

INTRODUCTORY SECTION

City of Columbus, Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2003

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May 4, 2004

To the Citizens of the City of Columbus, Ohio

The Comprehensive Annual Financial Report (CAFR) of the City of Columbus, Ohio (the City) for the fiscal year ended December 31, 2003 is hereby presented to its citizens by their City Auditor, statutorily described as the City's chief accounting officer.

INTRODUCTION

The City's Charter states, "The auditor shall be an elector of the City, and be elected for a term of four years . . ." The Charter also sets forth the auditor's powers and duties and states, in part:

The auditor shall be the city's chief accounting officer. He shall keep, in accurate, systematized detail a record of the receipts, disbursements, assets, and liabilities of the city, and the recorded facts shall be presented periodically to officials and to the public in such summaries and analytical schedules as shall be necessary to show the full effect of such transactions for each fiscal year upon the finances of the city and in relation to each department of the city government, including distinct summaries and schedules for each public utility owned or operated.

This report fulfills these duties and is distributed to approximately 500 recipients, which include civic associations, banks, brokers, rating agencies, schools, libraries, university students and city, state and federal officials. This report is also available on the City's website. The Internet address is <http://www.cityofcolumbus.org>.

The City's management, defined and described in the following paragraph, is responsible for the accuracy of the data contained in this report. The responsibility for completeness, fairness of presentation, and full disclosure of the data also rests with the City's management.

The management:

The City's management consists of a Mayor, seven-member Council, City Auditor, and City Attorney. These officials are elected for four-year terms on an at-large basis. The Mayor and four Council members are elected in an odd numbered year. Three Council members, the City Auditor, and the City Attorney are elected in the following odd numbered year. The City's Charter also provides for appointments and elections of successors to these officials if they should, for any reason, vacate their office. All are chosen through a non-partisan election process.

In addition to the elected officials, certain others are major participants in the City's management. The Director of the Department of Recreation and Parks, the Health Commissioner, the Civil Service Executive Secretary, and the Secretary of the Sinking Fund are appointed by, and report to, independent Commissions. All of these Commission members are appointed by the Mayor and are subject to confirmation by the Council. The financial activities of these Commissions (budgets, expenditures, etc.) are subject to approval by the Council and are, therefore, included in this report. The City's Treasurer and Clerk to the Council are appointed by, and serve at, the pleasure of the Council.

The Mayor's cabinet, appointed by him and serving at his pleasure, is not subject to confirmation by the Council. In 2003 the cabinet consisted of the directors of the departments of Public Safety, Public Service, Finance, Public Utilities, Development, Technology, Equal Business Opportunity, Human Resources, and Community Relations.

The City Auditor believes that, to the best of his knowledge, the data contained in this report present fairly the financial position and results of operations of the various funds of the City. All necessary disclosures are included in this report to enable the citizens and other readers to understand the City's financial activities.

The report:

This transmittal letter is designed to provide historical information about the City, as well as compliment the required Management's Discussion and Analysis. Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The City's MD&A, which focuses on the government-wide statements, can be found in the Financial Section of this report.

This Comprehensive Annual Financial Report (CAFR) is designed in a manner to assist and guide the reader in understanding its contents. The report consists of four sections:

- The Introductory Section, which includes this letter of transmittal, contains information pertinent to the City's management and organization. References in this section to Note A, Note B, etc., are to Notes to the Financial Statements contained in the Financial Section of this report.
- The Financial Section contains the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information and various other Statements and Schedules pertaining to the City's funds and activities.
- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 1994 through 2003. Also in this section are data necessary to meet the disclosure requirements of Rule 15c2-12(b)(5)(i)(C) and (D) of the Securities and Exchange Commission (SEC).
- The Single Audit Section, in accordance with the federal Single Audit Act of 1996, includes the following:
 - Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on the Audit Performed in Accordance With *Government Auditing Standards*
 - Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance and Schedule of Receipts and Expenditures of Federal, State, and County Awards
 - Schedule of Receipts and Expenditures of Federal, State, and County Awards
 - Notes to Schedule of Receipts and Expenditures of Federal, State, and County Awards
 - Schedule of Findings and Questioned Costs

The reporting entity:

Columbus was first organized as a borough in 1816 and subsequently became a city on March 3, 1834. The City is a home-rule municipal corporation operating under the laws of Ohio. The City's Charter, its constitution, can only be amended by a majority of the City's voters. It has been amended many times since its original adoption in 1914, most recently on November 2, 1999. The laws of the State of Ohio prevail when conflicts exist between the Charter and the state constitution and in matters where the Charter is silent.

Columbus, Ohio's capital city, is located in the central part of the state, approximately 150 miles south of Cleveland and 110 miles northeast of Cincinnati. The City's elevation is approximately 777 feet above sea level. Inter and intra state highways I-70, I-71, I-270, and I-670 serve as some of the City's major transportation arteries. The Ohio State University, with 50,731 students on its Columbus campus, is located near the center of the City. Columbus was ranked as the nation's 15th largest city as a result of the 2000 census.

Some comparative data for Ohio's six largest cities follow. Population estimates for 1980, 1990 and 2000 are from the U.S. Bureau of Census. The Mid Ohio Regional Planning Commission estimates Columbus' population at 743,343 at December 31, 2003. The respective cities' management provided area data as of December 31, 2003.

<u>City</u>	<u>Area</u>	<u>Population</u>			
	<u>2003</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	
Columbus	222.5 sq. mi.	711,470	632,910	565,021	
Cleveland	77.9 sq. mi.	478,403	505,616	573,822	
Cincinnati	78.8 sq. mi.	331,285	364,040	385,410	
Toledo	84.2 sq. mi.	313,619	332,943	354,635	
Akron	62.4 sq. mi.	217,074	223,019	237,177	
Dayton	56.3 sq. mi.	166,179	182,044	193,536	

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations are Component Units*. On this basis, the reporting entity of the City includes the following services to its citizens as authorized by its charter: public service (refuse collection, street engineering and construction, traffic engineering and parking, etc.), public safety (fire, police, etc.), development, health, recreation and parks, and public utilities. In addition, the City owns and operates four enterprise activities: a Water system, a Sanitary sewer system, a Storm sewer and drainage system, and an Electricity distribution system; financial activities for which are contained in this report. Water and sanitary sewer services are metropolitan in nature and reach far beyond the City's corporate boundaries. The City does not operate schools or hospitals, nor is it responsible for public assistance programs.

Other entities included in this report and further explained in Notes A and Q are:

Joint Ventures:

- The Franklin Park Conservatory Joint Recreation District
- Columbus/Franklin County Affordable Housing Trust Corporation
- Columbus Regional Airport Authority

On December 12, 2002 the City of Columbus, Ohio, the Columbus Municipal Airport Authority and the County of Franklin, Ohio entered into the *Port Authority Consolidation and Joinder Agreement*. The effective date of the agreement was January 1, 2003. The agreement unites the operations of Columbus Municipal Airport Authority, created by the City in 1990, and the Rickenbacker Port Authority, created by the County in 1979 and dissolved by the County Commissioners via this action. The new entity is titled the *Columbus Regional Airport Authority (CRAA)*. The board of directors of the CRAA is its governing body and consists of nine (9) members; four (4) appointed by the Mayor of the City of Columbus, four (4) by the County Commissioners of Franklin County and one (1) jointly by the Mayor and the County Commissioners.

Beginning January 1, 2003 the Columbus Regional Airport Authority (CRAA) is characterized as a joint venture of the City and the County whereas, the Columbus Municipal Airport Authority (CMAA) was reported as a component unit of the City through December 31, 2002.

The reporting standards:

The City's accounts are organized as funds. Each fund is a separate accounting entity with its own self-balancing set of accounts, assets, liabilities, and fund equity. In 2003 the City had 88 governmental funds (3 major and 85 non major); 10 business type funds (4 enterprise and 6 internal service) and 19 agency funds. Following are the titles of these funds with a brief description.

Governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources traditionally associated with government which are not required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. City ordinances or Federal or State statutes specify the uses and limitations of each Special Revenue Fund. During 2003 the City had 43 Special Revenue Funds.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. During 2003 the City had 12 Debt Service Funds.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. During 2003 the City had 32 Capital Projects Funds.

Permanent Funds - Permanent funds are for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting governments. The City does not have any permanent funds.

Proprietary funds:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City has four separate enterprise funds for its Water, Sanitary Sewers, Storm Sewers and Electricity distribution services.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one division or agency to other divisions or agencies of the government, generally on a cost reimbursement basis. The City has 6 internal service funds.

Fiduciary funds:

Agency Funds - Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The City had 19 Agency Funds during 2003. The City does not have any trust funds.

Bases of accounting:

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

The measurement focus on the City's proprietary funds is on the flow of total economic resources (all assets and liabilities). The accrual basis of accounting (revenues are recognized when earned and expenses when incurred) is utilized by the City in its proprietary funds.

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

The government-wide financial statements are presented on the full accrual basis of accounting in order to comply with GASB Statement No. 34. Upon implementing GASB Statement No. 34 for the year ended December 31, 2001, infrastructure assets at historical cost (retroactive to 1979) were included as part of the governmental capital assets reported in the government-wide statement. Thus, the depreciated value of construction costs for roads, curbs and gutters and streets and sidewalks is reported.

ECONOMIC CONDITIONS AND EMPLOYMENT

The traditional stability of the City's economy continued to be tested in 2003. Average annual unemployment rates (4.7%) for 2003 continued to be well below the State of Ohio (5.9%) and the United States (6.0%) rates. The following data from the Ohio Department of Job and Family Services is a five-year history of unemployment rates for Franklin County (by month) and the Annual Average Rates for Franklin County, the State of Ohio and the United States.

	Unemployment Rates				
	(% , except for Average Columbus MSA employment base)				
Franklin County:	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
January	4.8	4.0	2.6	2.5	2.6
February	5.0	4.2	2.4	2.7	2.6
March	5.0	4.4	2.2	2.6	2.5
April	4.8	4.3	2.1	2.2	2.3
May	5.0	4.5	2.3	2.3	2.4
June	5.5	5.0	3.0	2.8	2.8
July	4.8	4.5	2.7	2.4	2.5
August	4.5	4.6	2.9	2.5	2.6
September	4.7	4.8	3.2	2.7	2.8
October	4.2	4.5	3.0	2.4	2.6
November	4.2	4.4	3.3	2.3	2.4
December	4.0	4.1	3.1	2.1	2.1
Annual Average Rates:					
Franklin County	4.7	4.4	2.8	2.4	2.5
State of Ohio	5.9	5.7	4.3	4.1	4.3
United States	6.0	5.8	4.8	4.0	4.2
Average Columbus MSA employment	848,100	843,900	850,900	847,100	808,000

The February 2004 Franklin County unemployment rate was 4.9%; the most recent data available.

The City's General Fund balance (budget basis) reached an all time historic high at calendar year 1999 of \$70.880 million. It declined in 2000 to \$65.838 million, rebounded in 2001 to \$67.216 million, but declined again in 2002 to \$50.368 million and in 2003 to \$39.382 million.

