

CITY OF LEBANON, OHIO

Audit Reports Required by

Government Auditing Standards

Year Ended December 31, 2003



**Auditor of State
Betty Montgomery**

Honorable Mayor, City Council and City Manager
City of Lebanon
50 South Broadway
Lebanon, Ohio 45036

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 13, 2004

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CITY OF LEBANON, OHIO

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

Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

City Council
City of Lebanon, Ohio
50 South Broadway
Lebanon, Ohio 45036

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Ohio (the City) as of and for the year ended December 31, 2003 and have issued our report thereon dated August 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that we have reported to management of the City in a separate letter dated August 3, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated August 3, 2004.

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

Clark, Schaefer, Haeckel & Co.

Middletown, Ohio
August 3, 2004

CITY OF LEBANON, OHIO

Schedule of Prior Findings and Questioned Costs

December 31, 2003

Findings:

None

Questioned Costs:

None

**CITY OF LEBANON, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Issued by:
Office of the Auditor**

**Sharee C. Dick
City Auditor**

City of Lebanon
Comprehensive Annual Financial Report
For the Year Ended December 31, 2003

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THE CITY OF LEBANON, OHIO

City Building • 50 South Broadway • Lebanon, Ohio 45036
Telephone # (513) 932-3060 • Fax # (513) 932-2493 • www.ci.lebanon.oh.us.

August 3, 2004

Citizens of Lebanon
Mayor
Members of Council
City of Lebanon, Ohio

We are pleased to present the seventeenth Comprehensive Annual Financial Report (CAFR) for the City of Lebanon. This report, for the year ended December 31, 2003, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the City of Lebanon ("the City"). The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the City, specifically the City Auditor's office.

This CAFR is divided into three sections as follows:

1. The Introductory Section contains the table of contents, letter of transmittal, GFOA Certificate of Achievement, a list of principal officials, and an organization chart of the City.
2. The Financial Section begins with the Independent Auditor's Report and Management's Discussion and Analysis and includes Basic Financial Statements and Notes to the Financial Statements which provide an overview of the City's financial position and operating results; and the Combining Statements for nonmajor funds and other schedules that provide additional information relative to the Basic Financial Statements and the Required Supplemental Information.
3. The Statistical Section presents social and economic data and financial trend information, and demonstrates the fiscal capacity of the City.

CITY OVERVIEW

The City of Lebanon is located in Southwestern Ohio, approximately halfway between the cities of Cincinnati and Dayton. The first settlers came to Lebanon in 1796; the town was platted in 1802 and was incorporated as a village in 1803. Centrally located in Warren County, the City has served as the county seat since 1806. Lebanon grew large enough to become a City in 1960 and, pursuant to Section 7 of Article XVIII of the Ohio Constitution, adopted a charter form of government in 1961.

CITY ORGANIZATION AND REPORTING ENTITY

A current Charter provides for a Council/Manager form of government. The voters elect a seven member council, who, in turn, elects a Mayor and Vice Mayor from its members. Council appoints the City Manager, City Auditor and City Attorney.

A reporting entity is comprised of the primary government. The primary government of the City consists of all funds, departments and activities which are not legally separate from the City. They provide various services including police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare, water, sewer, electric, telecommunications and refuse collection. Council and the City Manager have direct responsibility for these activities.

The City considered potential component units for inclusion in the reporting entity. Component units are organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. The City has no component units.

The City participates in the Warren County General Health District, a jointly governed organization, for which the City has no financial responsibility or interest. Information regarding this entity may be found in the notes to the basic financial statements.

ITEMS OF LOCAL INTEREST

Parks and Recreation

The City has a large one hundred fifty acre park and fourteen smaller neighborhood parks. The Caesars Creek State Park near Waynesville offers recreational facilities, including swimming and boating.

Fort Ancient, the oldest state park in Ohio and home of the historic Hopewell Indians, is located approximately seven miles southeast of Lebanon on the east bank of the Little Miami River.

The federal government has designated the Little Miami River a Scenic River Area. The river, fifty miles of which flows mainly in Warren County and through the Lebanon City limits, is being developed for boating, hiking and other recreational purposes. In addition, an old-style railroad tours the scenic area.

The Paramount Kings Island Amusement Center, a nationally known facility, is located on 1,600 acres near Lebanon. It has more than one hundred individual attractions, including rides, shows, restaurants, shops, and a water park. Several inns, with more than seven hundred rooms, and a 35-acre campground, with tennis and swimming facilities, are available to accommodate visitors.

The Golf Center at Kings Island, formerly known as Jack Nicklaus Golf Center, opposite Paramount Kings Island on Interstate 71, offers thirty-six holes of play.

Located in the City at the Warren County Fairgrounds, Lebanon Raceway has spring and fall harness racing with pari-mutuel wagering.

The City also hosts one of the largest YMCAs in the world which offers many forms of indoor and outdoor athletic facilities. The one hundred twenty-five acre site includes meeting rooms, pools, gyms, tennis courts, health club facilities and outdoor sports fields.

Culture and Education

Lebanon has many nearby educational facilities, churches, cultural resources, parks and playgrounds. The numerous colleges and universities in the surrounding metropolitan area provide excellent opportunities and facilities for higher educational study to citizens of Lebanon.

The Lebanon Public Library has been serving Lebanon as well as Union and Turtlecreek Township since its dedication in December of 1907. With its over one million dollar addition in 1988, the library's 19,000 square feet hold over 60,000 volumes.

The Warren County Joint Vocational School District offers various areas of study, primarily to provide education in the industrial and commercial field. In addition, an Adult Education Program offers courses in a wide variety of subjects.

Several hospitals within a fifteen mile radius serve the area and are close to Interstate Highways 75, 71 and 275.

Places of historic interest in the City include:

Glendower State Museum – A Greek Revival mansion constructed in the early nineteenth century and showcasing elegant Empire and Victorian furnishings.

