency) of Revenue over Expenditures	93	1	3	18	90	2	(4)	901	(11,662)
Other Financing Sources (Uses)									
Transfers In									17,246
Transfers (Out)	(13)	(2)		(8)	(12)			(136)	(5,581)
Total Other Financing Sources (Uses)	(13)	(2)		(8)	(12)			(136)	11,665
Net Change in Fund Balances	80	(1)	3	10	78	2	(4)	765	3
Fund Balances, January 1	356	53	90	212	529	67	533	4,914	60,216
Fund Balances, December 31	\$ 436	\$ 52	\$ 93	\$ 222	\$ 607	\$ 69	\$ 529	\$ 5,679	\$ 60,219

100

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
HEALTH SERVICES FUND			
Revenue			
Charges for Current Services	\$ 3,500	\$ 3,662	\$ 162
TOTAL REVENUE	3,500	3,662	162
Expenditures			
Department of Public Health			
Division of Primary Care - Special Programs			
Personal Services	51	51	
Non-Personal Services	448	287	161
Capital Outlay	60	8	52
Total Division of Primary Care - Special Programs	559	346	213
Division of Primary Care - Health Centers			
Personal Services	1,406	1,184	222
Non-Personal Services	2,351	2,063	288
Total Division of Primary Care - Health Centers	3,757	3,247	510
Total Department of Health	4,316	3,593	723
Nondepartmental Accounts			
Contribution to City Pension System	99	49	50
Contribution to State Pension System	6	6	
Employee Hospital Care	81	74	7
Dental and Vision Care	12	10	2
Medicare Tax	15	9	6
Public Employee Assistance	1	1	
Life Insurance	1		1
General Fund Overhead Charge	112	106	6
Total Nondepartmental Accounts	327	255	72
TOTAL EXPENDITURES	4,643	3,848	795
Excess (Deficiency) of Revenue over (under) Expenditures	(1,143)	(186)	957
Cancellation of Prior Years Encumbrances		144	144
Fund Balance, January 1	2,821	2,821	
Fund Balance, December 31	\$ 1,678	\$ 2,779	\$ 1,101

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND			
Revenue			
Intergovernmental Revenue			
Motor Vehicle License	\$ 2,550	\$ 2,110	\$ (440)
Gasoline	4,700	5,048	348
Miscellaneous	250	318	68
TOTAL REVENUE	7,500	7,476	(24)
Expenditures			
Department of Public Services			
Traffic and Road Operations Division			
Personal Services	3,166	3,163	3
Non-Personal Services	1,507	1,499	8
Capital Outlay	57	37	20
Total Traffic and Road Operations Division	4,730	4,699	31
Neighborhood Operations Division			
Personal Services	1,778	1,757	21
Non-Personal Services	113	110	3
Total Neighborhood Operations Division	1,891	1,867	24
Total Department of Public Services	6,621	6,566	55
Nondepartmental Accounts			
Contribution to City Pension System	374	371	3
Contribution to State Pension System	56	54	2
Employee Hospital Care	679	677	2
Dental and Vision Care	99	97	2
Medicare Tax	67	59	8
State Unemployment Compensation	6	6	
Life Insurance	3	3	
Total Nondepartmental Accounts	1,284	1,267	17
TOTAL EXPENDITURES	7,905	7,833	72
Excess (Deficiency) of Revenue over (under) Expenditures	(405)	(357)	48
Cancellation of Prior Years Encumbrances		110	110
Fund Balance, January 1	1,717	1,717	
Fund Balance, December 31	<u>\$ 1,312</u>	<u>\$ 1,470</u>	<u>\$ 158</u>

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
PARKING METER FUND			
Revenue			
Miscellaneous	\$ 910	\$ 920	\$ 10
TOTAL REVENUE	910	920	10
Expenditures			
Department of Community Development			
Non-Personal Services	85	65	20
Total Department of Community Development	85	65	20
Department of Parks			
Division of Operations			
Personal Services	43	43	
Non-Personal Services	297	297	
Total Department of Parks	340	340	
Department of Public Safety			
Police Division			
Personal Services	271	271	
Total Department of Public Safety	271	271	
Department of Transportation & Engineering			
Division of Traffic Engineering			
Personal Services	85	51	34
Non-Personal Services	370	360	10
Total Department of Transportation & Engineering	455	411	44
Department of Public Services			
Traffic and Road Operations Division			
Non-Personal Services	40	40	
Total Traffic and Road Operations Division	40	40	
Neighborhood Operations Division			
Non-Personal Services	1,117	1,085	32
Total Neighborhood Operations Division	1,117	1,085	32
Total Department of Public Services	1,157	1,125	32

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

PARKING METER FUND (Continued)	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Budget Positive (Negative)</u>
Non-Departmental Accounts			
Contribution to City Pension System	\$ 23	\$ 11	\$ 12
Employee Hospital Care	22	16	6
Dental and Vision Care	3	2	1
Medicare Tax	4	2	2
Downtown Special Improvements District	<u>100</u>	<u>91</u>	<u>9</u>
Total Non-Departmental Accounts	<u>152</u>	<u>122</u>	<u>30</u>
TOTAL EXPENDITURES	<u>2,460</u>	<u>2,334</u>	<u>126</u>
Excess (Deficiency) of Revenue over (under)			
Expenditures	(1,550)	(1,414)	136
Cancellation of Prior Years Encumbrances		14	14
Fund Balance, January 1	<u>2,346</u>	<u>2,346</u>	
Fund Balance, December 31	<u>\$ 796</u>	<u>\$ 946</u>	<u>\$ 150</u>

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
CABLE T.V. FUND			
Revenue			
Licenses and Permits	\$ 2,320	\$ 2,344	\$ 24
Miscellaneous	80	101	21
TOTAL REVENUE	2,400	2,445	45
Expenditures			
Regional Computer Center			
Personal Services	546	531	15
Non-Personal Services	369	356	13
Capital Outlay	26	10	16
Total Regional Computer Center	941	897	44
Office of the City Manager			
Personal Services	209	206	3
Non-Personal Services	153	108	45
Total Office of the City Manager	362	314	48
Department of Public Services			
Neighborhood Operations Division			
Non-Personal Services	31	31	
Total Department of Public Services	31	31	
Nondepartmental Accounts			
Contribution to City Pension System	95	94	1
Contribution to State Pension System	8	7	1
Employee Hospital Care	106	106	
Dental and Vision Care	17	17	
Medicare Tax	19	18	1
Life Insurance	2	2	
General Fund Overhead Charge	40	38	2
Total Nondepartmental Accounts	287	282	5
TOTAL EXPENDITURES	1,621	1,524	97
Excess of Revenue over Expenditures	779	921	142
Other Financing (Uses)			
Transfers In	13	13	
Transfers Out	(1,714)	(1,714)	
TOTAL OTHER FINANCING SOURCES(USES)	(1,701)	(1,701)	
Excess (Deficiency) of Revenue over (under) Expenditures and other Financing (Uses)	(922)	(780)	142
Cancellation of Prior Years Encumbrances		63	63
Fund Balance, January 1	2,299	2,299	
Fund Balance, December 31	<u>\$ 1,377</u>	<u>\$ 1,582</u>	<u>\$ 205</u>

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

INCOME TAX INFRASTRUCTURE FUND	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
Revenue			
Taxes			
City Income Tax	\$ 12,128	\$ 12,267	\$ 139
Miscellaneous	174	508	334
TOTAL REVENUE	12,302	12,775	473
Expenditures			
Regional Computer Center			
Non-Personal Services	526	526	
Total Regional Computer Center	526	526	
Department of Law			
Division of Legal Services			
Personal Services	166	165	1
Non-Personal Services	10	10	
Total Department of Law	176	175	1
Department of Human Resources			
Personal Services	182	182	
Total Department of Human Resources	182	182	
Department of Finance			
Division of Budget & Evaluation			
Personal Services	28	28	
Non-Personal Services	33	20	13
Total Division of Budget & Evaluation	61	48	13
Division of Accounts and Audits			
Personal Services	152	113	39
Non-Personal Services	3	3	3
Total Division of Accounts and Audits	155	113	42
Division of Purchasing			
Personal Services	105	92	13
Non-Personal Services	58	57	1
Total Division of Purchasing	163	149	14
Total Department of Finance	379	310	69
Department of Community Development & Planning			
Division of Community Development			
Personal Services	51	51	
Non-Personal Services	2	2	
Total Department of Community Development & Planning	53	53	
Department of Public Recreation			
Division of Recreation Administration			
Personal Services	390	390	
Total Department of Public Recreation	390	390	

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

INCOME TAX INFRASTRUCTURE FUND (Continued)	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
Department of Parks			
Division of Operations			
Personal Services	\$ 1,057	\$ 1,057	\$
Total Department of Parks	1,057	1,057	
Department of Buildings & Inspections			
Division of Building Construction Inspection			
Personal Services	43	43	
Total Department of Buildings & Inspection	43	43	
Department of Transportation & Engineering			
Office of the Director			
Personal Services	325	299	26
Non-Personal Services	23	18	5
Total Office of the Director	348	317	31
Division of Transportation, Planning and Urban Design			
Personal Services	268	268	
Non-Personal Services	25	16	9
Total Division of Transportation, Planning and Urban Design	293	284	9
Division of Engineering			
Personal Services	1,539	1,299	240
Non-Personal Services	1,082	1,079	3
Debt Service	939	939	
Total Division of Engineering	3,560	3,317	243
Division of Traffic Engineering			
Personal Services	927	917	10
Non-Personal Services	147	121	26
Total Division of Traffic Engineering	1,074	1,038	36
Total Department of Transportation & Engineering	5,275	4,956	319
Department of Public Services			
Office of the Director			
Personal Services	136	133	3
Non-Personal Services	58	52	6
Capital Outlay	5	5	
Total Office of the Director	199	190	9
Traffic and Road Operations Division			
Personal Services	1,039	1,039	
Non-Personal Services	213	188	25
Total Traffic and Road Operations Division	1,252	1,227	25
Division of Neighborhood Operations			
Non-Personal Services	17	16	1
Total Division of Neighborhood Operations	17	16	1

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

INCOME TAX INFRASTRUCTURE FUND (Continued)	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Division of Facility Management			
Personal Services	\$ 748	\$ 740	\$ 8
Non-Personal Services	<u> 619</u>	<u> 617</u>	<u> 2</u>
Total Division of Facility Management	<u> 1,367</u>	<u> 1,357</u>	<u> 10</u>
 Total Department of Public Services	 2,835	 2,790	 45
 Nondepartmental Accounts			
Contribution to City Pension System	675	608	67
Contribution to State Pension System	33	32	1
Employee Hospital Care	845	767	78
Dental and Vision Care	134	123	11
Medicare Tax	110	87	23
Public Employee Assistance	8	7	1
State Unemployment Compensation	31	20	11
Life Insurance	11	10	1
General Fund Overhead	<u> 541</u>	<u> 514</u>	<u> 27</u>
Total Nondepartmental Accounts	<u> 2,388</u>	<u> 2,168</u>	<u> 220</u>
TOTAL EXPENDITURES	<u> 13,304</u>	<u> 12,650</u>	<u> 654</u>
 Excess (Deficiency) of Revenue over (under) Expenditures	 (1,002)	 125	 1,127
 Cancellation of Prior Years Encumbrances		 175	 175
 Fund Balance, January 1	 <u> 3,217</u>	 <u> 3,217</u>	 <u> </u>
Fund Balance, December 31	<u> \$ 2,215</u>	<u> \$ 3,517</u>	<u> \$ 1,302</u>

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
INCOME TAX TRANSIT FUND			
Revenue			
Taxes			
City Income Tax	\$ 36,277	\$ 36,802	\$ 525
Use of Money and Property	150	332	182
TOTAL REVENUE	36,427	37,134	707
Expenditures			
SORTA			
Operations	35,525	35,525	
Total SORTA	35,525	35,525	
Department of Community Development and Planning			
Division of Workforce Development			
Non Personal Services	74	52	22
Total Dept. of Community Development & Planning	74	52	22
Department of Parks			
Division of Operations			
Non Personal Services	28	21	7
Total Department of Parks	28	21	7
Department Transportation and Engineering			
Division of Engineering			
Personal Services	32	30	2
Non Personal Services	123	55	68
Total Department Transportation and Engineering	155	85	70
Nondepartmental Accounts			
General Fund Overhead	554	513	41
Total Nondepartmental Accounts	554	513	41
TOTAL EXPENDITURES	36,336	36,196	140
Excess of Revenue over Expenditures	91	938	847
Other Financing Sources (Uses)			
Transfers In	25	25	
Transfers (Out)	(140)	(140)	
TOTAL OTHER FINANCING SOURCES (USES)	(115)	(115)	
Excess (Deficiency) of Revenue over (under) Expenditures and Other Financing (Uses)	(24)	823	847
Fund Balance, January 1	7,565	7,565	
Fund Balance, December 31	<u>\$ 7,541</u>	<u>\$ 8,388</u>	<u>\$ 847</u>

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
MOTOR VEHICLE LICENSE FUND			
Revenue			
Licenses and Permits	\$ 2,648	\$ 2,498	\$ (150)
Miscellaneous	2	21	19
TOTAL REVENUE	2,650	2,519	(131)
Expenditures			
Department of Public Services			
Traffic and Road Operations Division			
Personal Services	980	980	
Non-Personal Services	1,757	1,725	32
Total Department of Public Services	2,737	2,705	32
Nondepartmental Accounts			
Contribution to City Pension System	82	71	11
Contribution to State Pension System	6		6
Employee Hospital Care	130	98	32
Dental and Vision Care	23	15	8
Medicare Tax	13	6	7
Life Insurance	2	1	1
General Fund Overhead	76	66	10
Total Nondepartmental Accounts	332	257	75
TOTAL EXPENDITURES	3,069	2,962	107
Excess (Deficiency) of Revenue over (under) Expenditures	(419)	(443)	(24)
Cancellation of Prior Year Encumbrances		194	194
Fund Balance, January 1	749	749	
Fund Balance, December 31	<u>\$ 330</u>	<u>\$ 500</u>	<u>\$ 170</u>