The City continues to maintain assets within the General Fund designated for future year's expenditures. This portion of the General Fund consists of unencumbered cash in two subfunds contained in the General Fund. These subfunds, available for General Fund purposes at the discretion of Council, are the Economic Stabilization Fund (the "rainy day" fund) and the Anticipated Expenditure Fund. Council determined in 1994 that the Economic Stabilization Fund is entitled to a proportionate share of interest earnings from the City's investment pool described in this letter under Cash Management and in Note C. The amounts in these subfunds over the last ten years follow:

<u>Year Ended</u>	<u>Budget Basis in Thousands</u>			
	<u>Undesignated subfund</u>	<u>Economic stabilization subfund</u>	<u>Anticipated expenditure subfund</u>	<u>Total General fund</u>
1994	\$ 11,559	\$ 8,478	\$ 300	\$ 20,337
1995	25,245	10,022	1,050	36,317
1996	18,064	11,725	1,800	31,589
1997	26,000	13,515	2,550	42,065
1998	37,949	22,583	8,920	69,452
1999	37,557	23,807	9,516	70,880
2000	30,811	25,250	9,777	65,838
2001	29,794	26,870	10,552	67,216
2002	11,060	28,006	11,302	50,368
2003	8,958	18,372	12,052	39,382

The Economic Stabilization Fund was established in 1988. The first usage of the fund occurred in 2003. The Anticipated Expenditure Fund was established in 1994.

Employment in the Greater Columbus Area continues to be service oriented. Eight of the twelve (12) largest employers in the Columbus area are government or government-oriented (the State of Ohio, The Ohio State University, United States Postal Service, Defense Supply Center – Columbus, Defense Finance and Accounting Service – Columbus, Columbus Public Schools, City of Columbus and Franklin County). The fifty largest employers in the Greater Columbus area are shown in the Statistical Section of this report. These major employers, representing government, insurance, public utilities, manufacturing, retail, banking, research, medical and services, provide a broad and diverse employment base.

Employee relations:

The City's employee relations are established largely in association with the following labor organizations:

- American Federation of State, County, and Municipal Employees (AFSCME), Locals 1632 and 2191. (www.afscme.org)

AFSCME has approximately 2,381 members among the City's 5,153 civilian employees. AFSCME has, however, bargaining rights for approximately 2,765 of these employees. The current labor agreement between the City and AFSCME was effective April 1, 2002 and continues through March 31, 2005.

- Fraternal Order of Police (FOP) (www.fop9.org)

FOP has bargaining rights for all of the City's police officers except for the chief and his five deputy chiefs. Of the City's 1,843 police officers, 1,773 are members of the FOP. The contract between the City and FOP has an expiration date of December 3, 2005.

- International Association of Firefighters (IAFF) (www.iaff.org)

IAFF has bargaining rights for all the City's firefighters except for the chief and one of his five assistant chiefs. Membership in the IAFF includes 1,490 of a total 1,539 firefighters. The current contract was effective June 1, 2001 and continues through May 31, 2004.

- Columbus Municipal Association of Government Employees; Communication Workers of America, Local 4502 (CMAGE/CWA).
- CMAGE/CWA has approximately 746 members and has bargaining rights for approximately 1,251 of the 5,153 civilian employees. The current contract was effective August 24, 2002 and continues through August 23, 2005.

Under Ohio's Collective Bargaining Act, if members of the police or fire division cannot reach agreement with the City they "shall submit the matter to a final offer settlement procedure." This requirement of Ohio law is referred to as a "no-strike" or "binding arbitration" provision. Other employees are permitted to strike under Ohio law after giving proper notification.

MAJOR INITIATIVES

Current Projects and Service Efforts and Accomplishments

Cost containment efforts

The City continues its cost containment efforts, particularly in light of the modest economic results in the region. Expenditures and transfers out of the General Fund in 2003; \$530.552 million (GAAP); were 2.1% less than the comparable expenditures and transfers out in 2002. This represents the first decrease in year to year expenditures and transfers out the General Fund has experienced since the City began GAAP reporting in 1979.

This cost containment resulted primarily from personnel reductions. The number of civilian employees of the City; not police officers or firefighters; at December 31, 2003 was 5,153; 271 less than the 5,424 at December 31, 2002 and 481 less than the 5,634 at December 31, 2001. The following table demonstrates the decline in hours worked, fulltime equivalent employees based on a 2,080 hour work year and changes since 2001.

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Hours worked (in thousands):			
General Fund (includes police and fire)	12,593	12,180	11,687
Health funds	905	875	830
Recreation and parks funds	1,592	1,526	1,348
All other funds	<u>4,665</u>	<u>4,848</u>	<u>4,942</u>
Total	<u>19,755</u>	<u>19,429</u>	<u>18,807</u>
Full time equivalent employees:			
General fund (includes police and fire)	6,054	5,856	5,619
Health funds	435	421	399
Recreation and parks funds	765	734	648
All other funds	<u>2,243</u>	<u>2,330</u>	<u>2,376</u>
Total	<u>9,497</u>	<u>9,341</u>	<u>9,042</u>
Year to year change, increase (decrease), of fulltime equivalent employees:			
General Fund (includes police and fire)	-	(198)	(237)
Health funds	-	(14)	(22)
Recreation and parks funds	-	(31)	(86)
All other funds	<u>-</u>	<u>87</u>	<u>46</u>
Total	<u>-</u>	<u>(156)</u>	<u>(299)</u>

The Columbus Health Department

The Columbus Health Department protects and promotes the health of the public. This takes on a variety of forms from inspecting restaurants to providing prenatal care to pregnant women. During 2003, the department faced both traditional and emerging public health infections. This included an unprecedented demand for flu vaccine this past December. Mounting media attention around the early onslaught of influenza in the western states coupled with the announcement by vaccine manufacturers that they had run out of vaccine for the year motivated a much higher number of people in Columbus to seek protection from the flu. Whereas in December

the clinic typically serves about 60 people per day, at the peak this year, the clinic was serving 500-600 people. To respond, the department set up an incident command system, pulled staff from various areas and served more than 3,000 people in a 10 day period.

In a time of mounting need for public health services and diminishing resources, the department is also working to maximize revenues for clinical services. Late in 2003, the department finalized a contract to establish a clinical information system that will enable comprehensive third party billing for a range of clinical services for which the department previously has not billed. It is anticipated that this system will also enable other clinical efficiencies and enhance operations and our ability to serve vulnerable populations well into the future.

Development Department

The Downtown Business plan began in 2002 with a goal of developing 10,000 downtown housing units in 10 years. Currently there are 2,900 housing units in production with private investments of more than \$142 million. Four hundred eighty-six units have opened; 1,068 are under construction; 435 have been approved and await groundbreaking; and 916 have been proposed. The average price of new downtown condos sold in the last year was \$174,000. The average price of downtown condos proposed or under construction is \$328,000.

The Department of Development's Economic Development Division helped create 1,093 full-time jobs, retained 1,989 jobs and triggered over \$116 million in private sector investment. Through the use of tax incentives there has been over \$1.58 billion invested in new real and personal property investment since 2000.

PROSPECTS FOR THE FUTURE

While the recent economy has brought its challenges, the City continues as a strong provider of public service.

- On May 4, 2004, the City received \$55.1 million from the Solid Waste Authority of Central Ohio (SWACO). These monies resulted from a bond issue by SWACO and have been paid to the City in partial satisfaction of lease rental payments due the City as fully described in Note H. SWACO is a separate and distinct political subdivision of the State of Ohio. Its primary task is to dispose of garbage. As fully described in Note H, SWACO leased, in 1993, a trash burning power plant from the City. After the plant's closure in 1994 SWACO became in arrears in lease payments to the City. These monies have been deposited in the Economic Stabilization component (rainy day fund) of the City's General fund.
- The economic strength of Columbus lies in the imagination and inventiveness of its people. The presence in Columbus of institutions of education such as The Ohio State University, Columbus State Community College, Ohio Dominican College, Capital University, Franklin University, Otterbein College, DeVry Institute, Columbus College of Art and Design and others, assure Columbus of a talented work force for continued economic development.
- Unemployment continues to be low when compared to state and national levels. Stability of the City's work force, due to its high government, education and other service-oriented employment, would indicate a continuance of this comparison. The Ohio Bureau of Jobs and Family Services indicates an increase of 4,200 jobs in Franklin County in 2003 in contrast with a decrease of 7,000 jobs in 2002.
- The City continues to enjoy major developments, both residential and commercial, in the downtown and throughout the City, indicative of continued economic activity and a quality living experience.
- Population continues to grow. The U.S. Bureau of the Census indicated 711,470 inhabitants in Columbus in 2000 compared to 632,910 in 1990, an increase of 12.4% in the decade. The Mid Ohio Regional Planning Commission estimates the population of Columbus at December 31, 2003 to be 743,343, an increase of 14.2% since 1993.

FINANCIAL INFORMATION

Accounting system and budgetary control:

The City's Charter states that the Mayor and the Auditor, officials separately elected and independent of each other, shall supervise all departmental expenditures and shall keep such expenditures within appropriations. The Auditor performs a pre-audit of the City's expenditures. Post-audits are performed by independent certified public accountants, not only of the City's financial activities, but also of grant monies expended by various private and quasi-public agencies acting as subgrantees of the City.

The Charter mandates other checks and balances. The most important of these, as it relates to the City's financial stability and credit worthiness, states that no contract, agreement, or other obligation involving the expenditure of money shall be entered into, nor shall any legislation be passed by the Council, unless the Auditor first certifies that money required for the obligation is in the Treasury to the credit of the fund from which the expenditure is to be paid, or is in the process of collection. The City's fiscal accounting system also provides for checks and balances between the Auditor and the Treasurer.

Budgetary control is maintained at Object Level One for each division within each fund via legislation approved by the Council. The various objects are:

01	Personal services	05	Other
02	Materials and supplies	06	Capital outlay
03	Contractual services	07	Interest on debt
04	Debt principal payments	10	Transfers

Lower object levels two and three are accounted for and reported internally. Estimated amounts must be encumbered prior to release of purchase orders or other contracts to vendors. Encumbrances in excess of the available object level one appropriation are not approved unless additional appropriations are authorized. Except for Capital Projects Funds and grants (initial appropriations continue until expended or modified by Council), unencumbered appropriations lapse at the end of each fiscal (calendar) year.

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The Council authorizes appropriations, both original and supplemental. Supplemental appropriations are common. Appropriations are further explained in Notes to Required Supplementary Information.

Internal controls:

Internal controls begin with separation of powers; separately elected officials such as Mayor, Council, City Attorney, and City Auditor. A structure of departments and divisions where duties are separated to the extent practicable also provides controls. An independent Civil Service Commission establishes hiring (and firing) policies for classified employees. Disbursements by the Treasurer can only be pursuant to a warrant of the City Auditor. Warrants can only be issued pursuant to written authorization of a department director. These and other control features are prescribed by the City's Charter.