Warren County Museum - Acclaimed as one of the nation's outstanding county museums with displays of early life in the area, Shaker exhibits, and a library with a large collection of genealogical information.

Golden Lamb Inn - The oldest hotel in Ohio, dating from 1803 and boasting an extraordinary guest list of many famous people, including Henry Clay, Mark Twain, Charles Dickens, and ten Presidents of the United States.

Transportation

The nearest public airports are the Cincinnati - Northern Kentucky Airport and the Dayton International Airport at Vandalia. Both offer full commercial air passenger and freight service by many major airlines. The Warren County Airport northwest of Lebanon accommodates smaller aircraft.

Economic Condition and Outlook

Lebanon grew moderately in the year 2003 with the construction of 282 new housing units. This number was up from the year 2002. There has also been a lot of commercial and industrial activity with an addition to the Bill Delord Auto Center, and additions to Advics Mfg., Amtex, and Flint Ink. ZHW, Inc., Superior Walls, and Star Packaging have occupied their new buildings in the Columbia Business Park. The Warren County Historical Society is working on an addition to connect to the old Post Office for additional space.

Columbia Business Park, developed by the City of Lebanon, has been very successful since its start in 2000. Franklin Brazing & Metal Treating, Doran Racing, Quantum Metals, 4 Sands Industries, G/C Contracting, Star Packaging, ZHW, Inc., and Superior Walls have completed and occupied their new buildings. FECON, Inc. and Environmental Engineering Services are under construction on their new buildings. Contemporary Image Labeling is preparing to occupy their new building in Columbia Business Park and several other companies are showing interest in the Park. There are six (6) industrial parks in the City of Lebanon with available developed sites. Kingsview Industrial Park, Lebanon Commerce Center, Norgal Industrial Park, Columbia Business Park, Lebanon Commerce Center North, and Commerce Center West are all experiencing activity.

The commercial, industrial, and residential construction valuation for 2003 added in excess of \$34,000,000 to the local property tax base per building permit records.

MAJOR INITIATIVES

The Lebanon Countryside Trail is currently under construction. The new bike trail travels from the existing Little Miami Scenic Trail to downtown Lebanon. The trail will traverse eight miles through southern Lebanon with a central staging area at the Countryside YMCA. The trail is scheduled to open in mid-summer of 2005.

The Central Business District continues to reflect the economic vitality and importance of the historic core of downtown. The quaint stores reflect a healthy mix of retail, restaurants, office, and service businesses. Tourism remains strong with antique and specialty shops, the Turtlecreek Valley Railroad, and the Golden Lamb.

The Downtown Streetscape Improvements project received state funding in 2003 and the final design for the project is near completion. The improvements will consist of new paver sidewalks, ornamental lights, and landscaping. The project will be constructed on East Mulberry Street from Mechanic Street to Cherry Street as well as North Broadway from Silver Street to Pleasant Street. In addition to these improvements a new wayfinding system, including street signs and location maps, will be installed throughout the CBD. The project is scheduled for construction in late 2005.

The Community Development Block Grant program is earmarked for the third phase and final phase of Jameson Lane Street Improvements. The reconstruction activities will include street widening, curb, gutter, and new storm water system. The project will be completed by June of 2005.

FINANCIAL INFORMATION

Basis of Accounting

The City's records are maintained on a cash basis for all funds. Prior to the year end closing, adjusting entries are prepared for the various funds to convert the cash basis records to the modified accrual basis for all governmental funds and the accrual basis for the proprietary and fiduciary funds. The modified accrual basis of accounting requires that revenues be recognized when they are both measurable and available. Expenditures are generally recorded when liabilities are incurred. The accrual basis of accounting recognizes revenues when earned and expenses when incurred.

Internal Control Structure and Budgetary Controls

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

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

OTHER INFORMATION

Independent Audit

An audit team from Clark, Schaefer, Hackett & Co. has performed this year's audit. The results of the audit are presented in the Report of Independent Accountants.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lebanon for its comprehensive annual financial report for the year ended December 31, 2002. This was the sixteenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements. Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements; thus, we are submitting it to GFOA for review.

Acknowledgments

A special thanks is extended to my staff for their hard work and dedication in compiling cash reports, accrual information and fixed asset information. I also would like to express appreciation to Ms. Betty Montgomery, Auditor of State, and her Local Government Services Staff for their assistance in preparing this report.

A handwritten signature in black ink that reads "Sharee C. Dick". The signature is written in a cursive, flowing style.

Sharee C. Dick
City Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lebanon,
Ohio

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

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



President

Executive Director

CITY OF LEBANON, OHIO
LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

MAYOR

Amy Brewer

VICE MAYOR

Norm Dreyer II

COUNCIL MEMBERS:

Amy Brewer

Norm Dreyer II

J. Matthew Rodriguez

Ben Cole

James Hause

Jeffrey Aylor

James Norris II

APPOINTED OFFICIALS

CITY MANAGER

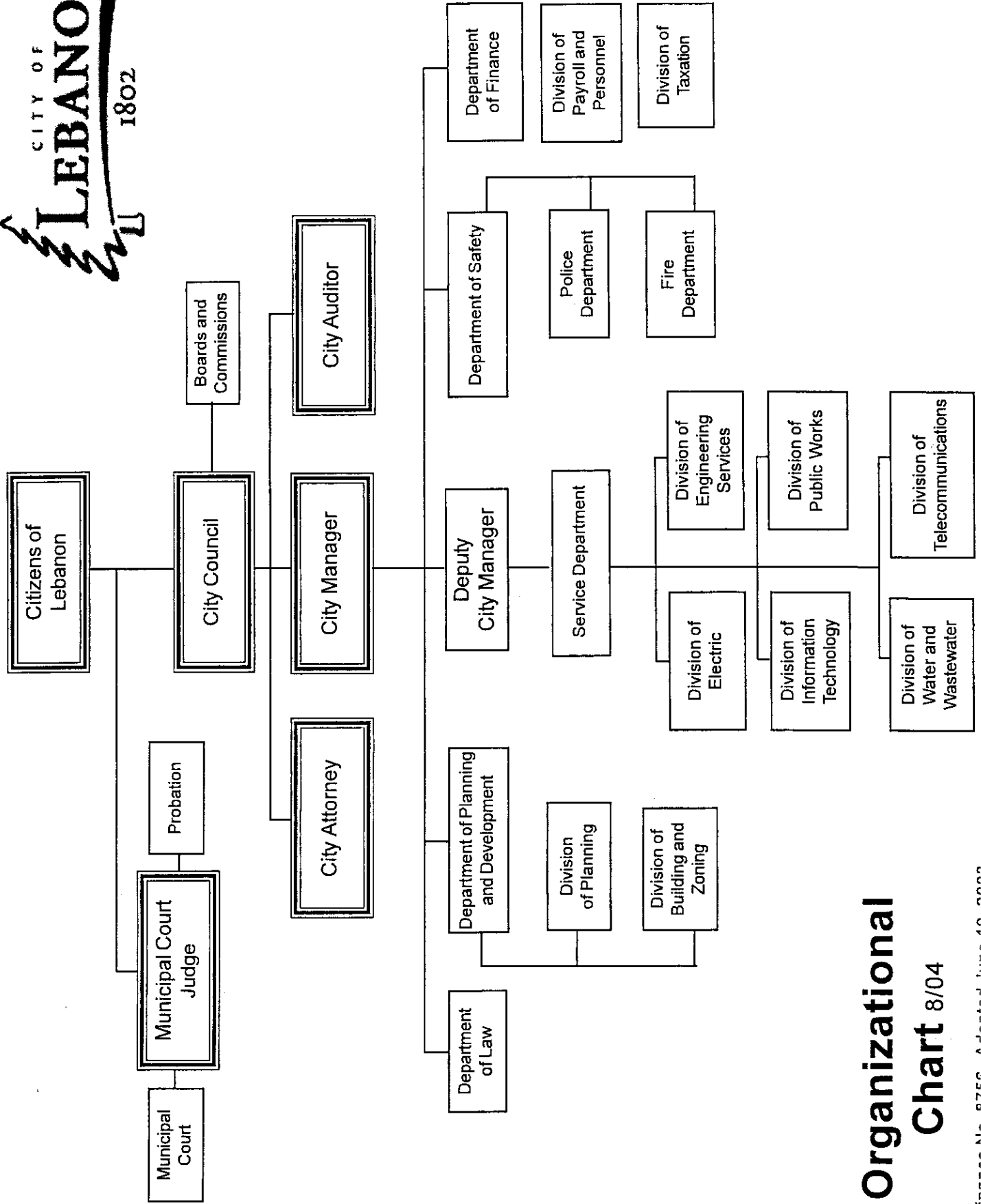
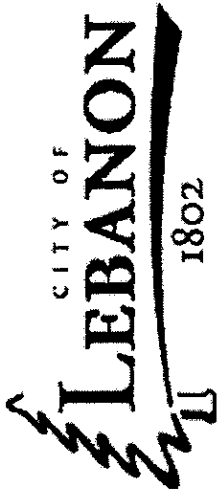
George P. Clements

CITY AUDITOR

Sharee C. Dick

CITY ATTORNEY

Mark S. Yurick



Organizational Chart 8/04

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

Independent Auditors' Report

City Council
City of Lebanon
50 S. Broadway
Lebanon, Ohio 45036

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

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

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

As described in Note 3 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 – 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
August 3, 2004

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) of the City of Lebanon's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the transmittal letter, and the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

Financial Highlights

The City's total net assets increased \$9,100,822. Revenues of governmental activities exceeded expenses by \$6,715,855. Much of this excess was due to \$4,228,322 in Federal and State grant monies received for major improvements to Main Street/State Route 123. The remainder of the excess of revenues over expenses was retained to increase governmental net assets that had been depleted in previous years. Net assets of business-type activities increased by \$2,384,967, primarily due to revenues exceeding expenses.

General revenues of governmental activities accounted for \$8,867,652 or 55 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$7,140,792, or 44 percent of the revenue, and the transfer in of \$114,498 accounts for the remaining one percent of total revenues and transfers of \$16,122,942.

The City had \$9,407,087 in expenses related to governmental activities; \$7,140,792 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primary income taxes) of \$8,867,652 were more than adequate to support these programs. The City had \$22,369,672 in expenses and transfers out related to business-type activities. \$24,121,748 of program specific charges for services and capital grants, contributions and interest together with \$632,891 in general revenues more than offset the expenses.

The City's Enterprise funds reflected a total operating income of \$3,054,511 as follows: Electric Fund \$1,643,809, Sanitation Fund \$14,414, Sewer Fund \$302,188, Telecommunications Fund \$2,621, and the Water Fund \$1,091,479.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements which are presented to allow readers to understand the City's general financial situation, as well as provide a detailed view of the City's fiscal condition.

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine if the City is financially stable or if its financial situation has deteriorated from the previous year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or disbursed.

The purpose of these two statements is to report the City's net assets and any changes that have occurred to those net assets. These changes inform the reader whether the City's financial position, as a whole, has changed or diminished. In evaluating the overall financial health, the readers of these financial statements should take into consideration non-financial factors that may impact the City's financial stability. These factors include the City's tax structure, the condition of its infrastructure, as well as other capital asset needs.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities.

Governmental Activities – Includes police, leisure time activities, community environment, transportation, and general government. Most of the City's activities are included in this category.

Business-Type Activities – These services include electric, telecommunications, water, sewer and sanitation. Service fees for electric, water, sewer and sanitation operations are charged based upon the amounts of usage. The telecommunications enterprise offers various types of services such as cable television, high speed Internet, and telephone, which maintain a separate rate schedule based on the service being provided.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Information about the City's major funds begins on page 14. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants and other funds may be established by Council at the suggestion of the City Manager or City Auditor. These funds help management control, manage, and report money received for a particular purpose or to show that the City is meeting its legal obligations. The City's major funds are General, Capital Improvement, Electric, Sanitation, Sewer, Telecommunications and Water.