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

	Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
SPECIAL RECREATION FUND			
Revenue			
Use of Money and Property	\$ 333	\$ 355	\$ 22
Charges for Current Services	3,620	3,665	45
Miscellaneous	22	620	598
TOTAL REVENUE	3,975	4,640	665
Expenditures			
Department of Recreation			
West Region			
Personal Services	345	325	20
Non-Personal Services	215	208	7
Total West Region	560	533	27
East Region			
Personal Services	663	558	105
Non-Personal Services	177	134	43
Total East Region	840	692	148
Central Region			
Personal Services	491	491	
Non-Personal Services	304	248	56
Total Central Region	795	739	56
Maintenance			
Personal Services	50	50	
Total Maintenance	50	50	
Seniors & Special Populations			
Personal Services	15	5	10
Non-Personal Services	106	90	16
Total Seniors & Special Populations	121	95	26
Division of Athletics			
Personal Services	423	336	87
Non-Personal Services	305	282	23
Total Division of Athletics	728	618	110
Division of Waterfront			
Personal Services	312	220	92
Non-Personal Services	810	641	169
Total Division of Waterfront	1,122	861	261

(Continued)

CITY OF CINCINNATI, OHIO
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended December 31, 2003
(Amounts in Thousands)

SPECIAL RECREATION FUND (Continued)	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Budget Positive (Negative)</u>
Division of Administration			
Personal Services	\$ 72	\$ 58	\$ 14
Non-Personal Services	75	67	8
Capital Outlay	23	21	2
Total Division of Administration	<u>170</u>	<u>146</u>	<u>24</u>
Total Department of Recreation	4,386	3,734	652
 Nondepartmental Accounts			
Contribution to City Pension System	\$ 60	\$ 53	\$ 7
Contribution to State Pension System	29	28	1
Hospital Care	25	14	11
Dental & Vision Care	2	3	(1)
Medicare Tax	27	25	2
General Fund Overhead	148	136	12
Total Nondepartmental Accounts	<u>291</u>	<u>259</u>	<u>32</u>
TOTAL EXPENDITURES	<u>4,677</u>	<u>3,993</u>	<u>684</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(300)</u>	<u>(300)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(300)</u>	<u>(300)</u>	
Excess (Deficiency) of Revenue over (under) Expenditures	(1,002)	347	1,349
Cancellation of Prior Years Encumbrances		88	88
Fund Balance, January 1	<u>1,146</u>	<u>1,146</u>	
Fund Balance, December 31	<u>\$ 144</u>	<u>\$ 1,581</u>	<u>\$ 1,437</u>

CITY OF CINCINNATI, OHIO

NON-MAJOR ENTERPRISE FUNDS

Parking Facilities - Used to account for the revenue and expenses of the parking meters, garages, and lots of the City.

Convention Center - Used to account for the expenses from the operation of the Albert B. Sabin Convention Center, financed primarily through user fees.

General Aviation - Used to account for the expenses of Lunken Airport, financed primarily through user fees.

Municipal Golf - Used to account for the revenue received from all golf activities and for the expenses of operating the golf courses of the City.

Stormwater Management - Used to account for the operation, maintenance and improvement of a stormwater management system. Financing is provided by the users of the system in proportion to their use of the system.

City of Cincinnati, Ohio
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2003
(Amounts in Thousands)

	Business Type Activities - Enterprise Funds					Total Nonmajor Enterprise Funds
	Parking Facilities	Convention Center	General Aviation	Municipal Golf	Stormwater Management	
Assets						
<u>Current</u>						
Cash and Equivalents	\$ 78					\$ 109
Equity in City Treasury Cash	2,098	1,193	661	383	2,317	6,652
Receivables:						
Taxes		112				112
Accounts, Net	198	35	49		1,489	1,771
Accrued Interest	44		12	8	68	132
Due from Other Funds	3	6			124	133
Due from Other Governments			221			221
Prepaid Items	17	41			36	94
Advances to Other Funds	4,003	1,735	713	105	7,000	13,556
Restricted Assets:						
Equity in City Treasury Cash	8					8
<u>Noncurrent</u>						
Equity in City Treasury Cash	2,461	1,393	773	448	2,707	7,782
Land	4,368	778	13,228	1,324	3,028	22,726
Buildings, net of Accumulated Depreciation	10,048	24,278	779	701		35,806
Improvements, net of Accumulated Depreciation	6,728	4,273	6,975	5,816	28,903	52,695
Machinery and Equipment, net of Accumulated Depreciation	143	8	183	331	21	686
Construction in Progress	13,572	20,530	3,764	509	4,990	43,365
Property Acquired under Capital Leases, net of Accumulated Amortization				179		179
Total Assets	<u>\$ 43,769</u>	<u>\$ 54,382</u>	<u>\$ 27,358</u>	<u>\$ 9,835</u>	<u>\$ 50,683</u>	<u>\$ 186,027</u>
Liabilities						
<u>Current</u>						
Accounts Payable	\$ 195	\$ 115	\$ 51	\$ 149	\$ 265	\$ 775
Due to Other Funds	21	11	253	1	15	301
Accrued Payroll	88	104	25	5	36	258
Accrued Liabilities	376	26	24			426
Accrued Interest	59			7	13	79
Deposits Payable			20			20
Unearned Revenue	93	290				383
Estimated Liability for Compensated Absences	263	207	53	13	109	645
Estimated Liability for Unpaid Claims	2	2			2	6
General Obligation Bonds Payable	9,450			482	925	10,857
<u>Noncurrent</u>						
Estimated Liability for Compensated Absences	211	68	58	3	70	410
General Obligation Bonds and Notes Payable	700			573	2,375	3,648
Total Liabilities	<u>11,458</u>	<u>823</u>	<u>484</u>	<u>1,233</u>	<u>3,810</u>	<u>17,808</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	24,709	49,867	24,929	7,805	33,642	140,952
Restricted	8					8
Unrestricted	7,594	3,692	1,945	797	13,231	27,259
Total Net Assets	<u>\$ 32,311</u>	<u>\$ 53,559</u>	<u>\$ 26,874</u>	<u>\$ 8,602</u>	<u>\$ 46,873</u>	<u>\$ 168,219</u>

CITY OF CINCINNATI, OHIO
Combining Statement of Revenue, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Business Type Activities - Enterprise Funds					Total Nonmajor Enterprise Funds
	Parking Facilities	Convention Center	General Aviation	Municipal Golf	Stormwater Management	
<u>Operating Revenue:</u>						
Charges for Services	\$ 7,885	\$ 2,994	\$ 1,867	\$ 5,811	\$ 7,348	\$ 25,905
Miscellaneous Income	753		1	5	3	762
Total Operating Revenue	8,638	2,994	1,868	5,816	7,351	26,667
<u>Operating Expenses:</u>						
Personal Services	2,962	2,410	789	190	1,135	7,486
Contractual Services	1,203	606	211	4,954	1,754	8,728
Maintenance and Repairs	197	244	93		1,080	1,614
Materials and Supplies	111	84	114	89	74	472
Utilities	369	762	179	335	56	1,701
Insurance	25	72	10		1	108
Taxes	449	51	20			520
Rent	178	7	7		35	227
Other Expense	123	1	17	17	1	159
Depreciation and Amortization	1,388	2,880	643	623	1,441	6,975
Total Operating Expenses	7,005	7,117	2,083	6,208	5,577	27,990
Operating Income (Loss)	1,633	(4,123)	(215)	(392)	1,774	(1,323)
<u>Non-Operating Revenue (Expenses):</u>						
Interest Revenue	181		50	15	109	355
Interest Expense	(411)			(74)	(252)	(737)
Occupancy Tax Receipts		1,019				1,019
(Loss) on Disposal of Assets			(49)			(49)
Total Non-Operating Revenue (Expenses)	(230)	1,019	1	(59)	(143)	588
Income (Loss) before Contributions and Transfers	1,403	(3,104)	(214)	(451)	1,631	(735)
Transfers In	4	1,200	3		3	1,210
Transfers (Out)	(908)					(908)
Capital Contributions	6	3,057	457		9	3,529
Change in Net Assets	505	1,153	246	(451)	1,643	3,096
Net Assets, January 1	31,806	52,406	26,628	9,053	45,230	165,123
Net Assets, December 31	\$ 32,311	\$ 53,559	\$ 26,874	\$ 8,602	\$ 46,873	\$ 168,219

CITY OF CINCINNATI, OHIO
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Business Type Activities - Enterprise Funds					Total Nonmajor Enterprise Funds
	Parking Facilities	Convention Center	General Aviation	Municipal Golf	Stormwater Management	
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 8,492	\$ 3,356	\$ 1,866	\$ 5,816	\$ 7,264	\$ 26,794
Receipts from Other Funds		19				19
Payments to Suppliers	(1,447)	(1,491)	(623)	(4,886)	(2,836)	(11,283)
Payments to Other Funds	(634)	(1,294)				(1,928)
Payments to Employees	(2,998)	(2,453)	(765)	(193)	(1,156)	(7,565)
Payments for Property Taxes	(396)	(51)	(44)			(491)
Net Cash Provided (Used) by Operating Activities	<u>3,017</u>	<u>(1,914)</u>	<u>434</u>	<u>737</u>	<u>3,272</u>	<u>5,546</u>
Cash Flows from Non Capital Financing Activities:						
Repayment of Advances Made To Other Funds	1,237	7,270	247	273	765	9,792
Occupancy Tax Receipts		1,149				1,149
Transfers to Other Funds	(908)					(908)
Transfers from Other Funds	4	1,200	3		3	1,210
Net Cash Provided by Non Capital Financing	<u>\$ 333</u>	<u>\$ 9,619</u>	<u>\$ 250</u>	<u>\$ 273</u>	<u>\$ 768</u>	<u>\$ 11,243</u>
Cash Flows from Capital and Related Financing Activities:						
Capital Contributed by Other Sources		3,057	457			3,514
Acquisition of Property, Plant and Equipment	(18)		(70)	(119)	(1,671)	(1,878)
Interest Paid on Bonds and Notes	(413)			(77)	(255)	(745)
Principal Paid on Bonds and Notes	(350)			(477)	(925)	(1,752)
Payments on Long Term Capital Lease Obligations				(65)		(65)
Additions to Construction in Progress	(2,152)	(10,658)	(1,128)	(425)	(1,599)	(15,962)
Net Cash (Used) by Capital and Related Financing Activities	<u>(2,933)</u>	<u>(7,601)</u>	<u>(741)</u>	<u>(1,163)</u>	<u>(4,450)</u>	<u>(16,888)</u>
Cash Flow from Investing Activities:						
Interest and Dividends on Investments	174		59	24	159	416
Net Cash Provided by Investing Activities	<u>174</u>		<u>59</u>	<u>24</u>	<u>159</u>	<u>416</u>
Net Increase (Decrease) in Cash and Cash Equivalents	591	104	2	(129)	(251)	317
Cash and Cash Equivalents at Beginning of Year	<u>4,054</u>	<u>2,482</u>	<u>1,432</u>	<u>991</u>	<u>5,275</u>	<u>14,234</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,645</u>	<u>\$ 2,586</u>	<u>\$ 1,434</u>	<u>\$ 862</u>	<u>\$ 5,024</u>	<u>\$ 14,551</u>

CITY OF CINCINNATI, OHIO
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Business Type Activities - Enterprise Funds					Total Nonmajor Enterprise Funds
	Parking Facilities	Convention Center	General Aviation	Municipal Golf	Stormwater Management	
<u>Reconciliation of Operating Income (Loss) to</u>						
<u>Net Cash Provided (Used) by</u>						
<u>Operating Activities:</u>						
Operating Income (Loss)	\$ 1,633	\$ (4,123)	\$ (215)	\$ (392)	\$ 1,774	\$ (1,323)
Depreciation and Amortization	1,388	2,880	643	623	1,441	6,975
Capital Assets Expensed				539		539
Changes in Assets and Liabilities:						
(Increase) Decrease in:						
Receivables	(11)	186	(7)		7	175
Due from Other Funds	(3)				(94)	(97)
Due from Other Governments			(157)			(157)
Prepaid Items	10	15			(36)	(11)
Increase (Decrease) in:						
Accounts Payable	116	(20)	(21)	(28)	231	278
Deposits Payable			4			4
Due to Other Funds		(868)	175	(2)	(29)	(724)
Accrued Payroll	9	41	5	(1)	11	65
Accrued Liabilities	53	85	(12)			126
Deferred Revenue	(130)					(130)
Liability for Compensated Absences	(45)	(86)	19	(2)	(32)	(146)
Estimated Liability for Unpaid Claims	(3)	(24)			(1)	(28)
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,017</u>	<u>\$ (1,914)</u>	<u>\$ 434</u>	<u>\$ 737</u>	<u>\$ 3,272</u>	<u>\$ 5,546</u>

Schedule of Noncash Investing, Capital
and Financing Activities:

Acquisition of Property, Plant and Equipment from Capital Contributions	\$ 6	\$	\$	\$	\$ 9	\$ 15
Total Noncash Investing, Capital and Financing Activities	<u>\$ 6</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9</u>	<u>\$ 15</u>

(This page intentionally left blank.)

CITY OF CINCINNATI, OHIO

INTERNAL SERVICE FUNDS

Purchasing-Reproduction and Printing - Used to account for revenue from City departments and for the expenses of operations and maintenance of the Division of Reproduction and Printing.

Municipal Garage - Used to account for revenue from City departments for auto repairs and maintenance and to account for the expenses necessary to provide this service.

Purchasing-General Stores - Used to account for the revenue and expenses related to the distribution and sale of materials and supplies.

Property Management - Used to account for proceeds of City leases and land sales and to account for costs of administering the fixed assets of the City.

Self Insurance-Medical - Used to account for monies appropriated from the General or other funds or received from contract agencies, employees, members of council and others, including interest earned, and to make expenditures for employee medical costs.

Self Insurance-Workers' Compensation - Used to receive, from all City funds, workers' compensation premium charges, and to pay workers' compensation premium payments, claim costs and reserve settlements.