General Fund:

The growth in both population and land area that the City experiences continue to exert demands for its services. The General Fund balance at December 31, 2003 equates to 10.0% (GAAP) of expenditures and transfers out for 2003. A five-year comparison of its General Fund activity follows. Five-year comparisons, as compared to a shorter period, will assist the reader in more meaningful analyses. The revenues, expenditures and changes in fund balance shown in these comparisons are presented on the modified accrual basis of accounting as applicable to government.

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
1999-2003
(in thousands)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:					
Income taxes	\$ 329,077	326,612	326,259	315,610	308,223
Property taxes	45,660	41,520	40,881	39,049	34,403
Investment earnings	7,783	13,260	27,060	32,745	17,821
Licenses and permits	957	1,150	11,538	10,700	11,972
Shared revenues	57,170	56,679	61,932	61,982	56,661
Charges for services	33,961	27,794	26,758	27,099	24,420
Fines and forfeits	17,091	15,522	12,924	12,591	12,468
Miscellaneous	5,445	8,575	5,651	11,234	4,339
Total revenues	<u>497,144</u>	<u>491,112</u>	<u>513,003</u>	<u>511,010</u>	<u>470,307</u>
Expenditures:					
General government	61,776	67,059	65,781	58,116	53,327
Public service	47,816	51,411	54,860	49,003	46,971
Public safety	360,893	352,147	339,129	319,831	287,800
Development	16,497	20,486	29,800	27,165	25,567
Health	267	163	-	-	-
Recreation and parks	501	420	-	-	-
Capital outlay	1,273	2,958	3,181	7,552	8,486
Total expenditures	<u>489,023</u>	<u>494,644</u>	<u>492,751</u>	<u>461,667</u>	<u>422,151</u>
Excess of revenues over expenditures	<u>8,121</u>	<u>(3,532)</u>	<u>20,252</u>	<u>49,343</u>	<u>48,156</u>
Other financing sources (uses):					
Transfers in (out):					
Cash returned from over funded employee benefits fund	14,157	-	-	-	-
Tipping fees	13,450	13,659	15,701	11,343	10,878
Helicopters	-	651	-	1,270	1,002
Other	73	112	-	-	-
Health	(16,204)	(17,420)	(19,499)	(20,560)	(19,027)
Recreation and parks	(25,122)	(27,167)	(29,760)	(29,586)	(27,739)
Other	(203)	(2,810)	(3,242)	(4,109)	(4,967)
Total other financing sources (uses)	<u>(13,849)</u>	<u>(32,975)</u>	<u>(36,800)</u>	<u>(41,642)</u>	<u>(39,853)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(5,728)</u>	<u>(36,507)</u>	<u>(16,548)</u>	<u>7,701</u>	<u>8,303</u>
Fund balance at beginning of year	<u>58,858</u>	<u>95,365</u>	<u>111,913</u>	<u>104,212</u>	<u>95,909</u>
Fund balance at end of year	<u>\$ 53,130</u>	<u>58,858</u>	<u>95,365</u>	<u>111,913</u>	<u>104,212</u>

Revenue narrative:

Brief descriptions of the City's major revenue components follow.

Income taxes:

The City's income tax continues to be its primary source of revenue. The tax applies to all wages, salaries, commissions, and other compensation paid by employers and/or the net proceeds from the operation of a business, profession, or other enterprise activity. The initial tax rate of .5%, collected in 1948, was increased to 1% in 1956, 1.5% in 1971, and to the current 2% in 1983. Income tax rates of cities and villages within the State of Ohio are limited to a maximum of 1%, unless specifically approved by a majority of the resident voters of the respective city or village. There are 565 cities and villages within the State of Ohio that now levy a local income tax. Rates range from .30% to 2.75%.

Local school districts in the State of Ohio are also permitted to levy an income tax, but only with the approval of a majority of voters within the district. Ohio has 611 school districts; 126 have an income tax. Rates range from 0.5% to 2.0%.

Approximately 85.3% of the City's income tax collected in 2003 was via employers withholding the tax from employees' earnings and remitting the tax to the City on a statutorily prescribed schedule. Approximately 9.8% of collections originated from business accounts and 4.9% from independently employed individual taxpayers. Depending on the amount withheld, employers must remit to the City on a semi-monthly, monthly, or quarterly frequency, with the largest amounts being remitted semi-monthly.

One quarter of the revenue from this tax is accounted for in a Debt Service Fund and is primarily used for servicing debt pertaining to non-enterprise type capital improvements. Tipping fees for disposal of garbage collected by the City are also paid from this fund on the City's budget basis of accounting. On the modified accrual basis of accounting, such tipping fee amounts are transferred to the General Fund and expended as public service expenditures. Three-quarters of income tax revenues are used for General Fund purposes. Income tax revenues on the budget basis represent 2003 collections of \$454.3 million less refunds of \$15.0 million for a net amount of \$439.3 million.

Beginning in 2002 the City began designating certain collections to defray collection agency fees on delinquent accounts. Income tax revenues on the modified accrual basis of accounting, net of refunds, were \$438.993 million and are reported in the following funds:

(in thousands)

<u>Fund</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General	\$ 329,077	326,612	326,259	315,610	308,223
General Bond Retirement	97,325	90,837	94,439	87,335	89,778
Special Income Tax	12,368	18,060	14,288	17,867	12,963
Other governmental-special revenue	<u>223</u>	<u>58</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 438,993</u>	<u>435,567</u>	<u>434,986</u>	<u>420,812</u>	<u>410,964</u>
% increase (decrease) over prior year	.79	.13	3.37	2.40	7.76 %

A ten-year history of the income tax revenue and cash collections, net of refunds, appears in the Statistical Section of this report. The City acts as collection agent for 9 other cities and villages in the central Ohio area. Fees collected by the City for these services totaled \$421,423 in 2003, and are accounted for in the General Fund as charges for services.

Property taxes:

Property taxes in Ohio are levied and collected by its 88 counties. The City lies partially within three of these counties: Franklin, Fairfield, and Delaware. After collection, the counties distribute portions of these taxes to the political subdivisions (school districts, cities, villages, townships, etc.) located within their geographic borders. Property taxes for the City represent a tax rate of approximately 3.14 mills (\$3.14 per \$1,000 of taxable valuation) applied to the assessed value of property located in the City. Assessed values represent approximately 35% of appraised values. This rate, 3.14 mills, has remained unchanged since 1956.

Increases in this rate can only occur with approval of the City's voters. Revenues from property taxes are used for General Fund operations, including a partial provision, 0.60 mills, for current police and fire pension costs.

Revenues produced by this millage for the General Fund were:

	(in thousands)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General Fund	\$ 45,660	41,520	40,881	39,049	34,403
% increase (decrease) from prior year	9.97	1.56	4.69	13.50	2.71 %

Assessed values of taxable property at December 31, 2003 within the City, in the counties in which the City is located, were as follows:

	(in thousands)
Franklin	\$ 14,199,724
Fairfield	122,830
Delaware	<u>166,320</u>
Total	<u>\$ 14,488,874</u>

Total assessed values in the City over the past ten years are shown below. Values of Franklin, Fairfield, and Delaware counties are included in years where applicable.

<u>Fiscal Year</u>	<u>For Tax Collection In Fiscal Year</u>	<u>Assessed Value (in thousands)</u>	<u>% Increase From Prior Year</u>
1994	1995	\$ 9,266,927	0.96 %
1995	1996	9,483,390	2.34
1996	1997	10,130,785	6.83
1997	1998	10,483,853	3.49
1998	1999	10,972,327	4.66
1999	2000	12,397,530	12.99
2000	2001	12,939,074	4.37
2001	2002	13,107,854	1.30
2002	2003	14,551,080	11.01
2003	2004	14,488,874	(.43)

Property assessed values steadily increased over the period 1994 to 2002, with larger increases evident every three years. These three-year increases result from comprehensive reappraisals of property that take place every six years, and less formal triennial updates that occur the third year in between the six year reappraisals. Six-year reappraisals took place in 1999, with the resulting increases in property tax collections occurring in 2000. In 1996 and 2002 triennial updates occurred. Property taxes levied in 2003 but not collectible until 2004 are accounted for in the General Fund as accounts receivable and deferred revenue at an estimated amount of \$45.1 million.

The decline in total assessed values for collections in 2004; shown in detail in Table 4 in the Statistical Section of this report; is due to legislated declining assessed values, as a percent of appraised values, of personal property. Personal property is defined as equipment and inventory used in business. Real property, land and buildings, assessed value continued to increase; by 2.39%.

Additional data on property values and taxes appear in the Statistical Section of this report.

Investment earnings:

The City's investment policies are discussed later in this letter under *Cash management* and in Note C. This source of revenue is not conducive to year-to-year comparisons. Investment earnings are only deposited to the General Fund after all statutorily directed earnings are deposited to the appropriate funds: enterprise funds, grant funds, etc. Earnings for the past five years have been:

<u>Funds</u>	(in thousands)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General	\$ 7,783	13,260	27,060	32,745	17,821
General Bond Retirement	57	81	125	244	136
Special Income Tax	-	-	108	-	-
Other governmental	356	854	2,086	3,253	2,658
Total governmental funds	8,196	14,195	29,379	36,242	20,615
Enterprise	2,975	6,393	8,024	7,544	7,700
Total	\$ 11,171	20,588	37,403	43,786	28,315

Licenses and permits:

Licenses and permits are issued by the City to regulate activities related to building, health, and other business enterprises. Increased collections in 1999 are indicative of several major building projects in Columbus in addition to increases in the rate of fees in May 1998. Over the past five years, revenues in the General Fund resulting from licenses and permits amounted to:

	(in thousands)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Amount	\$ 957	1,150	11,538	10,700	11,972
% increase (decrease) from prior year	(16.78)	(90.03)	7.83	(10.62)	23.52 %

In 2002 revenues and expenditures of the Building Services division of the Department of Development were accounted for in a nonmajor governmental (special revenue) fund. Prior to 2002 this activity was accounted for in the General Fund. The activity is now intended to be self sustaining with no other support from the General Fund. In 2003 activity accounted for in the Development Services special revenue fund was \$22.492 million in revenue and \$22.050 million in expenditures.

Shared revenues:

Shared revenues in the General Fund include the taxes listed below which are levied and collected by the state or counties and partially redistributed to the City and other political subdivisions. Provided below is a five-year history of the City's share of these revenues as reported in the governmental fund financial statement on the modified accrual basis of accounting.

	(in thousands)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
State income, sales, corporate franchise, and public utility taxes:					
Local government fund	\$ 43,075	43,677	46,881	44,867	41,750
Local government revenue assistance fund	3,830	3,879	4,080	3,984	3,822
Estate tax	9,272	8,105	9,972	12,125	10,152
State liquor fees	960	982	964	968	901
Cigarette tax and other	33	36	35	38	36
Total	\$ 57,170	56,679	61,932	61,982	56,661
% increase (decrease) from prior year	.87	(8.48)	(.08)	9.39	(1.14) %

The decline in revenues from the 2000 levels of the Local government fund and the Local government revenue assistance fund is directly attributable to effects of the nationwide and Ohio-wide economic recession, thereby reducing the level of support from the state of Ohio to its cities.