Governmental Funds – Most of the City’s services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for expenditures. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be expended in the near future on services provided to our residents. The relationship (or differences) between governmental activities that is reported in the Statement of Net Assets and the Statement of Activities is explained in the reconciliations in the governmental fund financial statements on pages 15 and 17.

Enterprise Funds – When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City’s net assets for 2003 compared to 2002.

Table 1
Net Assets

| | Governmental Activities | | Business Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Assets: | | | | | | |
| Current and Other Assets | \$17,481,205 | \$19,168,587 | \$32,837,897 | \$32,517,235 | \$50,319,102 | \$51,685,822 |
| Nondepreciable Capital Assets | 15,063,585 | 10,844,278 | 11,687,557 | 18,530,742 | 26,751,142 | 29,375,020 |
| Depreciable Capital Assets, Net | 7,082,699 | 5,670,538 | 48,463,705 | 38,973,369 | 55,546,404 | 44,643,907 |
| Total Assets | \$39,627,489 | \$35,683,403 | \$92,989,159 | \$90,021,346 | \$132,616,648 | \$125,704,749 |
| Liabilities: | | | | | | |
| Current and Other Liabilities | 2,947,667 | 9,423,373 | 10,999,559 | 9,117,167 | 13,947,226 | 18,540,540 |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 870,313 | 435,326 | 1,538,617 | 1,467,975 | 2,408,930 | 1,903,301 |
| Due in More Than One Year | 7,994,517 | 4,725,567 | 32,935,145 | 34,305,333 | 40,929,662 | 39,030,900 |
| Total Liabilities | 11,812,497 | 14,584,266 | 45,473,321 | 44,890,475 | 57,285,818 | 59,474,741 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 14,799,049 | 8,881,270 | 18,011,398 | 17,553,638 | 32,810,447 | 26,434,908 |
| Restricted | 10,620,391 | 9,322,426 | 3,305,947 | 3,520,630 | 13,926,338 | 12,843,056 |
| Unrestricted | 2,395,552 | 2,895,441 | 26,198,493 | 24,056,603 | 28,594,045 | 26,952,044 |
| Total Net Assets | \$27,814,992 | \$21,099,137 | \$47,515,838 | \$45,130,871 | \$75,330,830 | \$66,230,008 |

Total net assets increased \$9,100,822. Net assets of the City’s governmental activities increased by \$6,715,855, while unrestricted net assets decreased by \$499,899.

The net assets of the City’s business-type activities increased by \$2,384,967. The City strives to control operational expenses for business-type activities in order to maintain stability in charges for services and closely monitors the trends of our growing community in order to adjust for budgetary issues and changes in city policy where necessary.

Table 2 shows the changes in net assets for the year ended December 31, 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

*Table 2
Changes in Net Assets*

| | <i>Governmental Activities</i> | <i>Business Type Activities</i> | <i>Total</i> |
|--|------------------------------------|-------------------------------------|---------------------|
| | 2003 | 2003 | 2003 |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$1,693,148 | \$23,012,275 | \$24,705,423 |
| Operating Grants, Contributions and Interest | 670,606 | 0 | 670,606 |
| Capital Grants, Contributions, and Interest | 4,777,038 | 1,109,473 | 5,886,511 |
| Total Program Revenues | <u>7,140,792</u> | <u>24,121,748</u> | <u>31,262,540</u> |
| General Revenues: | | | |
| Property Taxes | 2,199,757 | 0 | 2,199,757 |
| Income Taxes | 4,577,825 | 0 | 4,577,825 |
| Other Taxes | 855,204 | 0 | 855,204 |
| Payments in Lieu of Taxes | 40,322 | 0 | 40,322 |
| Grants and Entitlements Not Restricted to Specific Programs | 987,605 | 0 | 987,605 |
| Unrestricted Contributions | 1,500 | 0 | 1,500 |
| Interest | 144,603 | 224,627 | 369,230 |
| Miscellaneous | 60,836 | 408,264 | 469,100 |
| Total General Revenues | <u>8,867,652</u> | <u>632,891</u> | <u>9,500,543</u> |
| Total Revenues | <u>16,008,444</u> | <u>24,754,639</u> | <u>40,763,083</u> |
| Program Expenses: | | | |
| General Government | 2,096,191 | 0 | 2,096,191 |
| Security of Persons and Property: | | | |
| Police | 2,872,414 | 0 | 2,872,414 |
| Fire | 1,284,146 | 0 | 1,284,146 |
| Public Health | 192,335 | 0 | 192,335 |
| Leisure Time Services | 820,253 | 0 | 820,253 |
| Community and Economic Development | 990,158 | 0 | 990,158 |
| Transportation | 744,214 | 0 | 744,214 |
| Interest and Fiscal Charges | 407,376 | 0 | 407,376 |
| Electric | 0 | 11,827,260 | 11,827,260 |
| Sanitation | 0 | 763,404 | 763,404 |
| Sewer | 0 | 2,898,432 | 2,898,432 |
| Telecommunications | 0 | 4,401,577 | 4,401,577 |
| Water | 0 | 2,364,501 | 2,364,501 |
| Total Expenses | <u>9,407,087</u> | <u>22,255,174</u> | <u>31,662,261</u> |
| Increase in Net Assets Before Transfers | 6,601,357 | 2,499,465 | 9,100,822 |
| Transfers | <u>114,498</u> | <u>(114,498)</u> | <u>0</u> |
| Increase in Net Assets | 6,715,855 | 2,384,967 | 9,100,822 |
| Net Assets, January 1, 2003 | <u>21,099,137</u> | <u>45,130,871</u> | <u>66,230,008</u> |
| Net Assets, December 31, 2003 | <u>\$27,814,992</u> | <u>\$47,515,838</u> | <u>\$75,330,830</u> |

Governmental Activities

The 1% income tax is the largest source of revenue for the City's General Fund. Employee withholding contributed 75.47% of the revenue received in 2003 with business earnings contributing 6.80% and individuals 17.73%. The City provides tax relief in the form of a full tax credit for taxes paid to another municipality. The City has mandatory filing for all residents that work regardless of their age.