Regional Computer Center - Used to account for revenue and expenses related to the delivery of data processing services to the City, Hamilton County, and others.

CITY OF CINCINNATI, OHIO

Combining Statement of Net Assets

Internal Service Funds

December 31, 2003

(Amounts in Thousands)

	Purchasing Reproduction and Printing	Municipal Garage	Purchasing General Stores	Property Management	Self Insurance Medical	Self Insurance Workers' Compensation	Regional Computer Center	Total Internal Service Funds
Assets								
<u>Current</u>								
Equity in City Treasury Cash	\$ 138	\$ 124	\$ 314	\$ 133	\$ 5,430	\$ 23,251	\$ 608	\$ 29,998
Receivables:								
Accounts, Net	2	18	4	67	4		377	472
Accrued Interest					31	294	4	329
Due from Other Funds		916			370		2,153	3,439
Due from Other Governments							833	833
Prepaid Items		2			672		287	961
Inventory	90	1,529	37					1,656
Advances to Other Funds							13,414	13,414
<u>Noncurrent</u>								
Equity in City Treasury Cash	162	145	366	156	6,344	27,164	710	35,047
Land		283						283
Buildings, net of Accumulated Depreciation		12						12
Improvements, net of Accumulated Depreciation		2,776	8				1,248	4,032
Machinery and Equipment, net of Accumulated Depreciation	29	431					24,254	24,714
Property Acquired under Capital Leases, net of Accumulated Amortization	45							45
Total Assets	466	6,236	729	356	12,851	50,709	43,888	115,235

CITY OF CINCINNATI, OHIO
Combining Statement of Net Assets
Internal Service Funds
December 31, 2003
(Amounts in Thousands)

	Purchasing Reproduction and Printing	Municipal Garage	Purchasing General Stores	Property Management	Self Insurance Medical	Self Insurance Workers' Compensation	Regional Computer Center	Total Internal Service Funds
Liabilities								
<u>Current</u>								
Accounts Payable	\$ 63	\$ 512	\$ 79	\$	\$ 2,531	\$ 9	\$ 895	\$ 4,089
Due to Other Funds		1,291	5	132			34	1,462
Accrued Payroll	12	141	4	7			485	649
Accrued Liabilities						4,997	2	4,999
Obligations under Capital Leases	10							10
Deposits Payable				111				111
Unearned Revenue				40				40
Estimated Liability for Compensated Absences	35	322	7	4			1,215	1,583
Estimated Liability for Unpaid Claims					8,170			8,170
<u>Noncurrent</u>								
Estimated Liability for Compensated Absences	17	173	13	32			301	536
Estimated Liability for Unpaid Claims						10,136		10,136
Advances from Other Funds		296		177				473
Advances from Other Governments		20						20
Obligations under Capital Leases	28							28
Total Liabilities	165	2,755	108	503	10,701	15,142	2,932	32,306
<u>Net Assets</u>								
Investment in Capital Assets Net of Related Debt	36	3,502	8	-	-	-	25,502	29,048
Unrestricted	265	(21)	613	(147)	2,150	35,567	15,454	53,881
Total Net Assets	\$ 301	\$ 3,481	\$ 621	\$ (147)	\$ 2,150	\$ 35,567	\$ 40,956	\$ 82,929

CITY OF CINCINNATI, OHIO
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Purchasing Reproduction and Printing	Municipal Garage	Purchasing General Stores	Property Management	Self Insurance Medical	Self Insurance Workers' Compensation	Regional Computer Center	Total Internal Service Funds
Operating Revenue:								
Charges for Services	\$ 1,585	\$ 11,994	\$ 1,319	\$	\$ 62,278	\$	\$ 20,426	\$ 97,602
Miscellaneous Income				1,767				1,767
Total Operating Revenue	1,585	11,994	1,319	1,767	62,278		20,426	99,369
Operating Expenses:								
Personal Services	379	4,344	111	314			10,994	16,142
Contractual Services	928	310	29	54	638	904	5,749	8,612
Maintenance and Repairs	34	668	3	18			1,261	1,984
Materials and Supplies	163	6,321	1,099	4			1,580	9,167
Utilities	3	182		1			245	431
Insurance		6			67,791	2,225	74	70,096
Taxes		2						2
Rent	8	17	2	43			1,644	1,714
Depreciation and Amortization	52	241	3				2,488	2,784
Other Expense		4		2			15	21
Total Operating Expenses	1,567	12,095	1,247	436	68,429	3,129	24,050	110,953
Operating Income (Loss)	18	(101)	72	1,331	(6,151)	(3,129)	(3,624)	(11,584)
Non-Operating Revenue (Expenses):								
Interest Expense	(3)	(61)					(4)	(68)
Interest Revenue					203	1,272	17	1,492
(Loss) on Disposal of Assets		(16)					(5)	(21)
Total Non-Operating Revenue (Expenses)	(3)	(77)			203	1,272	8	1,403
Income (Loss) before Contributions and Transfers	15	(178)	72	1,331	(5,948)	(1,857)	(3,616)	(10,181)
Transfers In							10,199	10,199
Transfers (Out)				(1,193)		(1,063)		(2,256)
Capital Contribution		233					7	240
Change in Net Assets	15	55	72	138	(5,948)	(2,920)	6,590	(1,998)
Net Assets, January 1	286	3,426	549	(285)	8,098	38,487	34,366	84,927
Net Assets, December 31	\$ 301	\$ 3,481	\$ 621	\$ (147)	\$ 2,150	\$ 35,567	\$ 40,956	\$ 82,929

CITY OF CINCINNATI, OHIO
Combining Statement of Cash Flows
Internal Service Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Purchasing Reproduction and Printing	Municipal Garage	Purchasing General Stores	Property Management	Self Insurance Medical	Self Insurance Workers' Compensation	Regional Computer Center	Total Internal Service Funds
Cash Flows from Operating Activities:								
Receipts from Customers	\$ 77	\$ 11,837	\$ 15	\$ 1,808	\$ 5,166	\$	\$ 20,436	\$ 39,339
Receipts from Other Funds	1,509	125	1,302		24,282		1,030	28,248
Receipts from Retirement System					34,554			34,554
Payment to Suppliers	(1,178)	(7,315)	(1,043)	(58)	(65,879)	(5,558)	(12,094)	(93,125)
Payments to Other Funds	(8)	(251)	(47)				(158)	(464)
Payments to Employees	(362)	(4,480)	(101)	(309)			(10,877)	(16,129)
Payments for Property Taxes		(2)						(2)
Net Cash Provided (Used) by Operating Activities	38	(86)	126	1,441	(1,877)	(5,558)	(1,663)	(7,579)
Cash Flows from Non Capital								
Financing Activities:								
Repayment of Advances From other Funds		(41)						(41)
Advances to Other Funds							(753)	(753)
Transfers from Other Funds							10,199	10,199
Transfers to Other Funds				(1,193)		(1,063)		(2,256)
Net Cash Provided (Used) by Non-Capital Financing Activities		(41)		(1,193)		(1,063)	9,446	7,149
Cash Flows from Capital and Related								
Financing Activities:								
Acquisition of Property, Plant and Equipment							(9,779)	(9,779)
Interest paid on Debt	(3)	(61)						(64)
Payment on Long Term Capital Leases	(32)						(92)	(124)
Net Cash (Used) by Capital and Related Financing Activities	(35)	(61)					(9,871)	(9,967)
Cash Flows from Investing Activities:								
Interest and Dividends on Investments					254	1,451	23	1,728
Net Cash Provided by Investing Activities					254	1,451	23	1,728
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3	\$ (188)	\$ 126	\$ 248	\$ (1,623)	\$ (5,170)	\$ (2,065)	\$ (8,669)
Cash and Cash Equivalents at Beginning of Year	297	457	554	41	13,397	55,585	3,383	73,714
Cash and Cash Equivalents at End of Year	\$ 300	\$ 269	\$ 680	\$ 289	\$ 11,774	\$ 50,415	\$ 1,318	\$ 65,045

CITY OF CINCINNATI, OHIO
Combining Statement of Cash Flows
Internal Service Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Purchasing Reproduction and Printing	Municipal Garage	Purchasing General Stores	Property Management	Self Insurance Medical	Self Insurance Workers' Compensation	Regional Computer Center	Total Internal Service Funds
<u>Reconciliation of Operating Income to</u>								
<u>Net Cash Provided (Used) by</u>								
<u>Operating Activities:</u>								
Operating Income (Loss)	\$ 18	\$ (101)	\$ 72	\$ 1,331	\$ (6,151)	\$ (3,129)	\$ (3,624)	\$ (11,584)
Depreciation and Amortization	52	241	3				2,488	2,784
Changes in Assets and Liabilities:								
(Increase) Decrease in:								
Receivables	1	(17)	(3)	(54)	(4)		1,032	955
Due from Other Funds		(15)		20	1,728	1,500	(612)	2,621
Due from Other Governments							620	620
Inventory	(56)	(34)	(1)					(91)
Prepaid Items					343		(166)	177
Increase (Decrease) in:								
Accounts Payable	6	94	40	(1)	37	6	42	224
Deposits Payable				43				43
Due to Other Funds		(119)	5	65			(463)	(512)
Due to Other Governmental Agencies							(1,094)	(1,094)
Accrued Payroll	4	(28)	2				161	139
Accrued Liabilities						(536)		(536)
Deferred Revenue				33				33
Liability for Compensated Absences	13	(107)	8	4			(47)	(129)
Estimated Liability for Unpaid Claims					2,170	(3,399)		(1,229)
Net Cash Provided (Used) by Operating Activities	<u>\$ 38</u>	<u>\$ (86)</u>	<u>\$ 126</u>	<u>\$ 1,441</u>	<u>\$ (1,877)</u>	<u>\$ (5,558)</u>	<u>\$ (1,663)</u>	<u>\$ (7,579)</u>
<u>Schedule of Noncash Investing,</u>								
<u>Capital and Financing Activities:</u>								
Acquisition of Equipment under Capital Lease	\$	\$	\$	\$	\$	\$	\$	\$
Property Plant and Equipment Contributed by Other Funds		233					7	240
Total Noncash Investing, Capital and Financing Activities	<u>\$</u>	<u>\$ 233</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 7</u>	<u>\$ 240</u>

CITY OF CINCINNATI, OHIO

FIDUCIARY FUNDS

TRUST AND AGENCY FUNDS

Pension Trust Fund

Pension Trust - Used to account for the receipts and expenditures of the City's Retirement System.

Agency Funds

Towing Charges - Used to account for monies received as charges for towing and storage of impounded vehicles.

Convention Facility Authority – Used to account for monies collected by the City of Cincinnati and Hamilton County from Transient Occupancy Tax Revenues.

Admission Tax Bond - Used to account for deposits related to entertainment facilities in the City.

Engineering Deposits - Used to account for Transportation & Engineering monies reserved for specific purposes.

Metropolitan Sewer District - Used to account for the monies of the Metropolitan Sewer District.

CITY OF CINCINNATI, OHIO
Statement of Plan Net Assets
Pension Trust
December 31, 2003
(Amounts in Thousands)

<u>Assets:</u>	
Cash and Equivalents	\$ 119,111
Investments, at fair value:	
U. S. Government Bonds	240,532
U. S. Government Agencies	789
U. S. Government Mortgage Backed Securities	116,338
Corporate Bonds	190,040
State and Local Obligations	3,741
Equities	1,494,538
Venture Capital	14,529
U. S. Treasury Bills	9,951
Commerical Paper	19,036
Other Bonds	29,360
Other Assets	67
Total Investments, at fair value	<u>2,118,921</u>
Collateral on Loaned Securities	582,485
Receivables:	
Accounts Receivable for Securities Sold	91,028
Accounts Receivable - Other	29
Accrued Interest and Dividends	9,436
Due from Other Funds	361
Due from Other Governments	162
Loans Receivable	19,214
Machinery and Equipment	1,369
Accumulated Depreciation	<u>(759)</u>
Total Assets	2,941,357
 <u>Liabilities:</u>	
Accounts Payable for Securities Purchased	69,733
Accounts Payable - Other	2,425
Due to Other Funds	370
Obligations under Securities Lending	582,485
Accrued Payroll	36
Accrued Liabilities	6,502
Unearned Revenue	2
Estimated Liability for Compensated Absences	<u>83</u>
Total Liabilities	<u>661,636</u>
 <u>Net assets:</u>	
Held in Trust for Employees' Pension Benefits	1,555,672
Held in Trust for Employees' Postemployment Healthcare Benefits	<u>724,049</u>
Combined Net Assets	<u><u>\$ 2,279,721</u></u>

CITY OF CINCINNATI, OHIO
Combining Statement of Changes in Plan Net Assets
Pension Trust
For the year ended December 31, 2003
(Amounts in Thousands)

	Pension	Healthcare	Total
<u>Additions:</u>			
Contributions:			
Member	\$ 10,033	\$ 3,278	\$ 13,311
Employer	9,512	3,108	12,620
Total Contributions	19,545	6,386	25,931
Transfers From Other Retirement Systems	674	224	898
Investment Income			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	243,899	113,085	356,984
Interest & Dividends	41,415	19,203	60,618
Investment Income	285,314	132,288	417,602
Less Investment Management Expenses	4,156	1,927	6,083
Net Income From Investing Activities	281,158	130,361	411,519
From Security Lending Activities:			
Securities Lending Income	2,816	1,305	4,121
Securities Lending Expense:			
Borrower Rebates	(2,152)	(997)	(3,149)
Management Fees	(198)	(92)	(290)
Total Securities Lending Expenses	(2,350)	(1,089)	(3,439)
Net Income from Securities Lending Activities	466	216	682
Total Additions	301,843	137,187	439,030
<u>Deductions:</u>			
Benefits Payments:			
Pension and Annuities	92,303		92,303
Hospital and Medical Care		31,776	31,776
Medicare		2,497	2,497
Dental Benefits		900	900
Vision Benefits		113	113
Death Benefits, Active and Retired	1,123		1,123
Loss Due to Death of Members with Loans	24		24
Transfers - Retirement to Other Systems	2,483	852	3,335
Total Benefits Payments	95,933	36,138	132,071
Refunds of Contributions	1,545		1,545
Administrative Expenses:			
Personal Services	395	184	579
Contractual Services	603	280	883
Materials and Supplies	65	31	96
Depreciation	181	84	265
Total Administration Expenses	1,244	579	1,823
Total Deductions	98,722	36,717	135,439
Net Increase	203,121	100,470	303,591
Net Assets held in Trust for Benefits			
Beginning of Year	1,352,551	623,579	1,976,130
End of Year	\$ 1,555,672	\$ 724,049	\$ 2,279,721