Charges for services:

The City performs certain services for its citizens and other municipalities for which it charges various amounts. These services include impounding, storing and selling abandoned autos; fire and police protection provided to certain suburbs; parking meter fees; and various other services. Additionally the City's General Fund allocates certain citywide costs initially borne by the General Fund to certain other funds. These costs (pro rata charges) are allocated by charging certain other funds a statutorily approved rate of 4 1/2%, as determined by the City's most recent cost allocation plan, of their gross revenue.

These revenues in the General Fund over the past five years have produced:

		(in thousands)				
		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Parking meters and fees	\$	3,125	3,394	3,413	3,199	2,981
City Attorney charges		1,067	739	707	683	587
City Auditor charges		421	580	573	593	521
Police services		4,963	4,039	3,361	3,179	3,128
Fire services		6,612	1,913	1,840	1,760	1,711
Pro rata charges		16,433	16,352	15,402	14,912	14,215
All other		1,340	777	1,462	2,773	1,277
Total	\$	<u>33,961</u>	<u>27,794</u>	<u>26,758</u>	<u>27,099</u>	<u>24,420</u>
% increase (decrease) from prior year		22.19	3.87	(1.26)	10.97%	(1.39) %

Police services in 2003 include \$1.035 million received from the local public school district for special police services in schools; the first year for such revenue.

Fire services in 2003 include \$4.619 million (\$3.573 million collected in 2003) representing charges for emergency medical transportation services; the first year for such revenue.

Fines and forfeits:

These revenues consist of fines and forfeits imposed by the Franklin County Municipal Court, and parking tickets issued by the City's parking violation's bureau. Increased "prices" for parking tickets and various fines in 2002 resulted in the significant increase in this revenue source during 2002 and 2003.

		(in thousands)				
		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Fines and forfeits	\$	11,470	10,656	8,804	8,382	8,326
Parking ticket revenue		<u>5,621</u>	<u>4,866</u>	<u>4,120</u>	<u>4,209</u>	<u>4,142</u>
Total	\$	<u>17,091</u>	<u>15,522</u>	<u>12,924</u>	<u>12,591</u>	<u>12,468</u>
% increase (decrease) from prior year		10.11	20.10	2.64	0.98	(2.33) %

Miscellaneous:

Miscellaneous revenues in the General Fund on the modified accrual basis of accounting consist of the following:

		(in thousands)				
		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Hotel/motel taxes	\$	2,804	2,707	2,735	3,764	3,571
Refunds and reimbursements		1,206	5,755	2,266	7,146	636
Other		<u>1,435</u>	<u>113</u>	<u>650</u>	<u>324</u>	<u>132</u>
Total	\$	<u>5,445</u>	<u>8,575</u>	<u>5,651</u>	<u>11,234</u>	<u>4,339</u>

Refunds and reimbursements in 2002 and 2000 include nonrecurring refunds from the Ohio Bureau of Workers' Compensation. Proportionate shares of the refund were returned to the respective funds from which the premium had been paid.

Expressed as percentages of total revenues, the major General Fund revenue components over the past five years are:

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	
Income taxes	66.2	66.5	63.6	61.8	65.5	%
Property taxes	9.2	8.5	8.0	7.6	7.3	
Investment earnings	1.6	2.7	5.3	6.4	3.8	
Licenses and permits	.2	.2	2.2	2.1	2.6	
Shared revenues	11.5	11.5	12.1	12.1	12.0	
Charges for services	6.8	5.7	5.2	5.3	5.2	
Fines and forfeits	3.4	3.2	2.5	2.5	2.7	
Miscellaneous	1.1	1.7	1.1	2.2	0.9	
Total revenue	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	%

Transfers in narrative:

Transfers in in 2003 represent a non recurring transfer of cash (\$14.157 million) from an over funded employee benefits fund of monies previously paid into the fund from General Fund resources. The employee benefits fund remains fully funded as determined by independent actuaries. Transfers in also include \$13.450 million transferred from the Special Income Tax Debt Service Fund representing tipping fees expended therefrom on the City's budget basis of accounting. Tipping fee costs appear as public service expenditures.

Expenditure narrative:

The practice of transferring monies from the General Fund to the Health Department Fund and the Recreation and Parks Fund, both Special Revenue Funds, is a method used annually by the City to provide resources to these funds. It is appropriate, therefore, to consider transfers out in the following analysis of the General Fund. After combining transfers out with expenditures, the major General Fund components over the past five years are:

	(in thousands)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General government	\$ 61,776	67,059	65,781	58,116	53,327
Public service	47,816	51,411	54,860	49,003	46,971
Public safety	360,893	352,147	339,129	319,831	287,800
Development	16,497	20,486	29,800	27,165	25,567
Capital outlay and other	2,041	3,541	3,181	7,552	8,486
Total expenditures	<u>489,023</u>	<u>494,644</u>	<u>492,751</u>	<u>461,667</u>	<u>422,151</u>
Health	16,204	17,420	19,499	20,560	19,027
Recreation	25,122	27,167	29,760	29,586	27,739
Other (transfers out)	<u>203</u>	<u>2,810</u>	<u>3,242</u>	<u>4,028</u>	<u>4,967</u>
Total transfers out	<u>41,529</u>	<u>47,397</u>	<u>52,501</u>	<u>54,174</u>	<u>51,733</u>
Total	<u>\$ 530,552</u>	<u>542,041</u>	<u>545,252</u>	<u>515,841</u>	<u>473,884</u>
% increase (decrease) from prior year	<u>(2.12)</u>	<u>(.59)</u>	<u>5.70</u>	<u>8.85</u>	<u>6.59 %</u>

Transfers out narrative:

The City's General Fund provides financial support to its Health department (\$16.204 million) and to its Recreation and Parks operations (\$25.122 million). Financial activity of these services is primarily accounted for in Other Governmental Funds. Total expenditures reported in the fund financial statements for these services were \$37.106 million for the Health Department and \$71.290 million for the Recreation and Parks Department.

Expressed as percentages, the General Fund expenditures and transfers out over the past five years are:

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General government	11.6	12.4	12.0	11.3	11.3 %
Public service	9.0	9.5	10.0	9.5	9.9
Public safety	68.0	65.0	62.2	62.0	60.7
Development	3.1	3.8	5.5	5.3	5.4
Capital outlay and other	.5	.6	.6	1.4	1.8
Total expenditures	<u>92.2</u>	<u>91.3</u>	<u>90.3</u>	<u>89.5</u>	<u>89.1</u>
Health (transfers out)	3.1	3.2	3.6	4.0	4.0
Recreation and parks (transfers out)	4.7	5.0	5.5	5.7	5.9
Other (transfers out)	-	.5	0.6	0.8	1.0
Total transfers out	<u>7.8</u>	<u>8.7</u>	<u>9.7</u>	<u>10.5</u>	<u>10.9</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0 %</u>

Public safety, primarily police and fire services, continues to be the dominant expenditure function of the General Fund.

While not necessarily represented in each of the City's funds, expenditures by function used in this report represent the following City divisions:

General government:

- Mayor
- City Council
- City Treasurer
- City Attorney
- Real Estate
- City Auditor
- Income Tax
- Municipal Court Judges
- Municipal Court Clerk
- Civil Service Commission
- Community Relations Commission
- Equal Business Opportunity Director
- Office of Education
- Finance Director
- Purchasing
- Human Resources
- Technology Director
- Information Services
- Telecommunications

Public service:

- Service Director
- Construction Inspection
- Engineering and Construction
- Facilities Management
- Fleet Management
- Refuse Collection
- Traffic Engineering and Parking

Public safety:

- Safety Director
- Communications
- Fire
- Police

Development:

- Building and Development Services
- Department Administration
- Economic Development and Planning Services
- Housing and Community Services

Capital Outlay:

- Expenditures for capital assets with estimated useful lives of five years or more.

Health

- General Fund monies of \$16.204 million were transferred to the Health Department in 2003.

Recreation and parks:

- General Fund monies of \$25.122 million were transferred to the Recreation and Parks Department in 2003.

Public utilities:

- Public Utilities Director
- Storm Sewers

General Fund balances:

The City is required to maintain accounting records on a budget basis, as explained earlier in this letter. The Budgetary Comparison Schedule – General Fund presented as Required Supplementary Information immediately following the notes to the financial statements show the actual results of the budgeted general fund for 2003. A contrast in the two accounting methods and their impact on General Fund balances is shown below. A reconciliation between the General fund changes in fund balance on the budget basis versus the modified accrual basis is also presented on the Budgetary Comparison Schedule for 2003.

General Fund balances at December 31,	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
			(in thousands)		
Budget Basis:					
Designated for future years expenditures	\$ 30,424	39,308	37,423	35,027	33,323
Undesignated	8,958	11,060	29,793	30,811	37,557
Total fund balance	<u>\$ 39,382</u>	<u>50,368</u>	<u>67,216</u>	<u>65,838</u>	<u>70,880</u>
Modified Accrual - GAAP Basis:					
Reserved for encumbrances	\$ 14,539	11,633	17,347	27,317	21,148
Unreserved					
Designated for future years' expenditures	30,471	39,573	37,884	35,521	33,660
Undesignated	8,120	7,652	40,134	49,075	49,404
Total unreserved	<u>38,591</u>	<u>47,225</u>	<u>78,018</u>	<u>84,596</u>	<u>83,064</u>
Total fund balance	<u>\$ 53,130</u>	<u>58,858</u>	<u>95,365</u>	<u>111,913</u>	<u>104,212</u>

Grants and subsidies:

Grants and subsidies received by the City are accounted for in the Special Revenue Funds, and Capital Projects Funds. The five-year history of the City's grants and subsidies reported on the modified accrual basis of accounting follow.

Funds	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
			(in thousands)		
Special Revenue	\$ 79,588	76,130	69,923	52,134	49,246
Capital Projects	<u>7,404</u>	<u>5,262</u>	<u>7,157</u>	<u>4,233</u>	<u>4,340</u>
Total	<u>\$ 86,992</u>	<u>81,392</u>	<u>77,080</u>	<u>56,367</u>	<u>53,586</u>
% increase (decrease) from prior year	6.9	5.6	36.7	5.19	(16.00) %

Certain significant grants received by the City in 2003 are shown below.

	(in thousands)
• Women's, Infants and Children Program via U.S. Department of Agriculture - CFDA 10.557	\$ 3,466
• Programs for the Aging-Title III-Parts C and A, Nutrition Services via Ohio Department of Aging – CFDA 93.045	2,702
• Medical Assistance Program (PASSPORT) via the Ohio Department of Aging – CFDA 93.778	25,798
• Community Development Block Grant - non Loan Program via U.S. Department of Housing and Urban Development - CFDA 14.218	10,381
• Empowerment Zones Program via U.S. Department of Housing and Urban Development – CFDA 14.244	5,318
• Franklin County Seniors Options via Franklin County, Ohio	2,234

Capital assets:

Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets, which include property, plant and equipment, and infrastructure (e.g. roads, curbs, and gutters, streets and sidewalks, and drainage systems) are recorded at historical cost or estimated historical cost (for certain assets acquired prior to 1960). Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to January 1, 1979) is included as part of the governmental capital assets reported in the government-wide statements. Contributed capital assets are recorded at their market value at the time of contribution. Capital assets are further described in Note F.