Income tax revenues have increased on the average of 6% annually over the last five years. The City has decreased its general fund operating expenditures by 18% over the last two budget cycles and has experienced some internal reorganization and downsizing. Economic development trends continue to be promising due to the rapid growth of Warren County and the City's success in attracting new businesses, including Pump Pros, New Tech Polymers, J.B.S. Industries, Felcon, Inc., Ohio Valley Environmental Engineers, Ohio Premium Provisions, and QQQ Foundations, to the city-owned Columbia Business Industrial Park that was established in 2000.

Administration and Council have a quality of life commitment to the citizens and businesses located in Lebanon. With this in mind, the City Council appropriated over \$875,000 in 2003 for roadway improvements projects, \$125,000 for storm water system upgrades, \$55,000 for Columbia Business Park improvements, \$275,000 for the City's share of the Countryside YMCA Bike trail development and \$213,000 for fleet replacement.

Governmental program expenses for 2003 were as follows:

Table 3
Governmental Activities

| | Total Cost Of Services 2003 | Net Cost of Services 2003 |
|------------------------------------|-----------------------------------|---------------------------------|
| General Government | \$2,096,191 | (\$1,246,595) |
| Security of Persons and Property: | | |
| Police | 2,872,414 | (2,724,802) |
| Fire | 1,284,146 | (987,159) |
| Public Health | 192,335 | 6,498 |
| Leisure Time Services | 820,253 | (723,645) |
| Community and Economic Development | 990,158 | (490,632) |
| Transportation | 744,214 | 4,307,416 |
| Interest and fiscal charges | 407,376 | (407,376) |
| Total Expenses | \$9,407,087 | (\$2,266,295) |

When looking at the sources of income to support governmental activities, it should be noted that total program revenues are 44% of total revenues and transfers. Federal and State grant monies received for the Main Street/State Route 123 improvements were \$4,228,322, or 26% of total revenues and transfers. The remaining revenues are primarily generated locally through property taxes, City income taxes, state distributions, grants and other miscellaneous income. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they have always been committed.

Business-Type Activities

The City's business-type activities include Electric, Sanitation, Sewer, Telecommunications and Water Funds.

The Electric Fund collects the fees associated with the sale and delivery of electricity within Lebanon. Various electric service charges, not associated with the sale and delivery of electricity, are also collected by this Fund. The fees collected are then used to purchase power, maintain and operate the electric generation, transmission, and distribution systems of the City, fund capital improvements projects and pay off debt service.

The Sanitation Fund charges fees to citizens for the collection of residential garbage. The City out sources the actual collection by bidding the contract for services every three years.

The Sewer Fund conducts the operations of the City's wastewater collection and treatment system; this includes the Regional Wastewater Treatment Facility. Money that is collected from the fees which are billed based upon number of gallons of water used are placed in this Fund for use in the maintenance of the collection system, improvements to the Treatment Plant and the payment of the debt incurred for the expansion of the facility. An important aspect of this fund's mission is to maintain the quality of the environment. As such, it is the policy of the City Council, carried out by this fund, that all OEPA standards be met or exceeded.

The Telecommunications Fund is the fund in which the operations of various Telecommunications services are conducted. This Fund collects the fees for cable, high-speed internet, and various telephone services that the City of Lebanon Telecommunications provides. That revenue is then used to maintain and upgrade the system and its various services. Those fees also assist in paying for new construction as well as to repay the debt incurred from the addition of these services.

The Water Fund collects the fees charged for the sale of water within Lebanon and in several subdivisions in Turtlecreek and Union Townships. Those fees are then used to maintain lines for delivery and to treat water for further consumption. The City of Lebanon draws its water supplies from three well fields; one at the water treatment plant on Main Street, the second is on the western edge of the community between S.R. 63 and McClure Road, and the third is located along I-71 Kingsview Industrial Park. The City also maintains through this Fund a system of four storage towers to supply pressure and capacity to its system. This Fund's mission from the City Council is to maintain a high level of service while meeting all applicable OEPA standards.

THE CITY'S FUNDS

Information about the City's governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$16,671,842 and expenditures of \$15,251,759. The General Fund balance decreased by \$198,052.

The Capital Improvement Fund balance increased by \$4,367,675 due to the issuance of \$3,870,000 General Obligation Bonds for road improvement projects.

General Fund Budgeting Highlights

The City's budget is prepared according to the provision of the City Charter and state law, and is based on accounting for certain transactions on a basis of receipts, disbursements, and encumbrances. The City's budget is adopted on an object level basis by City Council in the form of an Appropriation Ordinance.

Original General fund budgeted revenues were \$7,432,370. The final budgeted amount was \$7,072,774. The 5% decrease of \$359,596, which brought the final budgeted amounts in the General fund into agreement with the final actual revenues, reflects the City's adjustment of the budgeted revenues to more accurately reflect changes in actual revenues throughout the year.