CITY OF CINCINNATI, OHIO
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003
(Amounts in Thousands)

	Agency Funds					
	Towing Charges Private Operators	Convention Facility Authority	Admissions Tax Bonds	Engineering Deposits	Metropolitan Sewer District	Total
Assets						
Equity in City Treasury Cash	\$ 270	\$ 4,393	\$ 25	\$ 1,415	\$	\$ 6,103
Investments, at fair value					228,566	228,566
Receivables:						
Accounts, Net				15	20,734	20,749
Accrued Interest and Dividends					541	541
Due from Other Funds					48	48
Inventory					905	905
Total Assets	\$ 270	\$ 4,393	\$ 25	\$ 1,430	\$ 250,794	\$ 256,912
Liabilities						
Accounts Payable	\$	\$	\$	\$	\$ 10,263	\$ 10,263
Due to Other Governmental Agencies					232,585	232,585
Due to Other Funds	200				908	1,108
Accrued Payroll					1,141	1,141
Accrued Liabilities					6	6
Deposits Payable	70	4,393	25	1,430		5,918
Estimated Liability for Compensated Absences					5,891	5,891
Total Liabilities	\$ 270	\$ 4,393	\$ 25	\$ 1,430	\$ 250,794	\$ 256,912

CITY OF CINCINNATI, OHIO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	Balance January 1, 2003	Additions	Deductions	Balance December 31, 2003
<u>TOWING CHARGES - PRIVATE OPERATORS</u>				
ASSETS				
Equity in City Treasury Cash	\$ 235	\$ 741	\$ 706	\$ 270
LIABILITIES				
Due to Other Funds	\$ 178	\$ 200	\$ 178	\$ 200
Deposits Payable	57	763	750	70
Total Liabilities	\$ 235	\$ 963	\$ 928	\$ 270
<u>ADMISSION TAX BONDS</u>				
ASSETS				
Equity in City Treasury Cash	\$ 25	\$ 1	\$ 1	\$ 25
LIABILITIES				
Deposits Payable	\$ 25	\$ 1	\$ 1	\$ 25
<u>CONVENTION FACILITY AUTHORITY</u>				
ASSETS				
Equity in City Treasury Cash	\$	\$ 4,816	\$ 423	\$ 4,393
LIABILITIES				
Deposits Payable	\$	\$ 4,816	\$ 423	\$ 4,393
<u>ENGINEERING DEPOSITS</u>				
ASSETS				
Equity in City Treasury Cash	\$ 967	\$ 1,275	\$ 827	\$ 1,415
Accounts Receivable	16	80	81	15
Due From Other Funds	15		15	
Total Assets	\$ 998	\$ 1,355	\$ 923	\$ 1,430
LIABILITIES				
Deposits Payable	\$ 998	\$ 1,272	\$ 840	\$ 1,430
<u>METROPOLITAN SEWER DISTRICT</u>				
ASSETS				
Investments	\$ 146,071	\$ 274,115	\$ 191,620	\$ 228,566
Accounts Receivable	21,033	21,967	22,266	20,734
Accrued Interest Receivable	306	938	703	541
Due From Other Funds	19	48	19	48
Inventory	793	598	486	905
Total Assets	\$ 168,222	\$ 297,666	\$ 215,094	\$ 250,794
LIABILITIES				
Accounts Payable	\$ 9,077	\$ 10,262	\$ 9,076	\$ 10,263
Vouchers Payable		133,328	133,328	
Due to Other Funds	192	908	192	908
Due to Other Governmental Agencies	151,611	232,585	151,611	232,585
Accrued Payroll	1,061	1,141	1,061	1,141
Accrued Liabilities	5	6	5	6
Estimated Liability for Compensated Absence	6,276	3,678	4,063	5,891
Total Liabilities	\$ 168,222	\$ 381,908	\$ 299,336	\$ 250,794

CITY OF CINCINNATI, OHIO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended December 31, 2003
(Amounts in Thousands)

	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2003</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Equity in City Treasury Cash	\$ 1,227	\$ 6,833	\$ 1,957	\$ 6,103
Investments	146,071	274,115	191,620	228,566
Receivables:				
Accounts, Net	21,049	22,047	22,347	20,749
Accrued Interest Receivable	306	938	703	541
Due from Other Funds	34	48	34	48
Inventory	793	598	486	905
Total Assets	<u>\$ 169,480</u>	<u>\$ 304,579</u>	<u>\$ 217,147</u>	<u>\$ 256,912</u>
LIABILITIES				
Accounts Payable	\$ 9,077	\$ 10,262	\$ 9,076	\$ 10,263
Vouchers Payable		133,328	133,328	
Due to Other Governmental Agencies	151,611	232,585	151,611	232,585
Due to Other Funds	370	1,108	370	1,108
Accrued Payroll	1,061	1,141	1,061	1,141
Accrued Liabilities	5	6	5	6
Deposits Payable	1,080	6,852	2,014	5,918
Estimated Liability for Compensated Absence	6,276	3,678	4,063	5,891
Total Liabilities	<u>\$ 169,480</u>	<u>\$ 388,960</u>	<u>\$ 301,528</u>	<u>\$ 256,912</u>

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

CITY OF CINCINNATI, OHIO

Comparative Schedule of Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source
 December 31,
 (Amounts In Thousands)

	<u>2003</u>	<u>2002</u>
Governmental Funds Capital Assets		
Land	\$ 159,691	\$ 156,371
Buildings	141,145	131,187
Improvements	256,139	232,534
Machinery and Equipment	109,660	97,968
Infrastructure	436,088	390,317
Construction in Progress	125,203	108,888
Property acquired under capital leases	<u>2,016</u>	<u>2,141</u>
Total Governmental Capital Assets	<u>\$ 1,229,942</u>	<u>\$ 1,119,406</u>
Investment in Governmental Capital Assets	<u>\$ 1,229,942</u>	<u>\$ 1,119,406</u>

Investment in Governmental Capital Assets by Source:

Permanent Improvement Fund or		
General Obligation Bonds	\$ 752,405	\$ 634,294
Federal Grants	45,370	32,621
State Grants	142,307	93,009
County Grants	22,353	10,184
General Fund Revenues	45,359	30,794
Special Revenue Funds	8,004	7,873
Gifts	11,340	8,895
Other and Undifferentiated	<u>202,804</u>	<u>301,736</u>
Total from All Sources	<u>\$ 1,229,942</u>	<u>\$ 1,119,406</u>

CITY OF CINCINNATI, OHIO

Schedule of Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity*
 As of December 31, 2003
 (Amounts In Thousands)

	Total	Land	Buildings	Improvements	Equipment	Infrastructure	Property Acquisition under Capital Leases	Construction In Progress
Mayor and Council	\$ 89	\$	\$	\$	\$ 89	\$	\$	\$
City Manager	222		48		174			
Law	73				73			
Human Resources	263				263			
Finance	558				558			
Regional Computer Center	3,365				3,365			
Community Development	99,197	65,422	1,298	32,050	252	175		
Recreation	84,619	7,446	18,646	55,169	3,358			
Parks	32,186	12,185	9,754	7,883	2,364			
Buildings and Inspections	406				406			
Public Safety	47,773	1,591	7,852	8,502	29,828			
Transportation & Engineering	464,500	11,933	5,464	10,477	1,098	435,528		
Enterprise Services	1,192	296			896			
Public Services	33,244	542	4,530	7,062	20,725	385		
Public Health	10,342	237	2,722	5,340	2,043			
Pooled, Unassigned Equipment	560				560			
Southern Railway Improvement	83,224			83,224				
General Government								
Land	59,756	59,756						
Buildings	90,559		90,559					
Improvements	41,749			41,749				
Total Governmental Capital Assets Allocated by Function	<u>1,053,877</u>	<u>159,408</u>	<u>140,873</u>	<u>251,456</u>	<u>66,052</u>	<u>436,088</u>		
Construction in Progress	125,203							\$ 125,203
Internal Service Funds:								
Purchasing & Printing	654				598		56	
Municipal Garage	5,696	283	272	3,392	1,749			
Purchasing General Stores	15			9	6			
Property Management	60				60			
Regional Computer Center	44,437			1,282	41,195		1,960	
Total Governmental Capital Assets	<u>\$ 1,229,942</u>	<u>\$ 159,691</u>	<u>\$ 141,145</u>	<u>\$ 256,139</u>	<u>\$ 109,660</u>	<u>\$ 436,088</u>	<u>\$ 2,016</u>	<u>\$ 125,203</u>

CITY OF CINCINNATI, OHIO

Schedule of Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity*
 For the Year Ended December 31, 2003
 (Amounts in Thousands)

	General Fixed Assets January 1, 2003	Additions	Deletions	Transfers Between Agencies	General Fixed Assets December 31, 2003
Mayor and Council	\$ 211		\$ 122		\$ 89
City Manager	477		44	(211)	222
Law	73				73
Human Resources	250	13			263
Regional Computer Center				3,365	3,365
Finance	470	25	46	109	558
Community Development	68,364	5,305	1,230	26,758	99,197
City Planning	27			(27)	
Recreation	74,514	10,396	345	54	84,619
Parks	31,418	960	183	(9)	32,186
Buildings and Inspections	353	96	22	(21)	406
Public Safety	42,489	8,319	3,033	(2)	47,773
Transportation & Engineering	417,014	47,954	1,821	1,353	464,500
Enterprise Services	15,755		19	(14,544)	1,192
Public Services	26,237	4,285	1,565	4,287	33,244
Public Health	10,352	318	247	(81)	10,342
Pooled, Unassigned Equipment				560	560
Southern Railway Improvement	83,224				83,224
General Government					
Land	56,957	2,829	30		59,756
Buildings	90,396	174	11		90,559
Improvements	50,879	12,461		(21,591)	41,749
Construction in Progress	108,888	41,374	25,059		125,203
Internal Service Funds:					
Purchasing & Printing	597	246	189		654
Municipal Garage	5,675	311	290		5,696
Purchasing General Stores	15				15
Property Management	60				60
Regional Computer Center	34,711	11,082	1,356		44,437
Total Governmental Capital Assets	\$ 1,119,406	\$ 146,148	\$ 35,612	\$	\$ 1,229,942

SCHEDULES

CITY OF CINCINNATI, OHIO
Outstanding Bonds and Notes
December 31, 2003

<u>Year</u>	~General Obligation Bonds and Notes	#Municipal Income Tax Bonds and Notes	@Water Works Bonds	@Expressway Bonds	Revenue*	@Police & Fire Pension Bonds
1994	\$135,320,000	\$13,300,000	\$68,315,000	\$150,000	\$3,899,000	\$ ----
1995	133,580,000	11,800,000	69,790,000	50,000	1,104,000	----
1996	126,825,000	10,300,000	73,290,000	----	11,410,000	----
1997	126,000,000	8,800,000	79,160,000	----	11,368,000	----
1998	124,185,000	21,003,000	93,780,000	----	13,123,000	----
1999	123,050,000	22,953,000	110,940,000	----	12,779,000	----
2000	164,800,000	25,563,000	96,500,000	----	12,346,000	41,050,000
2001	175,340,000	23,780,000	82,180,000	----	104,504,000	40,620,000
2002	195,500,000	14,097,000	67,810,000	----	108,407,000	40,170,000
2003	221,750,000	11,717,000	53,340,000	----	237,450,000	39,700,000

<u>Year</u>	++Urban Development Taxable Bonds	@University Dormitory and Improvement Bonds	@Recreational Facility Bonds & Notes	@Off-Street Parking Facilities Bonds	Urban Renewal/ Economic Development Bonds & Notes
1994	----	1,575,000	8,245,000	6,310,000	12,520,000
1995	----	1,200,000	10,770,000	5,575,000	17,930,000
1996	----	800,000	9,880,000	4,840,000	14,840,000
1997	----	400,000	8,980,000	4,055,000	15,735,000
1998	7,200,000	----	8,065,000	3,270,000	11,620,000
1999	7,200,000	----	7,080,000	2,685,000	13,990,000
2000	7,000,000	----	14,975,000	2,100,000	16,450,000
2001	6,790,000	----	13,855,000	1,750,000	16,440,000
2002	6,570,000	----	12,265,000	10,500,000	20,595,000
2003	6,335,000	----	10,910,000	10,150,000	18,490,000

<u>Year</u>	@Stormwater Bonds and Notes	@Urban Redevelopment Bonds and Notes	Gross Tax Supported Debt	Gross Revenue Supported Debt	Gross Total Debt
1994	2,000,000	----	135,320,000	116,314,000	251,634,000
1995	2,000,000	3,250,000	133,580,000	123,469,000	257,049,000
1996	1,800,000	3,170,000	126,825,000	130,330,000	257,155,000
1997	6,600,000	3,085,000	126,000,000	138,183,000	264,183,000
1998	5,900,000	2,995,000	124,185,000	166,956,000	291,141,000
1999	7,000,000	2,895,000	123,050,000	187,522,000	310,572,000
2000	6,075,000	2,795,000	164,800,000	224,854,000	389,654,000
2001	5,150,000	12,180,000	175,340,000	307,249,000	482,589,000
2002	4,225,000	7,305,000	195,500,000	291,944,000	487,444,000
2003	3,300,000	16,625,000	221,750,000	408,017,000	629,767,000

- ~ Supported by general tax levy or special assessment levy.
- # Supported by Municipal Income Tax, but have property tax support if necessary.
- @ Supported by current revenue, but have property tax support if necessary.
- * Supported by current revenue, no tax support pledged.
- ++ Supported by current revenue, but have property tax support if necessary-taxable.