Enterprise funds:

The City operates four enterprise activities: a Water system, a Sanitary Sewer system, a Storm Sewer system and an Electricity distribution system, which are accounted for in separate enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the City intends that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City accounts for its enterprise funds on the full accrual basis of accounting.

Following are the annual charges and rate increases (decreases) for the average Columbus resident/user of water and sewers over the last ten years. An average Columbus resident/user is defined as a customer using 12,000 cubic feet of water annually. Water and sanitary sewer charges are designed to provide resources for both capital and operating costs. Storm sewer charges are designed to provide resources for storm sewer operating costs (maintenance) and certain, but not all, capital costs.

<u>Year</u>	<u>Water</u>		<u>Sanitary Sewers</u>		<u>Storm Sewers</u>		<u>Total</u>		Moving ten year %
	<u>Annual charge</u>	<u>% increase (decrease)</u>	<u>Annual charge</u>	<u>% increase (decrease)</u>	<u>Annual charge</u>	<u>% increase (decrease)</u>	<u>Annual charge</u>	<u>% increase</u>	
1995	\$ 162.12	5.5	\$ 217.81	5.0	\$ 29.27	(22.8)	\$ 409.20	2.5	92.0
1996	168.12	3.7	224.35	3.0	19.68	(32.8)	412.15	0.7	83.6
1997	173.16	3.0	231.10	3.0	19.68	0.0	423.94	2.9	84.2
1998	179.64	3.7	228.70	(1.0)	19.68	0.0	428.02	1.0	85.9
1999	183.36	2.1	228.60	0.0	19.68	0.0	431.64	0.8	79.4
2000	183.36	0.0	228.60	0.0	26.52	34.8	438.48	1.6	68.9
2001	183.36	0.0	228.60	0.0	29.88	12.7	441.84	0.8	46.3
2002	183.36	0.0	228.60	0.0	32.70	9.5	444.66	0.6	30.8
2003	192.60	5.0	240.12	5.0	34.35	5.0	467.07	5.0	26.1
2004	206.52	7.2	262.92	9.5	36.14	5.2	505.58	8.2	26.7

The City's enterprises are not subject to rate review or determination by the Public Utilities Commission of Ohio or any similar regulatory body. The City's Council has the necessary authority to establish appropriate user rates when needed. The rates are reviewed and established by the Council annually. The frequency and amounts of rate setting authority lies solely with the City's Council.

Water:

The City's Water enterprise serves the residents of the City and the majority of suburban communities in the Columbus vicinity. The population of the service area is estimated in excess of one million persons. The Water enterprise serves 260,875 customer accounts, owns and maintains 2,495 miles of water mains primarily within the City and maintains an additional 839 miles of mains beyond the City's borders.

The City obtains its raw water supply from rivers, reservoirs and wells. The enterprise conducted a regional water resource project titled *Water Beyond 2000* which is used as a guide to develop additional water supply, treatment facilities, and distribution components as dictated by increasing demand. Future supply requirements will be addressed through a combination of demand management efforts, expansion of the existing South Wellfield and construction of upground reservoirs along the Scioto River north of the City. All necessary land for the South Wellfield Expansion and the upground reservoirs has been purchased.

The Water enterprise operates three treatment plants. A summary of the historical pumpage over the last five years follows:

	(in millions of gallons)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Minimum day	110	111	109	119	110
Maximum day	189	216	203	184	209
Average day	141	146	143	139	145
Total year's pumpage	51,393	53,298	52,038	51,037	53,009

The enterprise operates one of the most sophisticated water laboratories in the nation. The lab has maintained its EPA certification continually since the certification process began in 1976 pursuant to the Safe Drinking Water Act of 1974. On a semiannual basis, the lab must conduct various water study sample tests. The certification covers both equipment and personnel and represents a measure of quality performance. The staff is fully supported with state of the art equipment. Their primary responsibility is to assure that the Water enterprise is, and will remain, in compliance with all federal, state and local requirements.

A five-year comparison of certain Water enterprise data is shown below:

	(in thousands, except for number of employees)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Assets	\$ 449,569	471,463	447,038	433,298	447,912
Net assets	168,814	165,087	156,901	147,990	139,156
Operating revenues	93,138	97,650	96,488	93,803	97,295
Operating expenses	(79,673)	(80,109)	(78,679)	(72,781)	(73,420)
Operating income	13,465	17,541	17,809	21,022	23,875
Nonoperating					
Investment income	1,075	2,323	4,018	2,106	2,818
Interest expense	(12,113)	(11,742)	(12,451)	(14,363)	(15,987)
Other, net	74	64	(465)	69	2,304
Transfers in	1,226	-	-	-	-
Change in net assets/net income	3,727	8,186	8,911	8,834	13,010
Number of employees	547	539	544	547	576

All bonds of the Water enterprise are paid from Water enterprise revenues.

Sanitary Sewers:

The City's Sanitary Sewer enterprise also serves the metropolitan area with approximately 256,647 customer accounts, both residential and commercial. Included in the total sewer system are 2,363 miles of sanitary sewers, 1,789 miles of storm sewers, and 205 miles of combined sanitary/storm sewers. The costs and related financial activities of sanitary and combined sewers are accounted for in the Sewer Enterprise Fund.

The Sanitary Sewer enterprise operates two treatment plants. During 2003 treatment data was as follows.

	(millions of gallons per day)		
	<u>Southerly Plant</u>	<u>Jackson Pike Plant</u>	<u>Total</u>
Minimum day	61.2	42.5	103.7
Maximum day	214.0	109.2	323.2
Average day	102.5	81.2	183.7
Maximum capacity	200.0	110.0	310.0

When the Jackson Pike plant reaches capacity the excess automatically flows through connectors to the Southerly plant. The Southerly plant has a design capacity that allows gallons treated to exceed, by approximately 20%, the maximum longer term sustainable maximum capacity for shorter periods of time. In 2003 gallons treated on six days; 5/11, 6/14, 8/30, 9/2, 9/3 and 9/27, exceeded the longer term sustainable capacity, with 6/14 being the maximum treatment day of 214.0 million gallons.

A five-year comparison of certain Sanitary Sewer enterprise data is shown below:

	(in thousands, except for number of employees)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Assets	\$ 1,085,871	1,056,581	999,402	931,126	925,368
Net assets	470,824	462,967	444,199	431,509	412,821
Operating revenues	115,506	121,904	115,652	116,570	117,041
Operating expenses	(91,932)	(87,874)	(85,328)	(79,224)	(80,590)
Operating income	23,574	34,030	30,324	37,346	36,451
Nonoperating					
Investment income	1,222	3,409	3,585	4,488	4,069
Interest expense	(18,189)	(19,598)	(20,757)	(23,145)	(25,110)
Other, net	59	482	(462)	-	(79)
Transfers in	1,191	445	-	-	-
Change in net assets	7,857	18,768	12,690	18,689	15,331
Number of employees (years prior to 2002 (include storm sewer employees)	505	497	544	571	589

All bonds and notes of the Sanitary Sewer enterprise are paid from Sanitary Sewer enterprise revenues.

Storm sewers:

Prior to 2002 the City's Storm sewer financial activity was accounted for in a governmental type special revenue fund. Beginning with 2002, Storm sewer assets, liabilities, revenues and expenses have been accounted for in a business type activity enterprise fund. The City intends that all costs of the Storm sewer enterprise be supported by user charges except for debt service, principal and interest, on bonds authorized by the voters in 1991 and prior. This debt service amount in 2003 was \$ 2.944 million and is included in the enterprise financial statements as Transfers in. Final maturity on these bonds, all general obligation type bonds, is 2018.

The City's Storm sewer enterprise owns and maintains 1,789 miles of such sewers and has 192,005 customer accounts, all within the City's borders. Certain Storm sewer enterprise data is shown below.

	(in thousands, except for number of employees)	
	<u>2003</u>	<u>2002</u>
Assets	\$ 107,365	106,095
Net assets	39,290	33,341
Operating revenues	20,943	21,218
Operating expenses	15,234	(14,903)
Operating income	5,709	6,315
Nonoperating		
Investment income	635	330
Interest expense	(3,409)	(3,395)
Transfers in	3,014	30,091
Change in net assets	5,949	33,341
Number of employees	34	34

Electricity:

The City owns and operates an Electricity distribution system and accounts for it in the Electricity Enterprise Fund. The system had its origin in the 1890's and generated electricity from burning coal. The initial sole purpose for its existence was to light the streets of the City. In response to environmental concerns, the City ceased burning coal in 1977 and ceased generating electricity. The City continued distributing electric power by purchasing all of its needed power from privately owned and other publicly owned utilities.

After a lengthy construction period, the City's solid waste resource recovery facility, a refuse derived fuel power plant, with capital costs of approximately \$200 million, began operations in the fourth quarter 1983. On April 1, 1993, the City leased the plant and related transfer stations (the Plant) to the Solid Waste Authority of Central Ohio (SWACO), a separate and distinct political sub-division of the State of Ohio. The annual lease payments to the City were to be in the amount of the related debt service requirements on bonds that were issued for the construction of the Plant. This lease resulted in the removal of certain real and personal property assets from the Electricity Enterprise Fund with original costs totaling \$205.5 million of which \$3.4 million was transferred to the then General Fixed Asset Account Group. The lease was accounted for in the Electricity Enterprise Fund as a capital lease in accordance with Statement No. 13 of the Financial Accounting Standards Board, *Accounting for Leases*. Due to a series of federal court decisions and U.S. EPA decisions the Plant ceased operations at the end of 1994. The City then began, in 1995, to buy all of its power from sources other than SWACO. The City's Electricity distribution system has 13,449 residential and commercial customers.

As indicated above the Plant ceased operations in December 1994. The Plant no longer burns garbage nor generates electricity and therefore does not receive any income. It provides no service and produces no product. SWACO continues, however, to operate a landfill. The City is SWACO's largest customer at the landfill for landfill tipping fees.

At the end of 1994, upon the closing of the Plant, its associated direct financing lease was no longer deemed to be an Electricity Enterprise Fund asset nor were the general obligation bonds related thereto considered an Electricity Enterprise Fund liability. The City, therefore, in December 1994 transferred the direct financing lease (the asset) and the general obligation bonds related thereto (the liability) to the Debt Service Fund and the then General Long-Term Obligations Account Group, respectively.

In 1984 the City issued \$70.0 million of Variable Rate Demand Electric System Revenue Bonds. Proceeds of the bonds were used toward the completion of the Plant. Bondholders, however, had first lien on all revenues of the Electric Enterprise. Even after the closure of the Plant in 1994, these bonds, because of the lien on all revenues of the enterprise, remained as liabilities of the enterprise. In 2001 these revenue bonds were converted, refunded, by the issuance of Governmental Type general obligation fixed rate unvoted bonds of the City. Since no claim on enterprise revenue remains and the related asset was long ago, 1994, transferred out of the enterprise, the remaining bonds of \$29.450 million outstanding at December 31, 2001 were transferred out of the enterprise in 2002 as a nonreciprocal interfund transfer.