CAPITAL ASSETS

Table 4 presents the net book value of the City's capital assets for governmental and business-type activities for 2003, compared to 2002:

*Table 4
Capital Assets*

| | Governmental Activities | | Business Type Activities | | Total | |
|----------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Land | \$10,287,547 | \$10,287,547 | \$5,388,005 | \$5,265,787 | \$15,675,552 | \$15,553,334 |
| Construction in Progress | 4,776,038 | 621,397 | 6,299,552 | 13,264,955 | 11,075,590 | 13,886,352 |
| Land Improvements | 666,219 | 570,554 | 0 | 0 | 666,219 | 570,554 |
| Buildings and Improvements | 2,860,558 | 2,983,346 | 14,860,235 | 8,051,539 | 17,720,793 | 11,034,885 |
| Equipment | 725,912 | 741,815 | 461,138 | 375,638 | 1,187,050 | 1,117,453 |
| Vehicles | 1,161,362 | 1,310,157 | 643,028 | 699,945 | 1,804,390 | 2,010,102 |
| Infrastructure | 1,668,648 | 0 | 32,499,304 | 29,846,247 | 34,167,952 | 29,846,247 |
| Totals | \$22,146,284 | \$16,514,816 | \$60,151,262 | \$57,504,111 | \$82,297,546 | \$74,018,927 |

For more information on capital assets, refer to note 10 of the notes to the basic financial statements.

DEBT

Table 5 summarizes bonds and notes outstanding for at December 31, 2003 and 2002:

*Table 5
Outstanding Debt at Year End*

| | Governmental Activities | | Business Type Activities | | Total | |
|--------------------------|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Special Assessment Bonds | \$743,267 | \$820,811 | \$0 | \$0 | \$743,267 | \$820,811 |
| General Obligation Bonds | 7,012,161 | 3,236,998 | 0 | 0 | 7,012,161 | 3,236,998 |
| Mortgage Revenue Bonds | 0 | 0 | 34,248,548 | 35,619,786 | 34,248,548 | 35,619,786 |
| Bond Anticipation Notes | 120,000 | 4,110,000 | 8,500,000 | 5,000,000 | 8,620,000 | 9,110,000 |
| | <u>\$7,875,428</u> | <u>\$8,167,809</u> | <u>\$42,748,548</u> | <u>\$40,619,786</u> | <u>\$50,623,976</u> | <u>\$48,787,595</u> |

Special Assessment bonds will be paid with special assessment revenue. All general obligation bond issues will be paid through G.O. Bond Fund with income tax revenues and Mortgage Revenue Bonds will be paid from their respective enterprise funds.

For more information regarding long-term obligations and short-term bond anticipation notes, refer to note 16 and 17 of the notes to the basic financial statements.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Auditor, 50 South Broadway, Lebanon, Ohio 45036.

**CITY OF LEBANON, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

| | Governmental Activities | Business-Type Activities | Totals |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Equity in Pooled Cash and Cash Equivalents | \$10,648,209 | \$25,255,313 | \$35,903,522 |
| Accounts Receivable | 0 | 2,975,185 | 2,975,185 |
| Intergovernmental Receivable | 1,032,613 | 29,084 | 1,061,697 |
| Prepaid Items | 130,237 | 79,425 | 209,662 |
| Internal Balances | 3,575 | (3,575) | 0 |
| Materials and Supplies Inventory | 178,298 | 1,287,052 | 1,465,350 |
| Income Taxes Receivable | 898,748 | 0 | 898,748 |
| Property and Other Local Taxes Receivable | 2,376,277 | 0 | 2,376,277 |
| Revenue in Lieu of Taxes Receivable | 842,989 | 0 | 842,989 |
| Capital Leases Receivable | 55,379 | 0 | 55,379 |
| Notes Receivable | 11,621 | 0 | 11,621 |
| Special Assessments Receivable | 1,066,431 | 58,969 | 1,125,400 |
| Cash and Cash Equivalents with Fiscal Agents | 180,611 | 2,547,760 | 2,728,371 |
| Deferred Charges | 56,217 | 608,684 | 664,901 |
| Nondepreciable Capital Assets | 15,063,585 | 11,687,557 | 26,751,142 |
| Depreciable Capital Assets, Net | 7,082,699 | 48,463,705 | 55,546,404 |
| Total Assets | 39,627,489 | 92,989,159 | 132,616,648 |
| LIABILITIES | | | |
| Accounts Payable | 148,974 | 355,647 | 504,621 |
| Accrued Wages | 106,128 | 47,112 | 153,240 |
| Intergovernmental Payable | 168,197 | 20,576 | 188,773 |
| Contracts Payable | 13,958 | 1,256,929 | 1,270,887 |
| Retainage Payable | 54,105 | 286,078 | 340,183 |
| Deferred Revenue | 2,297,750 | 0 | 2,297,750 |
| Accrued Interest Payable | 28,277 | 189,362 | 217,639 |
| Claims Payable | 130,173 | 0 | 130,173 |
| Notes Payable | 0 | 8,500,000 | 8,500,000 |
| Matured Interest Payable | 105 | 0 | 105 |
| Refundable Deposits | 0 | 343,855 | 343,855 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 870,313 | 1,538,617 | 2,408,930 |
| Due in More Than One Year | 7,994,517 | 32,935,145 | 40,929,662 |
| Total Liabilities | 11,812,497 | 45,473,321 | 57,285,818 |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 14,799,049 | 18,011,398 | 32,810,447 |
| Restricted for: | | | |
| Debt Service | 4,511,772 | 0 | 4,511,772 |
| Capital Outlay | 755,539 | 0 | 755,539 |
| Other Purposes | 5,353,080 | 0 | 5,353,080 |
| Revenue Bonds Replacement and Improvement | 0 | 932,500 | 932,500 |
| Revenue Bonds Current Debt Service | 0 | 2,373,447 | 2,373,447 |
| Unrestricted | 2,395,552 | 26,198,493 | 28,594,045 |
| Total Net Assets | \$27,814,992 | \$47,515,838 | \$75,330,830 |