CITY OF CINCINNATI, OHIO
Schedule of Expenditure of Federal Awards
(Non-GAAP Budgetary Basis)
For the year ended December 31, 2003
(Amounts in Thousands)

Grantor/Program Title	Fund	CFDA #	Grant #	Grant and Contract Revenue Received	Contributions and other Revenue	CFS Expenditures
1 U.S. Department of Agriculture						
* Passed through Ohio Department of Health						
* Hamilton County WIC Program	391	10.557	31-2-001-1-CL-03	1,839		(1,974)
* Hamilton County WIC Program	391	10.557	31-2-001-1-CL-04	624		(461)
Total for CFDA No. 10.557				2,463		(2,435)
TOTAL DEPARTMENT OF AGRICULTURE				2,463		(2,435)
2 U.S. Department of Health and Human Services						
Passed through Council on Aging of Southwestern Ohio						
* Special Programs for the Aging Title III Part B	324	93.044		37		(37)
**Total for CFDA No. 93.044				37		(37)
* Special Programs for the Aging Title III Part C	324	93.045		217	28	(126)
**Total for CFDA No. 93.045				217	28	(126)
* Passed through Cincinnati Health Network						
* Homeless Health Care Program	448	93.151	Contract #15-9022			
* Homeless Health Care Program	448	93.151	Contract #25-9086			
* Homeless Health Care Program	448	93.151	Contract #25-9141	120		(164)
***Total for CFDA No. 93.151				120		(164)
* Passed through Ohio Department of Health						
* Regional Lead Poisoning Prevention	380	93.197	31-2-001-1-BE-02	12	14	
* Regional Lead Poisoning Prevention	380	93.197	31-2-001-1-BE-03	70		(69)
* Regional Lead Poisoning Prevention	380	93.197	31-2-001-1-BE-04	23		(22)
Total for CFDA No. 93.197				105	14	(91)
* Passed through Cincinnati Health Network						
* Cincinnati Health Network	446	93.224	Contract #15-9057			
* Cincinnati Health Network	446	93.224	Contract #25-9087	26		
* Cincinnati Health Network	446	93.224	Contract #35-9174	287		(287)
***Total for CFDA No. 93.224				313		(287)
* Passed through Ohio Department of Health						
* Immunization Action Plan Special	415	93.268	31-02-001-2-AZ-01			
* Immunization Action Plan Special	415	93.268	31-2-001-2-AZ-02	6		
* Immunization Action Plan Special	415	93.268	31-2-001-2-AZ-03	320		(310)
Total for CFDA No. 93.268				326		(310)
Federal AIDS Prevention	378	93.940	31-2-01-F-DL-SE1			
Federal AIDS Prevention	378	93.940	31-2-001-2-AS-03	162		(218)
Federal AIDS Prevention	378	93.940	31-2-001-2-AS-04	732		(653)
Total for CFDA No. 93.940				894		(871)
STD Control Program	378	93.977	31-2-001-2-BX-03			
STD Control Program	378	93.977	31-2-001-2-BX-04	96		(83)
Total for CFDA No. 93.977				96		(83)
STD/HIV Prevention Training Centers	379	93.978	R30/CCR516650-03	392		(392)
Total for CFDA No. 93.978				392		(392)
* Passed through Ohio Department of Health						
* Heart Health in Hamilton County	425	93.991	31-2-001-2-ED-01			
* Heart Health in Hamilton County	425	93.991	31-2-001-2-ED-02	13		
* Heart Health in Hamilton County	425	93.991	31-2-001-2-ED-03	147		(151)
Total for CFDA No. 93.991				160		(151)
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				2,660	42	(2,512)
3 U.S. Department of Housing & Urban Development						
Passed through Ohio Department of Development						
* Community Development Block Grant	304	14.218	B02-MC390003	15,044		(15,472)
* Community Development Block Grant	304	14.218	B03-MC390003	2,638	2,691	(5,236)
Total for CFDA No. 14.218				17,682	2,691	(20,708)
* Passed through Ohio Department of Development						
* Emergency Shelter Grant	445	14.231	S-02-MC-39-0003	128		(129)
* Emergency Shelter Grant	445	14.231	S-03-MC-39-0003	396		(396)
Total for CFDA No. 14.231				524		(525)
* Passed through Ohio Department of Development						
* HOME-Shelter Plus Care	410	14.238	OH16C10-0014	227		(227)
* HOME-Shelter Plus Care	410	14.238	OH16C20-0016	92		(78)
* HOME-Shelter Plus Care	410	14.238	OH16C80-0003	346		(336)
* HOME-Shelter Plus Care	410	14.238	OH16C90-0004	363		(350)
* HOME-Shelter Plus Care	410	14.238	OH16C96-0002	348		(366)
* HOME-Shelter Plus Care	410	14.238	OH16C97-0013	260		(260)
Total for CFDA No. 14.238				1,636		(1,617)

CITY OF CINCINNATI, OHIO
Schedule of Expenditure of Federal Awards
(Non-GAAP Budgetary Basis)
For the year ended December 31, 2003
(Amounts in Thousands)

Grantor/Program Title	Fund	CFDA #	Grant #	Grant and Contract Revenue Received	Contributions and other Revenue	CFS Expenditures
<i>* Passed through Ohio Department of Development</i>						
* HOME	411	14.239	M-99-MC-39-0213	100		(100)
* HOME	411	14.239	M-00-MC-39-0213	974		(1,426)
* HOME	411	14.239	M-01-MC-39-0213	2,935		(2,935)
* HOME	411	14.239	M-02-MC-39-0213	611	171	(919)
Total for CFDA No. 14.239				4,620	171	(5,380)
<i>* Passed through Ohio Department of Development</i>						
* Housing Opportunities For People With Aids	465	14.241	O-HH-02-F001	115		(115)
* Housing Opportunities For People With Aids	465	14.241	O-HH-03-F001	421		(421)
Total for CFDA No. 14.241				536		(536)
Empowerment Zone	324	14.244		2		(26)
Empowerment Zone	386	14.244	EZ-99-OH-0009			
Empowerment Zone	386	14.244	EZ-99-04-0009	5,841		(5,841)
Total for CFDA No. 14.244				5,843		(5,867)
Findlay Market Phase III	980-02110	14.246	06-01-04417	1,309		(780)
Total for CFDA No 14.246				1,309		(780)
<i>* Passed through Ohio Department of Development</i>						
* HUD Section 108 Loan Program	304	14.248	B01-MC390003			(1,320)
Total for CFDA No. 14.248						(1,320)
Lincoln Center Renovation	980	14.866				(645)
Total for CFDA No. 14.866						(645)
Cincinnati Lead Abatement Program	381	14.900	OHLAG0022-94			
Cincinnati Lead Abatement Program	387	14.900	OHLHR0063-99			(121)
Cincinnati Lead Abatement Program	387	14.900	OHLHB022002	120		
Total for CFDA No. 14.900				120		(121)
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				32,270	2,862	(37,499)
<i>4 U.S. Department of the Interior</i>						
ODNR-Hooked on Fishing	324	15.605		10		(4)
Total for CFDA No. 15.605				10		(4)
TOTAL DEPARTMENT OF THE INTERIOR				10		(4)
<i>5 U.S. Department of Justice</i>						
<i>* Passed through Ohio Department of Youth Services</i>						
* Bloom/Taft Earn & Learn	447	16.548	00-JV-T50-5035			(32)
Total for CFDA No. 16.548						(32)
<i>* Passed through Ohio Office of Criminal Justice Services</i>						
* Campaign for a Safe Community	368	16.579	2000-DG-B01-7343	21		(21)
* Mental Health Associates (Byrne)	368	16.579	2000-DG-B01-7350			(47)
* Computer Cop	447	16.579	2000-DG-B01-7352			(12)
* Computer Cop	447	16.579	2001-DG-B01-7352	10		(10)
* Computer Cop	447	16.579	2002-DG-B02-7263	24		(24)
Total for CFDA No. 16.579				55		(114)
<i>* Passed through Ohio Office of Criminal Justice Services</i>						
* Congressional Earmark	368	16.580	2003-F1479-OH-D6	745		
Total for CFDA No. 16.580				745		
<i>* Passed through Ohio Office of Criminal Justice Services</i>						
* Domestic Violence Advocacy	368	16.588	WF-VA5-8583	41		(63)
Total for CFDA No. 16.588				41		(63)
Local Law Enforcement Block Grant	364	16.592	2000-LB-BX-1630	(3)	3	(338)
Local Law Enforcement Block Grant	361	16.592	2001-LB-BX-2319		13	(167)
Local Law Enforcement Block Grant	375	16.592	2002-LB-BX-2510		68	(379)
Local Law Enforcement Block Grant	375	16.592	2003-LB-BX-1939	299	33	
Total for CFDA No. 16.592				296	117	(884)
Police Risk Management Systems	980	16.710	CKWX 0167		283	(613)
Creating a Culture of Integrity	368	16.710	2002-HSWX-0024			(21)
Total for CFDA No. 16.710					283	(634)
Troops to Cops	368	16.711	1999-TCWX-0174			(13)
Total for CFDA No. 16.711						(13)
TOTAL DEPARTMENT OF JUSTICE				1,137	400	(1,740)

CITY OF CINCINNATI, OHIO
Schedule of Expenditure of Federal Awards
(Non-GAAP Budgetary Basis)
For the year ended December 31, 2003
(Amounts in Thousands)

Grantor/Program Title	Fund	CFDA #	Grant #	Grant and Contract Revenue Received	Contributions and other Revenue	CFS Expenditures
6 U.S. Department of Labor						
Work Incentive Grant	464	17.207	WI-11016-01-60	560		(703)
Total for CFDA No. 17.207				560		(703)
Youth Offender	464	17.249	AF-11585-01-60	135		(183)
Total for CFDA No. 17.249				135		(183)
* Passed through Ohio Job & Family Service						
* WIA Adult	464	17.258	AF-11585-01-60	2,073		(1,470)
Total for CFDA No. 17.258				2,073		(1,470)
* Passed through Ohio Job & Family Service						
* WIA Youth	464	17.259	AF-11585-01-60	2,148		(1,898)
Total for CFDA No. 17.259				2,148		(1,898)
* Passed through Ohio Job & Family Service						
* One Stop	464	17.260		78		
WIA-Rapid Response	464	17.260		843		(559)
Total for CFDA No. 17.260				921		(559)
* Passed through Ohio Job & Family Service						
* ITA	464	17.261		271		
Total for CFDA No. 17.261				271		
Youth Worker Apprentice	464	17.268	AN-11634-01-60	15		(23)
Total for CFDA No. 17.268				15		(23)
TOTAL DEPARTMENT OF LABOR				6,123		(4,836)
7 U.S. Department of Transportation						
* Passed through Ohio Department of Transportation						
Lunken Airport Signal Upgrade	980	20.106	3-39-0018-09			(6)
Local Match Funds - FAA Projects	980	20.106			(50)	(3)
Lunken Improvements - '01	980	20.106	3-39-0018-1401			(64)
Lunken Improvements - '02	980	20.106	3-39-0018-1502	300		(412)
Lunken Improvements - '03	980	20.106	3-39-0018-1603		28	
Total for CFDA No. 20.106				300	(22)	(485)
* Passed through Ohio Department of Transportation						
* Bicycle Usage Enhancement	980	20.205	PID13893			(7)
* Bicycle Grates-Phase IV	980	20.205	PID10605		95	(83)
* Gateway Public Improvements	980	20.205	PID14824			
* Historic Columbia Pkwy. Enhancemts	980	20.205	PID 15018		(2)	
* Hopple St., Meeker to I-75 Improv.	980	20.205	PID 04905	730		(5)
* Beechmont Ave SR 32 to Corbley	980	20.205	PID04959	999	500	(1,086)
* Ft Washington Way - State Share	980	20.205	PID18433	4,978	325	(5,303)
* FWW-3rd St Viaduct State Share	980	20.205	PID18438		683	(683)
* Ft Washington Way - OKI Share	980	20.205	PID18436	635		(684)
* Intermodal Center - ODOT/TRAC	980	20.205	PID20852	3,726	2,085	(3,211)
* Ft. Washington Way - KYTC Share	980	20.205	PID19133	341	40	(381)
* Queen City Ave-White/Wyoming	980	20.205	PID04909			(938)
* Queen City Ave-White/Wyoming	980	20.205	PID10599		1,000	(884)
Total for CFDA No. 20.205				11,409	4,726	(13,265)
TOTAL DEPARTMENT OF TRANSPORTATION				11,709	4,704	(13,750)
8 Federal Emergency Management Agency						
FEMA Flood Control Grant	461	83.544	1164-DR-61-15000			(53)
FEMA Flood Control Grant	461	83.544	FEMA-1390-DR-061-15000	420	92	(518)
Total for CFDA No. 83.544				420	92	(571)
Assistance to Firefighters	472	83.554	EMW-2002-FG-12256	48		(48)
Total for CFDA No. 83.554				48		(48)
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY				468	92	(619)

CITY OF CINCINNATI, OHIO
Schedule of Expenditure of Federal Awards
(Non-GAAP Budgetary Basis)
For the year ended December 31, 2003
(Amounts in Thousands)

Grantor/Program Title	Fund	CFDA #	Grant #	Grant and Contract Revenue Received	Contributions and other Revenue	CFS Expenditures
9 <i>Environmental Protection Agency</i>						
Brownfields	474	66.811	BT9758-93-010	63		(63)
Brownfield Assessment Pilot	453	66.811	98-53-6101	143		(143)
Total for CFDA No. 66.811				206		(206)
TOTAL ENVIRONMENTAL PROTECTION AGENCY				206		(206)
10 <i>National Park Service</i>						
Urban Park and Recovery	980	15.919	39-CTY-1610-01-01	500		(213)
Mt. Auburn Hopkins Park	980	15.919	39-CTY-1610-02-01	500		(22)
Total for CFDA No. 15.919				500		(235)
TOTAL NATIONAL PARK SERVICE				500		(235)
TOTAL FEDERAL GRANTS & SUBSIDIES (Non-GAAP Basis)				57,546	8,100	(63,836)
Less Amount Recognized as Contributed Capital				(13,518)		
Less Accrual of Federal Grant & Subsidies at 12/31/02				(4,279)		
Plus Accrual of Federal Grant & Subsidies at 12/31/03				3,186		
Plus Deferral of Federal Grant & Subsidies at 12/31/02				305		
Less Adjustment to Deferral of Federal Grants and subsidies at 12/31/02				(79)		
Less Federal Grant reimbursement in Accounts Payable at 12/31/03				(31)		
				43,130		
Amount Recognized as Federal Grants & Subsidies (GAAP Basis)				43,130		
* Indicates Federal monies passed through another agency to the City of Cincinnati.						
** Aging Cluster				254	28	(163)
*** Consolidated Health Centers Cluster				433		(451)

The Schedule of Expenditures of Federal Awards is presented on a Non-GAAP budgetary basis. Total Community Development Block Grant loans outstanding at December 31, 2003 totaled \$44,467,000. Total Rental Rehab loans outstanding totaled \$10,964,000.