As explained further in Note H the City and SWACO again amended the lease in 1998 and in 2004. The City agreed to continue to deliver its garbage to the SWACO landfill and to reduce the liability of SWACO to the City to 65%, as opposed to 100%, of the City's remaining Plant related debt service at January 1, 1995. SWACO agreed to ensure landfill capacity until the year 2025 and to institute a new garbage fee, which would be paid to the City. In 2003 the City recognized \$10.4 million of revenue from SWACO; accounted for as miscellaneous revenue (rent) in the Special Income Tax Debt Service Fund.

A detailed computation of the City's lease receivable at December 31, 2003 is shown in Note H.

Also see information regarding SWACO in the PROSPECTS FOR THE FUTURE section of this transmittal letter.

Rates charged to customers are determined solely by the City's Council after recommendation by the Electricity Enterprise management. Council's determination is final and is not subject to review or approval by any other regulatory body. Rates are, however, subject to market driven competition provided by the private electric utility in the area.

A five-year comparison of certain Electricity enterprise data is shown below:

		(in thousands, except for number of employees)				
		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Assets	\$	85,106	84,662	86,818	99,943	99,639
Net assets		49,093	45,935	14,020	13,027	3,938
Operating revenues		57,608	56,168	52,560	50,590	47,378
Operating expenses		53,616	(53,176)	(50,758)	(44,122)	(49,860)
Operating income (loss)		3,992	2,992	1,802	6,468	(2,482)
Nonoperating						
Investment income		43	331	421	950	812
Interest expense		(1,260)	(1,015)	(3,138)	(3,840)	(3,460)
Other, net		2	7	(92)	-	(48)
Transfers in		381	29,600	2,000	5,511	10,100
Change in net assets		3,158	31,915	993	9,089	4,922
Number of employees		126	126	115	123	143

Debt administration:

Summary of outstanding notes and bonds payable:

The City's outstanding notes and bonds represent indebtedness for capital needs only, except for the Police and Firemen's Disability and Pension Fund Employers Accrued Liability Refunding Bond (P&F Bond), (\$20,675,000) an unvoted general obligation bond accounted for in governmental type debt, and the FNMA Single Family Mortgage Revenue Note (\$41,587). Notes payable and long-term obligations are explained further in Note G. Following are some pertinent data, both current and historical, regarding the City's outstanding notes and bonds.

Ratings:

In 1995 both Standard & Poor's Corporation and Moody's Investors Service, Inc. raised their credit ratings of the City's general obligation bonds to AAA and Aaa, respectively. The City's bond ratings are further described in MD&A in the financial section and on Table 29 in the Statistical Section of this report. More information on the City's outstanding bonds and notes appears in Note G.

Sources of Repayment:

Long-term Notes and Bonds and loans payable; exclusive of the obligation under capitalized lease (Note J) of \$1.740 million and the Electricity enterprise notes of \$1.693 million; in the total amount of \$1.672 billion will be repaid from the following sources:

<u>Source/Description</u>	<u>Amount</u> (in thousands)	<u>%</u>
Debt Service Fund:		
General obligation: Voted-unlimited fixed interest rate	\$ 453,155	27.1 %
Voted-unlimited variable interest rate	23,390	1.4
Unvoted-limited	204,935	12.2
Unvoted-limited/assessment	167	0.0
Revenue:		
Fixed Interest Rate	30,455	1.8
Variable Interest Rate	5,000	0.3
Note-long-term fixed interest rate	3,058	0.2
Total Debt Service Fund	<u>720,160</u>	<u>43.0</u>
Housing mortgage revenue payments:		
Single Family Mortgage Revenue Note (FNMA)	<u>42</u>	<u>0.0</u>
Total housing mortgage revenue payments	<u>42</u>	<u>0.0</u>
Internal Service Funds:		
Information services:		
General obligation: Unvoted-limited	3,165	0.2
Fleet management:		
General obligation: Unvoted-limited	<u>480</u>	<u>0.0</u>
Total Internal Service Funds	<u>3,645</u>	<u>0.2</u>
Enterprise Funds:		
Water revenues:		
General obligation: Voted-unlimited fixed interest rate	127,847	7.6
Voted-unlimited variable interest rate	41,415	2.5
Unvoted-limited	53,394	3.2
Revenue: Fixed interest rate	<u>44,110</u>	<u>2.6</u>
Total Water	<u>266,766</u>	<u>15.9</u>
Sanitary sewer revenues:		
General obligation: Voted-unlimited fixed interest rate	170,810	10.2
Unvoted-limited	22,825	1.4
Unvoted-limited/assessment	462	0.0
Revenue: Fixed interest rate	60,700	3.6
Variable interest rate	51,600	3.1
OWDA/EPA loans	<u>283,530</u>	<u>17.0</u>
Total Sanitary Sewer	<u>589,927</u>	<u>35.3</u>
Storm sewer revenues:		
General obligation: Voted-unlimited fixed interest rate	54,568	3.3
Voted-unlimited variable interest rate	4,610	0.3
Unvoted-limited	<u>6,825</u>	<u>0.4</u>
Total Storm Sewer	<u>66,003</u>	<u>4.0</u>
Electricity revenues:		
General obligation: Voted-unlimited fixed interest rate	14,234	0.9
Voted-unlimited variable interest rate	5,460	0.3
Unvoted-limited	5,076	0.3
Unvoted-limited/assessment	<u>1,310</u>	<u>0.1</u>
Total Electricity	<u>26,080</u>	<u>1.6</u>
Total Enterprise Funds	<u>948,776</u>	<u>56.8</u>
Total	<u>\$ 1,672,623</u>	<u>100.0 %</u>

A recap of the bonds and notes follows:

	Amount (in thousands)	%	%
General obligation:			
Voted-unlimited			
Fixed interest rate	\$ 820,614	49.1%	68.7 %
Variable interest rate	74,875	4.5	6.3
Total voted	895,489	53.6	75.0
Unvoted-limited			
Fixed interest rate	298,639	17.8	25.0
Total general obligation	1,194,128	71.4	100.0 %
Revenue:			
Fixed interest rate (including OWDA/EPA)	421,853	25.2	88.2 %
Variable rate	56,600	3.4	11.8
Mortgage revenue note-fixed	42	0.0	0.0
Total revenue	478,495	28.6	100.0 %
Total	\$ 1,672,623	100.0%	

The Columbus Regional Airport Authority (CRAA) formerly the Columbus Municipal Airport Authority; beginning January 1, 2003, is no longer a component unit of the City (See Note A) and is now considered a joint venture (See Note Q). The CRAA does continue, however, to pay debt service on certain general obligation bonds of the City issued in earlier years when airport operations were owned by and operated as a division of the City. \$13.500 million of such bonds remained outstanding at December 31, 2003 and are included in the above tables as General Obligation – Voted (\$1.875 million) and General Obligation – Unvoted (\$11.625 million).

Voted-unlimited general obligation debt represents debt authorized by a vote of the City's electors. The voters grant the City unlimited authority to levy property taxes to the extent necessary to pay this debt, both principal and interest. However, the City actually repays the debt, if Governmental Type debt from its Debt Service Funds and, if accounted for in an enterprise fund from the respective enterprise fund. Resources in the Debt Service Funds are primarily income tax with lesser amounts of certain recreation fees and special assessments.

Voted debt, therefore, carries a "double barreled" protection for its bond holders and represents, as indicated in the above table 75.0% of the City's general obligation debt; 53.6% of its total bonds and long-term notes. It has long been the City's policy not to rely on, or impose, property tax levies to service its debt. The City intends to continue this policy.

Unvoted-limited general obligation debt represents debt authorized by the City's Council without a direct vote of the electors. As explained later in the *Debt Limitations* section of this letter, the City is limited in its property tax levying authority regarding unvoted debt. This debt is also repaid from the City's debt service funds and from enterprise fund revenues in the same manner and from the same resources as the Voted debt described in the previous paragraph. All of the City's special assessment supported bonds and notes are Unvoted-limited general obligation debt.

The City may, at its option, convert the variable interest rate bonds to a fixed interest rate. Furthermore, these bonds may be called at the discretion of the City under specified procedures on any interest payment date. Note G describes various fundamentals of the variable rate bonds and the City's obligations thereunder. The City has complied with all requirements of the bond agreements.

The revenue bonds accounted for as Governmental Type represent the City's Tax Increment Financing (TIF) bonds. The City's liability for these bonds is limited to resources, money, collected via the TIF. Such monies are accounted for in Debt Service Funds.

In conjunction with the issuance of the Water and Sewer revenue bonds, the City entered into various trust agreements with commercial banks. These trust agreements require that the City establish various funds for the cost of construction and replacement of property and equipment and repayment of debt. Restricted assets, consisting of cash, investments and accrued interest receivable, relating to the revenue bonds and certain general obligation bonds were held by both the City and bond trustees. These assets and related liabilities are identified as restricted in the City's financial statements contained in this report and further identified in Note G.

Bond and Note History:

Outstanding bonds and notes consistently represent the largest of the City's liabilities. It is meaningful therefore to show a longer history of this debt. At December 31 of each of the last ten years outstanding bonds and notes are shown in the following table; restated in years prior to 2004 to properly eliminate revenue bonds of the Columbus Municipal Airport Authority, a component unit of the City prior to 2004.

<u>Year</u>	(in thousands)		<u>Total</u>
	<u>Bonds and long-term notes</u>	<u>Short-term notes</u>	
1994	\$ 1,383,920	1,919	1,385,839
1995	1,403,841	327	1,404,168
1996	1,435,790	313	1,436,103
1997	1,513,791	1,126	1,514,917
1998	1,603,983	81	1,604,064
1999	1,663,927	176	1,664,103
2000	1,697,710	1,541	1,699,251
2001	1,733,404	1,830	1,735,234
2002	1,776,312	-	1,776,312
2003	1,672,623	1,693	1,674,316

Per capita debt:

Data on the net general bonded debt of the City for the period 1994 through 2003 appears in the Statistical Section of this report. Such data at December 31 for the last five years is shown below. Population used in the calculations represents estimates by the Mid Ohio Regional Planning Commission for 1999, 2001, 2002, 2003 and the U.S. Census Bureau for 2000. Bonded debt includes long-term notes but excludes the capitalized lease of \$1.740 million and the short term Electricity enterprise notes of \$1.693 million.