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Program Revenues | | | |
|---------------------------------------|---------------------|--------------------------------|---|---|
| | Expenses | Charges for Services and Sales | Operating Grants Contributions and Interest | Capital Grants Contributions and Interest |
| Governmental Activities | | | | |
| General Government | \$2,096,191 | \$849,596 | \$0 | \$0 |
| Security of Persons and Property: | | | | |
| Police | 2,872,414 | 140,849 | 6,763 | 0 |
| Fire | 1,284,146 | 157,172 | 139,815 | 0 |
| Public Health | 192,335 | 77,103 | 119,884 | 1,846 |
| Leisure Time Services | 820,253 | 96,608 | 0 | 0 |
| Community and Economic Development | 990,158 | 371,820 | 113,975 | 13,731 |
| Transportation | 744,214 | 0 | 290,169 | 4,761,461 |
| Interest and Fiscal Charges | 407,376 | 0 | 0 | 0 |
| Total Governmental Activities | <u>9,407,087</u> | <u>1,693,148</u> | <u>670,606</u> | <u>4,777,038</u> |
| Business-Type Activities | | | | |
| Electric | 11,827,260 | 12,702,888 | 0 | 0 |
| Sanitation | 763,404 | 770,531 | 0 | 0 |
| Sewer | 2,898,432 | 2,683,478 | 0 | 948,722 |
| Telecommunications | 4,401,577 | 3,913,328 | 0 | 0 |
| Water | 2,364,501 | 2,942,050 | 0 | 160,751 |
| Total Business-Type Activities | <u>22,255,174</u> | <u>23,012,275</u> | <u>0</u> | <u>1,109,473</u> |
| Total Activities | <u>\$31,662,261</u> | <u>\$24,705,423</u> | <u>\$670,606</u> | <u>\$5,886,511</u> |

General Revenues:

- Taxes
 - Property Taxes
 - Income Taxes
 - Other Taxes
- Payments in Lieu of Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Unrestricted Contributions
- Investment Earnings
- Miscellaneous
- Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense)Revenue and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|---------------------|
| (\$1,246,595) | \$0 | (\$1,246,595) |
| (2,724,802) | 0 | (2,724,802) |
| (987,159) | 0 | (987,159) |
| 6,498 | 0 | 6,498 |
| (723,645) | 0 | (723,645) |
| (490,632) | 0 | (490,632) |
| 4,307,416 | 0 | 4,307,416 |
| (407,376) | 0 | (407,376) |
| <u>(2,266,295)</u> | <u>0</u> | <u>(2,266,295)</u> |
| 0 | 875,628 | 875,628 |
| 0 | 7,127 | 7,127 |
| 0 | 733,768 | 733,768 |
| 0 | (488,249) | (488,249) |
| 0 | 738,300 | 738,300 |
| <u>0</u> | <u>1,866,574</u> | <u>1,866,574</u> |
| <u>(2,266,295)</u> | <u>1,866,574</u> | <u>(399,721)</u> |
| 2,199,757 | 0 | 2,199,757 |
| 4,577,825 | 0 | 4,577,825 |
| 855,204 | 0 | 855,204 |
| 40,322 | 0 | 40,322 |
| 987,605 | 0 | 987,605 |
| 1,500 | 0 | 1,500 |
| 144,603 | 224,627 | 369,230 |
| 60,836 | 408,264 | 469,100 |
| 114,498 | (114,498) | 0 |
| <u>8,982,150</u> | <u>518,393</u> | <u>9,500,543</u> |
| 6,715,855 | 2,384,967 | 9,100,822 |
| <u>21,099,137</u> | <u>45,130,871</u> | <u>66,230,008</u> |
| <u>\$27,814,992</u> | <u>\$47,515,838</u> | <u>\$75,330,830</u> |

**CITY OF LEBANON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

| | GENERAL | CAPITAL IMPROVEMENT | ALL OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|--------------------|------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$805,230 | \$2,122,774 | \$7,645,496 | \$10,573,500 |
| Cash and Cash Equivalents with Fiscal Agent | 0 | 0 | 180,611 | 180,611 |
| Materials and Supplies Inventory | 94,256 | 0 | 84,042 | 178,298 |
| Intergovernmental Receivable | 525,771 | 0 | 506,842 | 1,032,613 |
| Prepaid Items | 63,249 | 1,268 | 64,490 | 129,007 |
| Income Taxes Receivable | 687,058 | 141,126 | 70,564 | 898,748 |
| Property and Other Local Taxes Receivable | 937,814 | 0 | 1,438,463 | 2,376,277 |
| Revenue in Lieu of Taxes Receivable | 0 | 0 | 842,989 | 842,989 |
| Notes Receivable | 0 | 0 | 11,621 | 11,621 |
| Special Assessments Receivable | 0 | 86,981 | 979,450 | 1,066,431 |
| Capital Lease Receivable | 0 | 0 | 55,379 | 55,379 |
| Advances to Other Funds | 1,823,627 | 0 | 0 | 1,823,627 |
| Total Assets | \$4,937,005 | \$2,352,149 | \$11,879,947 | \$19,169,101 |
| LIABILITIES | | | | |
| Accounts Payable | \$43,874 | \$15,892 | \$71,922 | \$131,688 |
| Accrued Wages | \$82,248 | \$0 | \$22,916 | 105,164 |
| Contracts Payable | 0 | 13,958 | 0 | 13,958 |
| Intergovernmental Payable | 43,025 | 0 | 48,907 | 91,932 |
| Matured Interest Payable | 0 | 0 | 105 | 105 |
| Interfund Payable | 7,638 | 0 | 8,950 | 16,588 |
| Retainage Payable | 0 | 15,841 | 38,264 | 54,105 |
| Deferred Revenue | 1,732,567 | 86,981 | 3,754,328 | 5,573,876 |
| Advances From Other Funds | 0 | 0 | 1,823,627 | 1,823,627 |
| Total Liabilities | 1,909,352 | 132,672 | 5,769,019 | 7,811,043 |
| FUND BALANCES | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | 47,746 | 330,667 | 295,265 | 673,678 |
| Reserved for Advances | 1,823,627 | 0 | 0 | 1,823,627 |
| Reserved for Notes Receivable | 0 | 0 | 11,621 | 11,621 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 1,156,280 | 0 | 0 | 1,156,280 |
| Special Revenue Funds | 0 | 0 | 3,912,495 | 3,912,495 |
| Debt Service Funds | 0 | 0 | 3,547,913 | 3,547,913 |
| Capital Projects Funds (Deficit) | 0 | 1,888,810 | (1,656,366) | 232,444 |
| Total Fund Balances | 3,027,653 | 2,219,477 | 6,110,928 | 11,358,058 |
| Total Liabilities and Fund Balances | \$4,937,005 | \$2,352,149 | \$11,879,947 | \$19,169,101 |