CITY OF CINCINNATI, OHIO
INFRASTRUCTURE INCOME TAX

In accordance with the provisions of Chapter 311 of the Cincinnati Municipal Code, an additional earnings tax of 0.1% shall be levied for costs related to constructing, equipping, maintaining and repair of the City's infrastructure. Such tax shall remain in effect as long as the City appropriates at least the base amount required and subsequently expends funds at a level (ninety percent of the annual base amount within three years) specified in Chapter 311, CMC.

The following data summarizes the results of the City's compliance with the infrastructure income tax requirements for 2003 and 2002.

(AMOUNTS IN THOUSANDS)

	<u>2003</u>	<u>2002</u>
Required Base Amount	\$59,986	\$58,809
Actual Appropriated Amount	\$75,529	\$69,724
Infrastructure Expenditures - As of December 31, 2003	\$43,415	\$57,146
Percentage of Expenditures to Base Amount	72.3752%	97.1722%

I hereby certify that the City of Cincinnati appropriated for 2003 an amount sufficient to meet the requirements for continuation of the Infrastructure Income Tax. I also certify that the City of Cincinnati did expend through 2003 for the 2002 Infrastructure year more than 90% of the annual base amount, which satisfies the requirements for continuation of the Infrastructure Income Tax.



William E. Moller
Director of Finance

*Statistical
Section*

2003



© Fearing+Hagenauer/Rob Ford

Seven Vessels Ascending/Descending Sculpture by David Nash at Theodore M. Berry International Friendship Park

CITY OF CINCINNATI, OHIO
General Fund
General Governmental Expenditures by Function
Last Ten Years

(AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>General Government</u>	<u>Parks and Recreation</u>	<u>Public Safety</u>	<u>Public Services, Transportation and Engineering</u>	<u>Public Health</u>	<u>Employee Benefits</u>	<u>Total</u>
1994	\$31,772	\$14,621	\$ 98,052	\$19,376	\$14,887	\$50,788	\$229,496
1995	34,333	14,668	103,231	20,522	15,380	51,775	239,909
1996	38,578	15,314	107,156	18,839	16,306	52,685	248,878
1997	40,307	16,535	113,958	19,699	17,791	53,659	261,949
1998	44,849	17,338	118,730	20,525	18,682	49,997	270,121
1999	50,248	19,146	126,205	22,066	20,831	48,782	287,278
2000	61,393	19,201	120,568	22,607	22,300	47,634	293,703
2001	55,625	19,427	128,345	22,760	22,534	49,119	297,810
2002	54,394	19,235	133,171	21,583	22,390	53,633	304,406
2003	50,385	19,352	138,369	24,790	22,125	53,578	308,599

Note - The column titled "General Government" includes expenditures made in various departments including Office of City Manager, Law, Human Resources, Finance, City Planning, Community Development, and Buildings and Inspections.

CITY OF CINCINNATI, OHIO
General Fund
General Governmental Revenues by Source
Last Ten Years

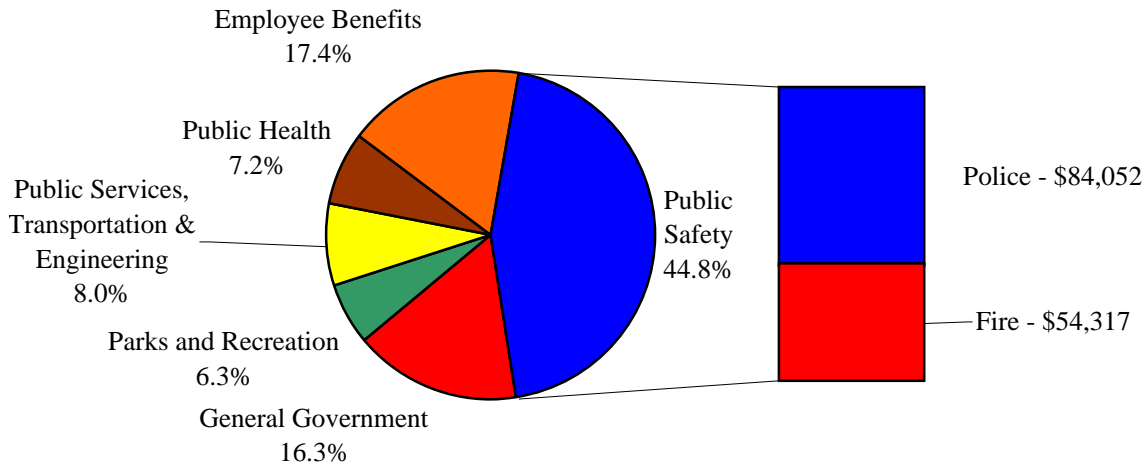
(AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Use of Money and Property</u>	<u>Inter-governmental Revenues</u>	<u>Charges For Current Services</u>	<u>Miscellaneous</u>	<u>Total</u>
1994	\$170,407	\$4,899	\$ 9,280	\$38,802	\$11,785	\$1,201	\$236,374
1995	174,688	5,010	12,071	38,963	12,282	1,266	244,280
1996	176,397	5,569	14,366	41,371	13,202	850	251,755
1997	191,346	5,202	13,876	45,454	12,842	2,102	270,822
1998	194,702	5,043	14,717	49,581	11,392	2,870	278,305
1999	209,606	5,200	14,134	52,355	12,901	1,885	296,081
2000	213,982	5,688	17,584	48,614	12,736	3,783	302,387
2001	215,069	5,922	17,799	54,396	12,598	2,640	308,424
2002	215,796	6,011	27,578	57,423	13,767	1,879	322,454
2003	221,123	5,870	11,208	54,490	12,203	859	305,753

GENERAL FUND

2003 Expenditures (GAAP Basis)

(Amounts in Thousands)

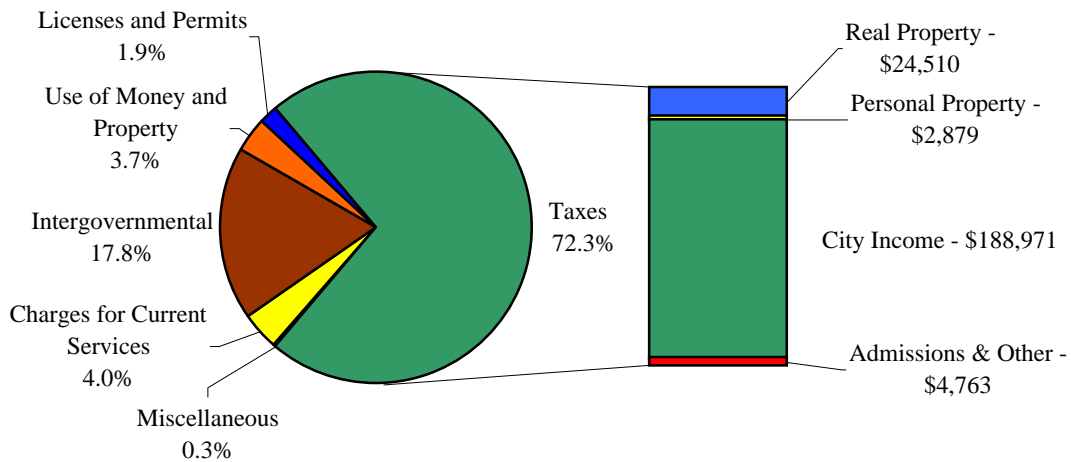


ALL EXPENDITURES
Total Expenditures - \$308,599

PUBLIC SAFETY
Expenditures - \$138,369

2003 Revenues (GAAP Basis)

(Amounts in Thousands)



ALL REVENUES
Total Revenues - \$305,753

TAX REVENUE
Revenue - \$221,123

CITY OF CINCINNATI, OHIO
Property Tax Levy and Collections

Last Ten Years

<u>Year</u>	<u>Net Tax Levy</u>	<u>Current Collections</u>	<u>Percentage of Current Collections to Net Levy</u>	<u>Prior Year Collections</u>	<u>Total Collections</u>	<u>Percentage of Total Collections to Net Levy</u>
1994	\$54,050,028	\$51,869,952	95.97%	\$2,028,235	\$53,898,187	99.72%
1995	53,978,024	52,084,199	96.49	1,858,948	53,943,147	99.94
1996	53,713,379	51,586,332	96.04	1,572,712	53,159,044	98.97
1997	56,128,543	53,274,996	94.92	2,080,494	55,355,490	98.62
1998	56,435,352	53,642,749	95.05	1,892,964	55,535,713	98.41
1999	56,218,046	52,974,060	94.23	1,986,691	54,960,751	97.76
2000	59,878,090	56,587,823	94.51	2,281,771	58,869,594	98.32
2001	59,535,625	56,064,077	94.17	2,229,855	58,293,932	97.91
2002	58,201,216	54,858,148	94.26	2,271,190	57,129,338	98.16
2003	62,769,455	58,365,509	92.98	2,580,046	60,945,555	97.09

CITY OF CINCINNATI, OHIO
Assessed Valuations and Estimated True Values

Last Ten Years

Assessed Valuations

<u>Year</u>	<u>Real Property</u>	<u>Public Utility Property</u>	<u>Tangible Personal Property</u>	<u>Total</u>
1994	\$3,561,282,660	\$439,762,520	\$672,466,430	\$4,673,511,610
1995	3,540,684,410	450,760,050	689,532,610	4,680,977,070
1996	3,531,863,130	421,404,651	707,228,240	4,660,496,021
1997	3,732,312,910	419,703,440	689,982,870	4,841,999,220
1998	3,734,237,420	395,256,670	672,898,830	4,802,392,920
1999	3,749,677,500	398,949,700	664,939,340	4,813,566,540
2000	4,363,343,290	400,519,090	674,101,770	5,437,964,150
2001	4,363,447,780	377,645,690	687,613,910	5,428,707,380
2002	4,379,262,050	304,549,100	644,918,170	5,328,729,320
2003	4,871,308,460	319,863,560	535,538,450	5,726,710,470

The current assessed valuation for 2003 is computed at approximately the following percentages of estimated true value:

real property - 35%; public utilities - various; and tangible personal property machinery and equipment - 25%; inventory - 25%.

For real property, the estimated true values for the last ten years are computed as follows:

<u>Year</u>	<u>Estimated True Values</u>	<u>Year</u>	<u>Estimated True Values</u>
1994	\$10,175,093,314	1999	\$10,713,364,285
1995	10,116,241,171	2000	12,466,695,114
1996	10,091,037,514	2001	12,466,993,657
1997	10,663,751,117	2002	12,512,177,286
1998	10,669,249,771	2003	13,918,024,171

For public utility property and tangible personal property, the City is not able to calculate estimated true values for the last ten years because the tangible personal property components (machinery and equipment, and business inventory) have been assessed over the years at different percentages.

CITY OF CINCINNATI, OHIO
Property Tax Rates - Direct and Overlapping Governments
 Last Ten Years

<u>Year</u>	<u>Year</u>	<u>City</u> <u>Levy</u>	<u>School</u> <u>Levy</u>	<u>County</u> <u>Levy</u>	<u>Total</u> <u>Levy</u>	<u>Effective</u> <u>Millage</u>	<u>Debt Service</u> <u>Included in</u>	
							<u>City Levy</u>	<u>Total Levy</u>
1993 for	1994	\$11.46	\$48.75	\$18.33	\$78.54	\$59.07	\$5.36	\$6.03
1994	“ 1995	11.46	48.58	18.30	78.34	59.99	5.36	5.91
1995	“ 1996	11.46	53.52	18.30	83.28	65.33	5.36	5.88
1996	“ 1997	11.46	53.19	19.44	84.09	66.56	5.36	5.81
1997	“ 1998	11.46	53.13	19.01	83.60	66.38	5.36	5.71
1998	“ 1999	11.46	53.13	19.54	84.13	67.08	5.36	5.71
1999	“ 2000	10.90	51.94	20.83	83.67	63.10	5.36	5.71
2000	“ 2001	10.76	56.93	19.92	87.61	67.53	5.36	5.67
2001	“ 2002	10.76	57.15	21.47	89.38	69.32	5.36	5.66
2002	“ 2003	10.63	56.25	21.87	88.75	66.70	5.36	5.65

Note: Rates are expressed as dollars of tax per thousand dollars of taxable valuation.