	(dollar amounts in thousands, except per capita debt)				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Gross bonded debt	\$ 1,672,623	1,776,312	1,733,404	1,697,710	1,663,927
Less Debt Service Funds for G.O. debt	(166,839)	(165,985)	(160,083)	(148,677)	(135,216)
Less TIF revenue bonds	(35,455)	(36,905)	(34,050)	(30,050)	(30,050)
Less TIF revenue long-term note	(3,058)	(1,221)	-	-	-
Less FNMA revenue note	(42)	(66)	(88)	(117)	(589)
Less payable from enterprise revenues:					
General obligation bonds					
Water	(222,656)	(244,514)	(228,592)	(218,966)	(237,718)
Sanitary Sewer	(194,097)	(219,530)	(227,204)	(196,991)	(216,984)
Storm Sewer (excludes \$17.024 million supported by income tax revenues)	(48,980)	(51,772)	-	-	-
Electric	(26,080)	(30,801)	(63,758)	(35,921)	(37,262)
Revenue bonds and OWDA/EPA loans					
Water	(44,110)	(48,790)	(53,185)	(57,205)	(60,950)
Sanitary Sewer	(395,830)	(360,865)	(317,092)	(291,638)	(284,402)
Electric	-	-	-	(44,600)	(47,600)
Less payable by CRAA					
General obligation bonds	(13,500)	(18,445)	(23,435)	(28,430)	(33,395)
Net general bonded debt	<u>\$ 521,976</u>	<u>597,418</u>	<u>625,917</u>	<u>645,115</u>	<u>579,761</u>
Assessed property value	\$ 14,488,874	14,551,080	13,107,854	12,939,074	12,397,530
Population	743,343	734,024	720,230	711,470	698,495
Net general bonded debt per capita	702.20	813.89	869.05	906.74	830.01

Debt limitations:

The City is within all of its legal debt limitations, as described in Note G and in MD&A. More data regarding the City's notes payable and long-term obligations appear in Note G. Table 29 in the Statistical Section of this report contains data necessary to meet the disclosure requirements of Rule 15c2-12(b)(5)(i)(C) and (D) of the Securities and Exchange Commission (SEC).

Cash management:**Depository Commission and Treasury Investment Board:**

The City's Treasury Investment Board and Depository Commission are entities created by the Columbus City Codes, local legislation. Both entities consist of the City Treasurer, Chairman; City Auditor, Secretary; and Finance Director, member. The entities, therefore, provide checks and balances in the investing and depositing process. The Treasurer is appointed by the City Council, the Auditor is a separately elected position, and the Finance Director is appointed by the Mayor. Formal legislation, Columbus City Codes Sections 321 and 325 set forth the duties and limitations of the entities.

Investment policies:

The City pools its cash, except for that held by revenue bond trustees, fiscal and escrow agents and certain Debt Service and Agency Funds, for maximum investing efficiency. Each fund type's portion of the pool is reported on the combined balance sheet as *Cash and investments with treasurer*. Earnings on the pool are allocated at the discretion of City Council after meeting the revenue bond indenture and other requirements.

The City does not purchase any form of derivatives. The City does not engage in reverse repurchase agreements, nor does it leverage its investment portfolio in any manner. Only eligible investments with remaining terms not greater than 2 years until final maturity are purchased. Average days to maturity of the City's investments, exclusive of those held by bond trustees, at December 31, 2003 was 367.1 days (424.2 at December 31, 2002). The City purchases investments only through member banks of the Federal Reserve System or broker-dealers registered with the U.S. Securities and Exchange Commission. The City's investment code and practices have consistently protected the portfolio from unnecessary credit risks (safety) and market risks (liquidity) while providing a competitive yield. The City's investment policies are further explained in Note C.

Permissible investments:

Permissible investments for the City's portfolio are limited to:

- Bonds, notes or other obligations of the United States government or its agencies for which the faith of the United States is pledged for the payment of principal and interest thereon.
- Bonds, notes, debentures, or other obligations issued by certain federal government sponsored enterprises.
- The Ohio State Treasurer's Asset Reserve Fund (STAR Ohio) pursuant to Ohio R.C. 135.45.
- Bonds or other obligations of the City of Columbus, Ohio.
- Obligations of the State of Ohio or any of its political subdivisions not in default of principal or interest and which have been approved as to their validity by nationally recognized bond counsel.
- Repurchase agreements that are collateralized with legally authorized securities as defined in Section 325.010 of Columbus City Code and held in third-party safekeeping designated by the City Treasurer and in the name of the City of Columbus.

Cash and investments over the past five years have been:

	<u>2003</u>	<u>2002</u>	(in thousands) <u>2001</u>	<u>2000</u>	<u>1999</u>
Per Governmental Funds Balance Sheet- Total government funds					
Cash and investments with treasurer	\$ 327,456	412,752	483,594	505,368	444,027
Cash and investments with fiscal and escrow agents and other	430	390	395	328	240
Investments	3,244	3,383	3,295	3,280	3,299
Per Proprietary Funds Statement of Net Assets					
Total Enterprise Funds					
Cash and cash equivalents with treasurer	104,596	131,122	111,316	89,544	107,251
Restricted cash and cash equivalents with treasurer and other	63,632	102,202	66,902	36,734	42,845
Restricted cash and cash equivalents with trustee	8,677	8,571	8,133	16,450	15,746
Internal Service Funds					
Cash and cash equivalents with treasurer	19,060	37,618	32,906	23,393	18,230
Agency Funds – cash, cash equivalents and investments	<u>54,959</u>	<u>39,816</u>	<u>38,574</u>	<u>37,230</u>	<u>44,676</u>
Total	<u>\$ 582,054</u>	<u>735,854</u>	<u>745,115</u>	<u>712,327</u>	<u>676,314</u>

Descriptions, amounts and the City's safeguarding (custodianship and collateralization) policies are recited in Note C.

Risk management:

Property and liability coverage:

The City assumes the liability for most property damage and personal injury risks. Judgments and claims, including those incurred but not reported as of year end, are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The City does reduce its exposure to high risks, however, through various insurances and employee safety programs.

The City's division of Police owns a fleet of seven jet-powered helicopters. Five of these helicopters (models M/D 500E), valued at approximately \$1,000,000 each, are insured for both hull insurance (\$1million per helicopter with \$100,000 deductible) and liability insurance (\$10,000,000 per occurrence; \$1,000,000 per passenger; no deductible). The other two crafts (models Bell OH-58) are presently not insured and not being operated pending sales. One accident occurred in 1998 causing the City to pay the \$100,000 deductible portion of the hull damage claim of one M/D 500E helicopter. No liability claim resulted from the accident. No losses have occurred since 1998.

The City insures its buildings, which are valued at \$1.5 million or more, and their contents with a per occurrence deductible of \$100,000. This policy expires August 1, 2004. One loss of \$100,000 occurred in 2002.

Surety bond coverage:

<u>Position</u>	<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>	<u>Policy Expiration</u>
City Treasurer	Fidelity Bond	\$ 5,000,000	-0-	12-31-04
Deputy Treasurer	Fidelity Bond	5,000,000	-0-	12-31-04
Police through rank of sergeant	Honesty Blanket Position Bond	25,000	-0-	12-31-04
All other employees and elected or appointed officials including all officially appointed members of City Boards and/or Commissions	Faithful Performance Blanket Bond	250,000	20,000	12-31-04

The City of Columbus assumes all other risks of general liability and property/casualty claims.

Litigation experience:

As stated in Note B, the City is a defendant in a number of lawsuits pertaining to matters which are incidental to performing routine governmental and other functions. At December 31, 2003, claims approximating \$287.38 million were outstanding against the City. Based on the current status of all these legal proceedings, it is the opinion of management that ultimate resolution of such will not have a material effect on the City's financial statements.

The City Attorney represents the City in all legal matters. Following is a summary of experience of the City over the last ten years of those claims resulting in litigation.

<u>Period</u>	<u>Cases filed</u>	<u>Seeking</u>	<u>Cases closed</u>	<u>Seeking</u>	<u>Paid by City</u>
1994	117	\$ 224,834,669	218	\$ 73,065,819	\$ 726,534
1995	527	200,515,923	274	308,133,105	1,449,802
1996	587	374,030,995	253	360,217,314	1,895,454
1997	436	362,432,071	215	25,307,846	1,144,248
1998	300	95,962,919	369	383,901,846	3,055,966
1999	231	79,002,119	343	76,583,495	3,337,192
2000	255	111,909,000	279	498,431,450	1,098,284
2001	246	56,255,348	401	106,040,956	669,670
2002	291	831,062,292	282	93,173,415	1,285,529
2003	275	218,148,172	258	847,660,342	452,919

Cases filed and cases closed subsequent to 1994 include those cases not seeking monetary damages. Cases filed in 2002 for \$831.062 million include \$727 million of claims filed by 3 pro se claimants; dismissed in 2003. Cases filed in 2003 for \$218.148 million include a \$150.0 million claim filed by 1 pro se claimant.

The City Code permits department heads to settle and pay small claims against the City in amounts not to exceed \$2,500 per claim. The City Attorney can settle claims not exceeding \$20,000. Claims greater than \$20,000 require approval of a majority of the City Council. The above table represents only those claims resulting in litigation.

Other:

The City provides medical, dental and vision coverage for its employees on a self-insurance basis. Expenses for claims are recorded on a current basis based on an actuarially determined charge per employee. Financial activity recording claims and the payment thereof is accounted for in an Internal Service Fund.

Workers' compensation claims are covered through the City's participation in the State of Ohio's program.

Deficit fund equities:

As indicated earlier in this letter under *Accounting system and budgetary control*, the City Charter provides that no contract, agreement or other obligation involving the expenditure of money shall be entered into unless the Auditor first certifies to the Council that the money required for such contract, agreement, obligation or expenditure is in the Treasury, to the credit of the fund from which it is to be drawn, and not appropriated for any other purpose, or is in the process of collection.

Fund deficits may occur on the City's budget basis of accounting when encumbrances are allowed to be recorded against accounts receivable, usually grants. Revenues are only recorded from these accounts receivable when cash is received. The accounts receivable may, however, be considered as funds in the process of collection as described in the City's Charter.

On the modified accrual basis of accounting, a deficit exists in one nonmajor Debt Service fund and one nonmajor Capital Projects fund. These deficits will be eliminated by future charges for services.

Fiduciary Operations-Employee Retirement Systems:

State and local government employees in Ohio, with few exceptions, are members of one of five retirement systems. These retirement systems were created pursuant to Ohio statutes and are administered by state created boards of trustees. Boards are comprised of a combination of elected members from the respective retirement system's membership and ex-officio members from certain state and local offices.

These five retirement systems are:

- Ohio Public Employees Retirement System (OPERS), created in 1935, represents state and local government employees not included in one of the other four systems. Management of the fund indicates membership of approximately 365,000 actively employed members. At December 31, 2003 assets of this pension fund approximated \$58.7 billion. More data on this pension fund are shown in Note K of this report.
- State Teachers Retirement System of Ohio (STRS), created in 1920, represents teachers in Ohio's public schools from kindergarten through university level. Management of the fund indicates membership of approximately 180,000 actively employed members. At June 30, 2003 assets of this pension fund approximated \$47.7 billion.
- Ohio Police and Fire Pension Fund (P&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions in Ohio's local governments. Management of the fund indicates membership of approximately 28,500 actively employed members. At December 31, 2003 assets of this pension fund approximated \$9.9 billion. All of the City's police and fire officers are members of this pension fund. More data on this pension fund are shown in Note K of this report.
- School Employees Retirement System of Ohio (SERS), created in 1937, represents non-teaching employees in Ohio's public schools. Management of the fund indicates membership of approximately 122,300 actively employed members. At June 30, 2003 assets of this pension fund approximated \$7.24 billion.
- State Highway Patrol System of Ohio (SHP), created in 1941, represents the state's highway patrol troopers. Management of the fund indicates membership of approximately 1,551 actively employed members and assets of approximately \$625 million at December 31, 2003.