Source: Hamilton County Auditor's Office

CITY OF CINCINNATI, OHIO
Computation of Direct and Overlapping Debt
 December 31, 2003

	<u>Assessed</u> <u>Valuation</u> <u>(a)</u>	<u>Net General</u> <u>Tax Supported</u> <u>Debt</u>	<u>Percent</u> <u>Overlapping</u>	<u>Net Tax</u> <u>Supported</u> <u>Overall Debt</u>
<u>Direct:</u>				
City of Cincinnati	\$5,726,710,470	\$204,360,090	100%	\$204,360,090
<u>Overlapping:</u>				
Board of Education - Cincinnati City School District	6,444,777,250	952,460,000 (b)	89%	847,689,400
Hamilton County	18,544,983,550	176,959,987 (a)	31%	54,857,596
Subtotal		<u>1,129,419,987</u>		<u>902,546,996</u>
Total		<u>\$1,333,780,077</u>		<u>\$1,106,907,086</u>

(a) Source: Hamilton County Auditor's Office

(b) Source: Cincinnati City School District

CITY OF CINCINNATI, OHIO
Special Assessment Billings and Collections
 Last Ten Years

(AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Billings</u>	<u>Collections</u>	<u>Year</u>	<u>Billings</u>	<u>Collections</u>
1994	\$1,038	\$2,225	1999	\$2,041	\$2,343
1995	1,918	2,344	2000	1,529	2,058
1996	2,215	2,437	2001	1,822	1,945
1997	2,937	2,004	2002	2,099	2,286
1998	2,150	2,079	2003	2,975	2,105

Source: City of Cincinnati Finance Department

CITY OF CINCINNATI, OHIO
Ratio of Net General Bonded Debt
To Assessed Value and Net Bonded Debt Per Capita
 Last Ten Years

<u>Year</u>	<u>Net Bonded Debt (Note 1)</u>	<u>Assessed Value</u>	<u>Population (Note 2)</u>	<u>Ratio of Net Bonded Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994	\$125,291,191	\$4,673,511,610	364,000	2.68%	\$344
1995	121,543,637	4,680,977,070	364,000	2.60	334
1996	114,646,410	4,660,496,021	345,820	2.46	332
1997	113,189,887	4,841,999,220	345,820	2.34	327
1998	112,490,050	4,802,392,920	345,820	2.34	325
1999	112,420,155	4,813,566,540	336,400	2.34	334
2000	152,076,405	5,437,964,150	331,290	2.80	459
2001	160,794,777	5,428,707,380	331,290	2.96	485
2002	181,745,936	5,328,729,320	331,290	3.41	549
2003	204,360,090	5,726,710,470	331,290	3.57	617

Note 1 - Includes only the net general obligation debt that is tax supported.

Note 2 - The 1994 - 2003 figures are based on Bureau of the Census data.

CITY OF CINCINNATI, OHIO
Ratio of Annual Debt Service for General
Bonded Debt to Total General Fund Expenditures
 Last Ten Years

(AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Debt Service on General Obligation Debt</u>	<u>General Fund Expenditures</u>	<u>Ratio</u>
1994	\$54,834	\$229,496	23.89%
1995	55,354	239,909	23.07
1996	56,979	248,878	22.89
1997	55,714	261,949	21.27
1998	58,019	270,121	21.48
1999	60,869	287,278	21.19
2000	66,977	293,703	22.80
2001	68,962	297,810	23.16
2002	68,393	304,406	22.47
2003	65,682	308,598	21.28

CITY OF CINCINNATI, OHIO
Legal Debt Margin
December 31

	<u>2003</u>	<u>2002</u>
Overall Debt Limitation - 10-1/2% of Assessed Valuation	\$601,304,599	\$559,516,579
Gross Indebtedness	\$629,767,000	
Less Debt Outside Limitations:		
Self-Supporting Debt	408,017,000	
Urban Redevelopment Bonds	<u>80,000</u>	
	<u>408,097,000</u>	
Net Debt Within 10-1/2% Limitation	<u>221,670,000</u>	<u>195,400,000</u>
Legal Debt Margin Within 10-1/2% Limitation	<u>\$379,634,599</u>	<u>\$364,116,579</u>

	<u>2003</u>	<u>2002</u>
Unvoted Debt Limitation - 5-1/2% of Assessed Valuation	\$314,969,076	\$293,080,113
Gross Indebtedness Authorized by Council	\$629,687,000	
Less Debt Outside Limitations:		
Municipal Income Tax Supported Bonds and Notes	11,717,000	
Off-Street Parking Facilities Bonds	1,050,000	
Parking Improvement Note	9,100,000	
Police and Fire Pension Bonds	39,700,000	
Recreational Facilities Bonds and Notes	10,910,000	
Revenue Bonds	237,450,000	
Stormwater Management Bonds	3,300,000	
Urban Development Bonds	6,335,000	
Urban Redevelopment Bonds	16,625,000	
Urban Renewal/Economic Development Bonds	18,490,000	
Water Works Bonds	<u>53,340,000</u>	
	<u>408,017,000</u>	
Net Debt Within 5-1/2% Limitation	<u>221,670,000</u>	<u>195,400,000</u>
Legal Debt Margin Within 5-1/2% Limitation	<u>\$93,299,076</u>	<u>\$97,680,113</u>

**City of Cincinnati, Water Works
Historical and Projected Water System Pumpage**

Year	Total Pumpage (MG's)	Average Day (MGD)	Maximum Day (MGD)	System's Rated Pumpage Capacity (MGD)		Maximum Daily Pumpage as % of Capacity
1995	46,363.464	127.1	185.4	255		72.7059%
1996	46,340.105	126.6	170.8	255		66.9804%
1997	46,712.161	128.0	198.3	255		77.7647%
1998	46,900.170	128.5	188.5	255		73.9059%
1999	49,697.876	136.2	234.3	255		91.8824%
2000	48,747.764	133.2	196.8	255		77.1765%
2001	47,047.003	128.9	169.6	255		66.5239%
2002	49,679.150	136.1	217.8	261	*	83.4483%
2003	48,574.063	133.1	207.9	261	*	79.6414%
2004	53,290.000	146.0	237.0	261	*	90.8046%
2005	53,659.000	147.0	238.0	266	**	89.4737%
2006	54,028.000	148.0	240.0	266	**	90.2256%
2007	54,397.000	149.0	241.0	266	**	90.6015%

* Includes the addition of the 6 MGD Mason Treatment Plant

** Includes the addition of the 5 MGD from the expansion of the Bolton Wellfield

MG - million gallons

MGD - million gallons per day

**City of Cincinnati, Water Works
Top Ten Retail Customer Data
for year ended December 31, 2003**

Rank	Name of Customer	Total Consumption, Hundreds of Cubic Feet	Total Consumption, Thousands Of Gallons	Percent of Total Consumption	Total Charges	Percent of Total Charges
1	Procter and Gamble	625,408	467,805	1.18%	\$725,030	0.89%
2	University of Cincinnati	576,793	431,441	1.09%	\$524,276	0.64%
3	Henkel Corp	511,976	382,958	0.97%	\$607,917	0.75%
4	Sun Chemical Co	367,654	275,005	0.69%	\$364,616	0.45%
5	Wormick Company	352,001	263,297	0.67%	\$461,057	0.57%
6	John Morrell Co	297,820	222,769	0.56%	\$394,814	0.48%
7	Flint Ink	295,270	220,862	0.56%	\$397,527	0.49%
8	Coca Cola Bottling Co	278,724	208,486	0.53%	\$353,412	0.43%
9	Cinti Metropolitan Housing	255,490	191,107	0.48%	\$259,604	0.32%
10	Childrens Hospital	239,423	179,088	0.45%	\$253,663	0.31%
	Total - Top Ten Retail Customers	3,800,559	2,842,818	7.18%	\$4,341,916	5.32%
	Total - Top 75 Users	14,668,078	10,971,722	27.72%	\$17,653,493	21.64%
	Total - System	52,917,901			\$81,586,959	

**CITY OF CINCINNATI, WORK WORKS
ACCOUNTS RECEIVABLE**

<u>Year</u>	<u>Net Water Sales</u>	<u>Cash Collected During Year for Current & Prior Year's Sales</u>	<u>Percentage of Sales Collected</u>
2003	\$ 83,270,619	\$ 82,523,831	99.10 %
2002	82,815,023	82,265,860	99.34
2001	77,001,567	78,200,650	101.56
2000	80,820,774	79,806,757	98.75
1999	82,617,834	82,311,461	99.63
1998	78,871,208	77,882,447	98.75
1997	72,792,310	73,344,910	100.76
1996	71,658,982	69,701,176	97.27
1995	67,682,750	67,564,055	99.82
1994	<u>67,822,373</u>	<u>67,499,604</u>	<u>99.52</u>
Total	\$ 765,353,440	\$ 761,100,751	99.44 %

**CITY OF CINCINNATI, WATER WORKS
HISTORICAL FINANCIAL OPERATIONS**
(Dollars in Thousands)

	Audited					
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>Operating Revenue</u>						
Total Operating Revenue	\$91,556	\$90,124	\$81,542	\$83,586	\$85,013	\$81,594
<u>Operating Expense:</u>						
Personal Services	31,741	31,292	29,237	28,409	27,762	28,532
Contractual Services	8,692	8,082	7,491	7,688	5,922	5,719
Maintenance and Repair	3,006	2,575	2,836	3,207	2,215	2,052
Materials and Supplies	6,256	5,992	5,917	5,063	5,349	6,103
Utilities	8,007	7,918	6,802	6,532	6,925	6,600
Insurance	264	230	181	91	82	181
Taxes	1	0	16	20	22	13
Rent	656	394	306	328	303	300
Interest	0	0	0	0	0	0
Other	482	470	190	354	192	191
Impairment of Fixed Asset	0	0	0	0	1,769	0
Depreciation and Amortization Expense	15,597	15,630	12,152	12,217	10,732	10,341
Amortization Mason Agreement	60	48				
Bad Debt Expense	0	0	175	297	139	317
Total Operating Expense	<u>74,762</u>	<u>72,631</u>	<u>65,303</u>	<u>64,206</u>	<u>61,412</u>	<u>60,349</u>
Operating Income	\$16,794	\$17,493	\$16,239	\$19,380	\$23,601	\$21,245
<u>Non-Operating Revenue (Expenses):</u>						
Capital Contribution	\$8,661	\$10,537	\$8,475	\$0	\$0	\$0
Gain (Loss) on Disposal of Fixed Assets	(323)	(24)	(516)	(176)	(319)	(180)
Transfers In	-	-	236	-	3	-
Interest Revenue	2,041	2,910	8,521	4,534	3,696	3,958
Interest Expense	(8,234)	(4,749)	(7,416)	(4,792)	(4,793)	(4,518)
Total Non-Operating Revenue (Expense):	<u>2,145</u>	<u>8,674</u>	<u>9,300</u>	<u>(434)</u>	<u>(1,413)</u>	<u>(740)</u>
Net Income	\$18,939	\$26,167	\$25,539	\$18,946	\$22,188	\$20,505

**Greater Cincinnati Water Works
Projected Operating Results 2003-2007**

<u>Description</u>	New Projection <u>2003</u>	New Projection <u>2004</u>	New Projection <u>2005</u>	New Projection <u>2006</u>	New Projection <u>2007</u>
Metered Water Sales					
Revenue Under Existing Rates (a)	93,235,000	94,001,490	96,721,000	97,710,000	99,516,000
Indicated Revenue Increases (b)					
	Revenue				
Month - Year	Increase				
January 2002	3.00%		0	0	0
January 2003	2.00%	1,400,000	1,662,000	1,711,860	1,816,100
January 2004	3.00%		2,529,000	2,944,870	3,124,200
January 2005	3.00%		2,571,000	2,988,130	3,077,800
January 2006	3.00%			2,611,000	3,039,330
January 2007	3.00%				2,645,000
January 2008	3.00%				
January 2009	3.00%				
January 2010	0.00%				
Total Increased Revenue	1,400,000	4,191,000	7,227,730	10,395,530	13,702,430
Total Metered Water Sales Revenue	94,635,000	98,192,490	103,948,730	108,105,530	113,218,430
Other Revenue	2,225,000	2,225,000	2,225,000	2,225,000	2,225,000
OWDA Credit Enhancement Grant	1,400,000	0	0	0	0
Construction Reimbursement Charges	756,000	756,000	756,000	756,000	756,000
Interest Income	3,681,000	2,400,000	3,550,000	3,174,000	2,832,000
Total Revenue	102,697,000	103,573,490	110,479,730	114,260,530	119,031,430
Operating & Maintenance Expense (c)	61,349,000	63,173,000	64,062,000	65,059,000	66,307,000
Bad Debt Expense	320,000	336,000	352,800	370,400	388,900
Net Revenue Available for Debt Service	41,028,000	40,064,490	46,064,930	48,831,130	52,335,530
Series 2001 Revenue Bond Debt Service	7,555,600	7,554,400	7,557,200	7,554,600	7,554,500
Series 2003 Revenue Bond Debt Service (d)	4,114,159	8,829,212	8,825,150	8,829,525	8,825,070
Future Additional Revenue Bond Debt Service (d)	0	0	4,527,000	10,110,000	14,660,000
Total Revenue Bond Debt Service	11,669,759	16,383,612	20,909,350	26,494,125	31,039,570
State of Ohio Issue 2 Money \$1M/20Yrs/0%	0	50,000	50,000	50,000	50,000
Subordinate General Obligation Bond Debt Service (e)	17,676,000	14,280,000	11,992,200	9,804,100	7,536,000
Total Subordinate Debt Service Requirements	17,676,000	14,330,000	12,042,200	9,854,100	7,586,000
Revenues Available for Transfer to Water System Reserve Fund	11,682,241	9,350,878	13,113,380	12,482,905	13,709,960
Working Capital Balance					
Prior Year Revenue Fund Working Capital Balance	18,259,666	20,000,041	18,553,228	22,589,330	22,092,205
Revenue Transfer To Water System Reserve Fund	9,941,866	10,797,691	9,077,278	12,980,030	12,333,355
Revenues Available for Transfer	11,682,241	9,350,878	13,113,380	12,482,905	13,709,960
End of Year Working Capital Balance	20,000,041	18,553,228	22,589,330	22,092,205	23,468,810
Working Capital Balance Requirement (f)	9,202,350	9,475,950	9,609,300	9,758,850	9,946,050
Revenues Transferred the Next Fiscal Year	10,797,691	9,077,278	12,980,030	12,333,355	13,522,760
Water System Reserve Fund					
Beginning of Year Balance	26,807,664	23,421,530	21,104,221	17,140,499	16,762,529
Deposits	9,941,866	10,797,691	9,077,278	12,980,030	12,333,355
Transfer to Water Works Capital Improvement Fund	13,328,000	13,115,000	13,041,000	13,358,000	11,744,000
End of Year Balance	23,421,530	21,104,221	17,140,499	16,762,529	17,351,884
Debt Service Coverage					
Revenue Bond Debt Service Coverage	352%	245%	220%	184%	169%
Total Bond Debt Service Coverage	140%	130%	140%	134%	135%

(a) Reflects the addition of Northern Kentucky in March 2003 at 8.6 MGD.