The City's civilian personnel are members of OPERS. All sworn police and fire persons are members of P&F. Both OPERS and P&F are multiple-employer public employee retirement systems. Following are the number of City employees covered under the respective state retirement systems at December 31 of the past five years.

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Police (P&F)	1,843	1,827	1,810	1,795	1,793
Fire (P&F)	1,539	1,534	1,518	1,530	1,524
Civilians (OPERS)	<u>5,153</u>	<u>5,424</u>	<u>5,634</u>	<u>5,644</u>	<u>5,696</u>
Total employees	<u><u>8,535</u></u>	<u><u>8,785</u></u>	<u><u>8,962</u></u>	<u><u>8,969</u></u>	<u><u>9,013</u></u>

The relationship of the City's payrolls to the retirement systems is demonstrated in the table below. The City's total payrolls for the last five years were as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
			(in millions)		
Payrolls subject to OPERS	\$ 212.9	211.9	206.3	197.3	189.0
Payrolls subject to P&F	197.1	192.4	188.5	175.4	157.4
Payrolls not subject to pension benefit calculation	<u>5.7</u>	<u>6.3</u>	<u>7.1</u>	<u>7.5</u>	<u>5.6</u>
Total	<u><u>\$ 415.7</u></u>	<u><u>410.6</u></u>	<u><u>401.9</u></u>	<u><u>380.2</u></u>	<u><u>352.0</u></u>

Over the past five years the City and its employees have paid the following amounts to OPERS and P&F.

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)				
Paid by City to:					
OPERS	\$ 46,736	46,457	45,208	37,655	41,370
P&F	56,088	55,560	54,255	50,909	45,175
Total paid by City	<u>102,824</u>	<u>102,017</u>	<u>99,463</u>	<u>88,564</u>	<u>86,545</u>
Paid by employees to:					
OPERS	225	268	286	314	304
P&F	6,115	5,049	4,989	4,510	4,200
Total paid by employees	<u>6,340</u>	<u>5,317</u>	<u>5,275</u>	<u>4,824</u>	<u>4,504</u>
Total	\$ <u>109,164</u>	<u>107,334</u>	<u>104,738</u>	<u>93,388</u>	<u>91,049</u>

The City is current in all of its required contributions to the respective pension funds. The pension plans and other post-employment benefits for health care are explained in Note K.

OTHER RELEVANT INFORMATION

Audits:

Financial statements of the City have been audited by nationally recognized firms of certified public accountants since, and including, 1979. KPMG LLP performed these audits for calendar years 1979 through 1985. Ernst & Young LLP performed the audits for the years 1986 through 1990. The City follows a mandatory rotation policy as prescribed by the Auditor of the State of Ohio. As a result of this policy and competitive proposals, KPMG LLP was selected to perform the audits for 1991 through 2000 at which time Deloitte & Touche LLP became the auditor for 2001-2005. All audits, 1979 through 2003, have been conducted in accordance with auditing standards generally accepted in the United States of America and, beginning in 1980, also the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The numerous Notes to the Financial Statements are an integral part of the statements. The reader is encouraged to review them thoroughly.

Certificate of Achievement for Excellence in Financial Reporting:

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 Columbus, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

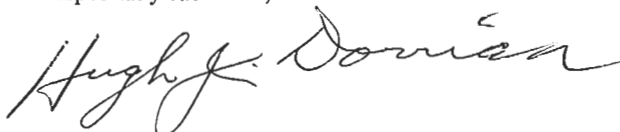
A Certificate of Achievement is valid for a period of one year only. Columbus has received a Certificate of Achievement for the last twenty-four consecutive years, fiscal years ended 1979-2002. We believe our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to GFOA.

Use of the report and acknowledgements:

This report represents the twenty-fifth (1979-2003) Comprehensive Annual Financial Report of the City of Columbus containing financial statements audited by a nationally recognized firm of certified public accountants. Approximately 500 copies of this report will be distributed. In addition to citizens in the community, the recipients will include city, state, and federal officials, university students, schools, libraries, newspapers, investment banking firms, banks, rating agencies, etc. This report is also available on the City's website. The Internet address is <http://www.cityofcolumbus.org>. The report will be made available to any person or organization requesting it. This extensive effort of preparation and distribution of this report fulfills the City Auditor's goal of full disclosure of the City's finances.

This report is issued by Hugh J. Dorrian, CPA, City Auditor. Special thanks and recognition go to Ms. Darlene Short and Ms. Vikki Amicon for their exemplary efforts in the preparation of this report. All members of the City Auditor's staff and many of the City's other employees also contributed to this effort. They all have my thanks and respect for their work.

Respectfully submitted,

A handwritten signature in black ink, reading "Hugh J. Dorrian". The signature is fluid and cursive, with the first name "Hugh" and last name "Dorrian" clearly distinguishable.

Hugh J. Dorrian, CPA
Auditor
City of Columbus, Ohio

HJD/jm

City of Columbus, Ohio

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Columbus,
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.



A handwritten signature in black ink, appearing to read "Edward Haney".

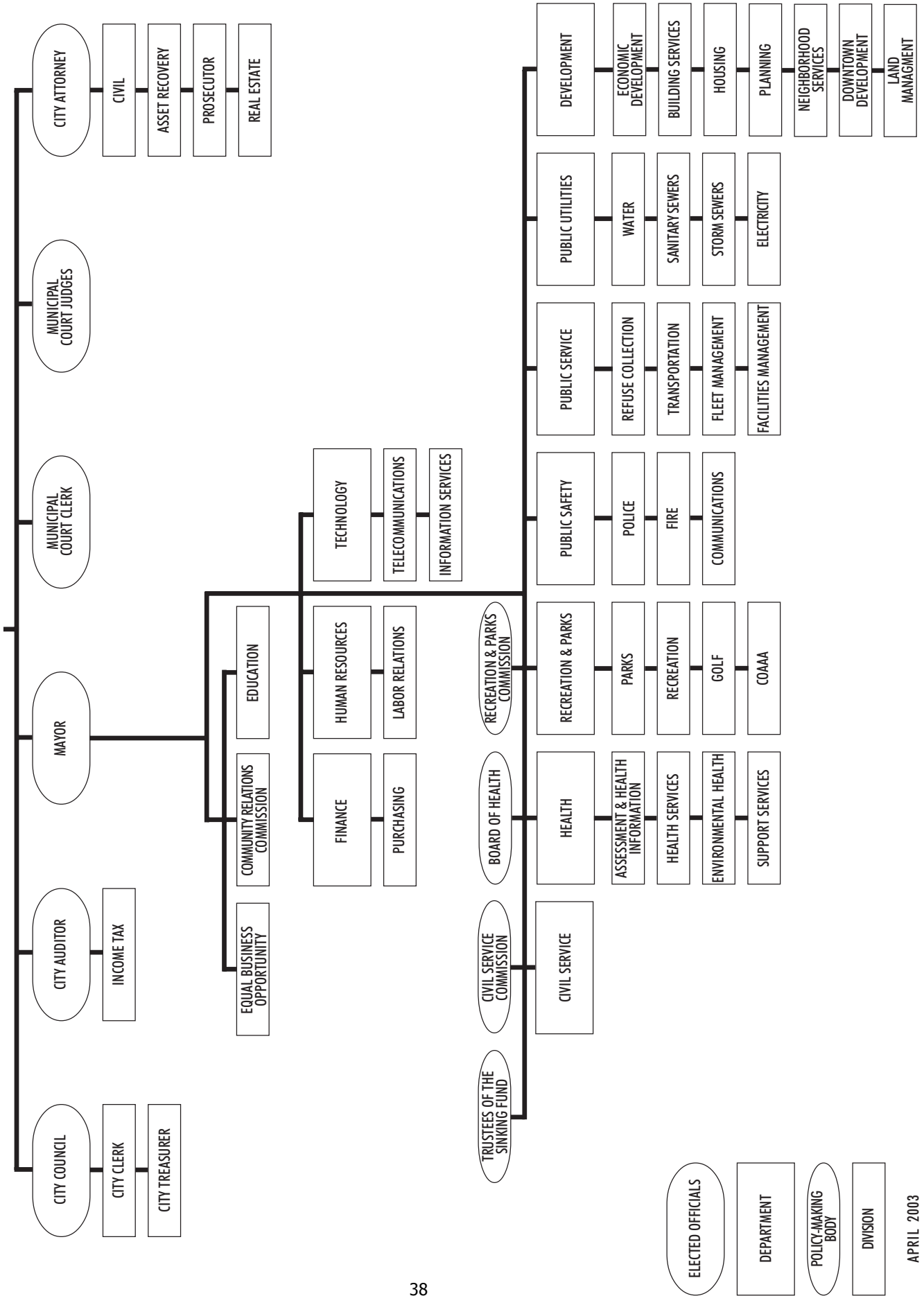
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

ORGANIZATION CHART OF THE CITY OF COLUMBUS

THE CITIZENS OF COLUMBUS



LIST OF PRINCIPAL OFFICIALS

MAYOR

Michael B. Coleman

CITY COUNCIL

Matthew D. Habash, President

Kevin L. Boyce

Michael C. Mentel

Maryellen O'Shaughnessy

Richard W. Sensenbrenner

Charleta B. Tavares

Patsy A. Thomas

CITY ATTORNEY

Richard C. Pfeiffer, Jr.

CITY AUDITOR

Hugh J. Dorrian, CPA

CITY TREASURER

Thomas M. Isaacs

DEPARTMENT OF FINANCE

Joel Taylor

SECRETARY OF THE SINKING FUND

David Irwin

CITY CLERK

Andrea Blevins, CMC

City of Columbus, Ohio

Office of the City Auditor Staff

Robert L. McDaniel
Darlene Wildes Short
Vikki Vincent Amicon
Brad Marburger
Julie Burkart
Timothy J. Carroll
Mike Gore

Deputy Auditor
Special Assistant
Chief Accountant
Assistant Chief Accountant
Assistant Auditor III
Payroll Auditing Supervisor
Administrative Analyst II

Mary Kay Boerner
Bonnie Buck
Sharlene Campbell
Rebecca Cox
Mary Lou Davis
Richard Ellis
Barbara Forest

Patricia Harrell
Patricia Hinkle
Vivian James
Paul Kuppich
Jacqueline Marburger
Margaret McDougald
Jason Musick
Teresa Parr

Flor Rafiee
Mary Raphael
Kathy Rowe
Charles Bruce Scott
Tony Sestito
Donna Thornwell
Dan Wood



Hugh J. Dorrian, CPA
City Auditor

Terms of Office

September 8, 1969	▶	December 31, 1969
January 1, 1970	▶	December 31, 1973
January 1, 1974	▶	December 31, 1977
January 1, 1978	▶	December 31, 1981
January 1, 1982	▶	December 31, 1985
January 1, 1986	▶	December 31, 1989
January 1, 1990	▶	December 31, 1993
January 1, 1994	▶	December 31, 1997
January 1, 1998	▶	December 31, 2001
January 1, 2002	▶	