(b) Reflects the effect of a 12.5% bill proration and billing lag on the level of revenues to be received in the first year of each revenue adjustment.

(c) Inflation factors used in calculations are 2.6-3.0% increases for Non-Personnel Costs and 3% increases for Personnel Costs.

(d) Estimated Future Issues assuming revenue bonds (20 year bonds) as follows:

Year	Debt Service Reserve/		Total Issue	Interest Rate
	Proceeds Required	Bond Issuance Costs		
2003	\$107.080M	\$10.005M	\$117.085M	4.47%
2005	\$ 93.947M	\$ 8.775M	\$102.722M	5.00%
2006	\$ 72.966M	\$ 6.816M	\$79.781M	5.50%

(e) General Obligation Bond debt issued for Water System.

(f) It has been the policy of the Utility to maintain a working capital reserve equal to 15% of the prior fiscal year's O&M Expenses.

**City of Cincinnati, Water Works
Parity Debt Service Requirements**

<u>Year</u>	<u>Series 2003 Bonds</u>			<u>Debt Service</u>	<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Series 2001 Bonds</u>	
2003	\$ 0.00	\$ 3,665,911.89	\$ 3,665,911.89	\$ 7,555,512.50	\$ 11,221,424.39
2004	3,935,000.00	4,887,882.50	8,822,882.50	7,554,362.50	16,377,245.00
2005	4,015,000.00	4,809,182.50	8,824,182.50	7,557,177.50	16,381,360.00
2006	4,095,000.00	4,728,882.50	8,823,882.50	7,554,627.50	16,378,510.00
2007	4,175,000.00	4,646,982.50	8,821,982.50	7,554,522.50	16,376,505.00
2008	4,265,000.00	4,559,307.50	8,824,307.50	7,557,722.50	16,382,030.00
2009	4,375,000.00	4,450,550.00	8,825,550.00	7,554,207.50	16,379,757.50
2010	4,515,000.00	4,310,875.00	8,825,875.00	7,558,782.50	16,384,657.50
2011	4,705,000.00	4,119,250.00	8,824,250.00	7,557,837.50	16,382,087.50
2012	4,930,000.00	3,895,600.00	8,825,600.00	7,558,112.50	16,383,712.50
2013	5,175,000.00	3,649,100.00	8,824,100.00	7,554,487.50	16,378,587.50
2014	5,430,000.00	3,395,210.00	8,825,210.00	7,554,862.50	16,380,072.50
2015	5,695,000.00	3,126,597.50	8,821,597.50	7,554,037.50	16,375,635.00
2016	5,980,000.00	2,843,747.50	8,823,747.50	7,557,212.50	16,380,960.00
2017	6,275,000.00	2,550,697.50	8,825,697.50	7,555,312.50	16,381,010.00
2018	6,585,000.00	2,236,947.50	8,821,947.50	7,557,237.50	16,379,185.00
2019	6,915,000.00	1,907,697.50	8,822,697.50	7,556,737.50	16,379,435.00
2020	7,260,000.00	1,561,947.50	8,821,947.50	7,555,737.50	16,377,685.00
2021	7,625,000.00	1,198,947.50	8,823,947.50	7,558,487.50	16,382,435.00
2022	8,005,000.00	817,697.50	8,822,697.50	0.00	8,822,697.50
2023	8,405,000.00	419,287.50	8,824,287.50	0.00	8,824,287.50
TOTAL	\$ 112,360,000.00	\$ 67,782,301.89	\$ 180,142,301.89	\$ 143,566,977.50	\$ 323,709,279.39

TEN LARGEST AD VALOREM TAXPAYERS IN
CITY OF CINCINNATI 2002

The following is a list of the ten largest ad valorem taxpayers (based on the taxable valuation of their property) subject to the City's taxing jurisdiction.

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Taxable Valuation (a)</u>	<u>Percentage of Total Assessed Valuations</u>
Cinergy	Public Utility	\$ 222,250,760	4.17%
The Procter & Gamble Co.	Consumer Goods Manufacturing	119,942,960	2.25
Cincinnati Bell Telephone, Inc.	Public Utility	74,240,730	1.39
Emery Realty	Real Estate Holdings	30,975,000	.58
Prudential Insurance	Real Estate Holdings	28,000,000	.53
Columbia Development	Real Estate Holdings	27,720,000	.52
Ohio Teachers Retirement System	Real Estate Holdings	26,320,000	.49
Kroger Company	Consumer Goods Retail	26,045,940	.49
Western Southern Life	Real Estate Holdings	25,319,580	.48
Fifth Third Center	Real Estate Holdings	21,350,000	.40
All Others		<u>4,726,564,350</u>	<u>88.70</u>
Total Taxable Valuation		<u>\$5,328,729,320(b)</u>	<u>100.00%</u>

- (a) The taxable valuation is based upon both the Personal and Real Property Valuation of the largest property holders in the City.
- (b) The total assessed valuation figure is the 2001 for 2002 purposes amount.
- (c) The county was unable to provide an updated breakdown by taxpayer for the total taxable \$5,726,710,470 for 2003. The information above has not been updated.

**TEN LARGEST EMPLOYERS
IN CINCINNATI PRIMARY
METROPOLITAN STATISTICAL AREA**

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees</u>
University of Cincinnati	Education	15,400
Health Alliance	Healthcare	13,100
The Kroger Co.	Consumer Goods Distribution	13,000
The Procter & Gamble Co	Consumer Goods Manufacturing	13,000
Toyota Motor Manufacturing	Automotive	8,400
Fifth Third Bank	Financial Institution	7,800
Cincinnati Public Schools	Education	7,300
Archdiocese of Cincinnati	Education	7,300
City of Cincinnati	Government	7,200
Tri-Health, Inc.	Healthcare	7,000

Source: Business Courier 2004 Winter Book

Unemployment Statistics

The following table lists the unemployment rates for the Cincinnati Metropolitan area for the past five years. The figures are expressed in percentages and represent the ratio of the total unemployed to the total labor force.

<u>Year</u>	<u>Rate</u>
1999	3.5%
2000	3.5
2001	3.9
2002	4.8
2003	5.1

Source: Department of Job & Family Services, Bureau of Labor Market Information, State of Ohio

CITY OF CINCINNATI, OHIO
Construction, Bank Deposits and Property Value
 Last Ten Years

Year	<u>New Residential Construction(1)</u>		<u>New Non-Residential Construction(1)</u>		<u>Total Construction(1)</u>	
	<u>Number of Permits</u>	<u>Estimated Cost (in thousands)</u>	<u>Number of Permits</u>	<u>Estimated Cost (in thousands)</u>	<u>Number of Permits</u>	<u>Estimated Cost (in thousands)</u>
1994	148	\$20,553	838	\$19,068	11,724	\$182,643
1995	136	16,051	778	40,881	11,108	201,767
1996	160	20,062	1,003	56,595	11,306	258,999
1997	127	13,332	735	32,095	11,911	231,917
1998	142	12,973	533	36,588	11,433	266,664
1999	129	12,088	497	196,139	9,471	448,484
2000	169	30,170	567	250,681	10,483	540,208
2001	120	24,712	70	136,958	9,206	570,930
2002	198	44,323	65	52,432	8,726	559,529
2003	154	36,200	78	67,496	8,146	333,396

Year	<u>Bank Deposits (2)</u>		<u>Property Value (3)</u>	
	<u>(in thousands)</u>		<u>Residential (in thousands)</u>	<u>Non-Residential (in thousands)</u>
1994	\$17,301,493		\$5,342,062	\$4,833,031
1995	18,661,138		5,360,460	4,755,871
1996	21,598,936		5,376,340	4,714,698
1997	18,070,437		5,954,496	4,709,255
1998	24,305,322		5,961,433	4,707,816
1999	41,678,898		5,979,174	4,734,190
2000	21,394,000		7,165,094	5,301,602
2001	28,358,000		7,191,011	5,275,983
2002	27,212,000		7,190,165	5,322,012
2003	34,503,000		8,135,933	6,695,987

Source: (1) The City's Department of Buildings and Inspections' records.
 (2) Greater Cincinnati Chamber of Commerce for the Hamilton County Area (1993-1998), Federal Reserve Bank (1999), FDIC (2000 - 2003)
 (3) Values obtained from the Hamilton County Auditor's Office.

CITY OF CINCINNATI, OHIO
Salaries of Principal Officials

<u>Position</u>	<u>Salary</u>
Mayor	\$115,786
Councilmember, other than Mayor	\$57,893
City Manager	\$187,000
Commissioner of Health	\$104,644 - \$141,269
Deputy City Manager	\$105,807 - \$142,839
City Solicitor	\$104,644 - \$141,269
Various Department Directors	\$89,561 - \$120,907

MAYOR and CITY COUNCIL

The mayor is elected for a four-year term by the voters of Cincinnati. The legislature of the City is a nine-member council elected at large on a partisan basis for two-year terms. The vice-mayor is chosen by the mayor from the councilmembers. A list of the council incumbents and the term each is presently serving appears on page (xxiii). The mayor selects the city manager, but the mayor's nominee must be approved by a majority of the council. The city manager appoints the deputy city manager and the department directors.

CITY OF CINCINNATI, OHIO
Surety Bond Coverage

A faithful performance blanket bond coverage of \$1,000,000 is maintained for all City employees.

CITY OF CINCINNATI, OHIO
Demographic Statistics

	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1960</u>
<u>Population</u>	331,285	364,040	385,457	453,514	502,550
<u>Age Distribution</u>					
0 - 4	23,862	30,595	28,781	38,520	56,316
5 - 19	68,724	73,156	82,125	119,261	118,827
20 - 64	198,045	209,563	218,839	235,884	268,796
65 - 99	40,654	50,726	55,712	58,859	58,611
<u>Race</u>					
White	175,492	220,285	251,144	325,394	392,865
Black	142,176	138,132	130,467	125,070	108,757
Other	13,617	5,623	3,846	2,060	928
<u>Employment</u>					
Labor Force	160,722	158,881	159,396	183,877	201,729
Male	81,347	79,866	85,303	105,618	127,816
Female	79,375	79,015	74,093	78,259	73,913
<u>Class of Worker</u>					
Private	118,143	126,181	122,095	139,737	156,827
Government	22,622	24,591	30,738	27,072	20,495
Self Employed	7,052	7,673	6,323	8,091	11,498
<u>Housing Units</u>					
Total Units	166,012	169,088	172,571	172,551	171,679
Units Occupied	148,095	154,342	157,677	159,838	161,827
Owner Occupied	57,715	59,172	60,673	61,504	65,355
Renter Occupied	90,380	95,170	97,004	98,334	96,472
<u>Persons Per Unit (Median)</u>					
All Units	2.15	1.9	1.9	2.2	2.4
Owner Occupied	2.43	2.3	2.4	2.7	2.9
Renter Occupied	1.97	1.6	1.6	1.9	2.3
<u>Education (In School)</u>					
Elementary	*27,000	*36,321	46,909	64,681	69,996
High School	*15,000	*20,000	21,049	26,575	22,145
College	33,085	33,105	29,397	22,494	10,650
<u>Income of Families</u>					
Median	\$ 27,781	\$ 26,774	\$ 16,800	\$ 8,894	\$ 5,701

Source: City Planning Commission. This data was extracted by the Commission from various reports of the U.S. Bureau of the Census.

* Estimated by the City's Finance Department.

CITY OF CINCINNATI, OHIO
Cincinnati Profile

Government and History

Cincinnati was founded in 1788, chartered as a village in 1802, and incorporated as a City within Hamilton County in 1819. Major revisions to the City Charter were approved by the voters in 1926 to provide for home rule and the council-manager form of government. In 2001, the City adopted a strong mayor-council form of government. Copies of the City Charter are available on request from the Clerk of Council; City Hall; Cincinnati, Ohio 45202.

Population	Census <u>2000</u>	Census <u>1990</u>	Census <u>1980</u>	Census <u>1970</u>	Census <u>1960</u>
Cincinnati - City	331,285	364,040	385,457	453,514	502,550
Hamilton County	845,303	866,228	873,224	925,944	864,121
Metropolitan Area.....	1,646,395	1,452,645	1,401,491	1,387,207	1,268,479

Area

Cincinnati.....	77 sq. miles
Hamilton County	413 sq. miles
Metropolitan Area.....	3,343 sq. miles

Geographically, the City of Cincinnati is located on the Ohio River in Southwestern Ohio near the junction of Ohio, Indiana and Kentucky. Cincinnati is centrally located relative to the thirty-three major U. S. distribution centers. Within 600 miles of Cincinnati reside 54% percent of the nation's population, 53% of the nation's purchasing power, 54% of the nation's manufacturing establishments and 57% of the nation's value added by manufacturing.

2003 City Data

Miles of Street	2,840
Miles of Sewer Mains.....	3,000
Miles of Water Mains	3,000
Number of Water Customers	1,100,000
Number of Water Customer Accounts	235,000
Number of Sewer Customers	800,000
Number of Sewer Customer Accounts	230,000
Acres of Parks and Recreation Land	7,300
Number of Recreation Facilities	204
Gross General Bonded Debt.....	\$629,767,000
Gross Debt per Capita (331,285 population)	\$1,900.98

Number of Municipal Employees, including three/quarter time

Police	1,027	Service Maintenance	861
Fire	722	Technicians	424
Security	16	Professionals	1,257
Clerical	527	Para-Professionals	300
Skilled Crafts	301	Administrators	268

2003

City of Cincinnati



TallStacks 2003





**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF CINCINNATI

HAMILTON 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 19, 2004**