See accompanying notes to the basic financial statements

**CITY OF LEBANON, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003**

| | | |
|--|--------------------|---------------------|
| Total Governmental Fund Balances | | \$11,358,058 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | | |
| Land | 10,222,881 | |
| Infrastructure | 1,766,713 | |
| Construction in progress | 4,776,038 | |
| Other capital assets | 9,954,315 | |
| Accumulated depreciation | <u>(4,645,446)</u> | |
| Total capital assets | | 22,074,501 |
| Internal service funds are used by management to charge the costs of insurance and automotive maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | | |
| | | 668 |
| Adjustment of reflect the consolidation of internal service fund activities related to enterprise activity. | | |
| | | (2,277) |
| Some of the City's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds: | | |
| Property Taxes | 80,244 | |
| Special Assessments | 1,066,431 | |
| Due From Other Governments | | |
| Charges for Services | 114,789 | |
| Shared Taxes and Local Government Revenue Assistance | 788,280 | |
| Income Taxes | 328,014 | |
| Revenue in Lieu of Taxes | 842,989 | |
| Capital Leases | <u>55,379</u> | |
| | | 3,276,126 |
| Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. | | |
| | | (75,486) |
| Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis | | |
| | | 56,217 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | | |
| Accrued interest on bonds | (28,277) | |
| Discount on bonds | 16,768 | |
| Capital leases | (60,221) | |
| Notes | (120,000) | |
| Bonds | (7,772,196) | |
| Police Pension | (21,844) | |
| Compensated absences | <u>(887,045)</u> | |
| Total liabilities | | <u>(8,872,815)</u> |
| Net Assets of Governmental Activities | | <u>\$27,814,992</u> |

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | GENERAL | CAPITAL IMPROVEMENT | ALL OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|--------------------|------------------------|------------------------------------|--------------------------------|
| REVENUES: | | | | |
| Property Taxes | \$884,216 | \$0 | \$1,364,814 | \$2,249,030 |
| Income Taxes | 1,951,558 | 1,742,640 | 871,322 | 4,565,520 |
| Other Local Taxes | 730,002 | 0 | 125,202 | 855,204 |
| Payments in Lieu of Taxes | 0 | 0 | 766,298 | 766,298 |
| Special Assessments | 0 | 0 | 159,732 | 159,732 |
| Charges for Services | 163,859 | 0 | 286,146 | 450,005 |
| Licenses and Permits | 960,355 | 0 | 167,999 | 1,128,354 |
| Intergovernmental | 767,473 | 4,568,167 | 838,084 | 6,173,724 |
| Interest | 103,277 | 0 | 60,202 | 163,479 |
| Contributions and Donations | 1,500 | 0 | 87,717 | 89,217 |
| Other | 43,514 | 13,119 | 14,646 | 71,279 |
| Total Revenues | 5,605,754 | 6,323,926 | 4,742,162 | 16,671,842 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 1,913,978 | 101,150 | 0 | 2,015,128 |
| Security of Persons and Property: | | | | |
| Police | 2,760,413 | 0 | 28,410 | 2,788,823 |
| Fire | 0 | 0 | 1,109,834 | 1,109,834 |
| Public Health Services | 6,003 | 0 | 139,001 | 145,004 |
| Leisure Time Services | 413,163 | 0 | 267,300 | 680,463 |
| Community and Economic Development | 704,102 | 0 | 169,843 | 873,945 |
| Transportation | 0 | 0 | 679,456 | 679,456 |
| Capital Outlay | 0 | 5,501,492 | 450,439 | 5,951,931 |
| Debt Service: | | | | |
| Principal Retirement | 326 | 13,326 | 555,000 | 568,652 |
| Interest and Fiscal Charges | 990 | 35,283 | 344,278 | 380,551 |
| Issuance Costs | 0 | 0 | 57,972 | 57,972 |
| Total Expenditures | 5,798,975 | 5,651,251 | 3,801,533 | 15,251,759 |
| Excess of Revenues Over (Under) Expenditures | (193,221) | 672,675 | 940,629 | 1,420,083 |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Transfers In | 47,495 | 0 | 363,758 | 411,253 |
| Bonds Issued | 0 | 3,870,000 | 135,000 | 4,005,000 |
| Notes Issued | 0 | 0 | 120,000 | 120,000 |
| Discount on Debt Issued | 0 | 0 | (17,292) | (17,292) |
| Transfers Out | (52,326) | (175,000) | (201,927) | (429,253) |
| Total Other Financing Sources and Uses | (4,831) | 3,695,000 | 399,539 | 4,089,708 |
| Net Change in Fund Balance | (198,052) | 4,367,675 | 1,340,168 | 5,509,791 |
| Fund Balance (Deficit) at Beginning of Year - Restated (See Note 3) | 3,225,705 | (2,148,198) | 4,770,760 | 5,848,267 |
| Fund Balance at End of Year | \$3,027,653 | \$2,219,477 | \$6,110,928 | \$11,358,058 |

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

| | | |
|---|------------------|--------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$5,509,791 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital Asset Additions | 6,247,296 | |
| Current Year Depreciation | <u>(612,269)</u> | 5,635,027 |
| Assets transferred from enterprise funds during the year to governmental activities | | |
| Capital Assets | 39,103 | |
| Accumulated Depreciation | <u>(39,103)</u> | 0 |
| Because some revenues will not be collected for several months after the City's year end, they are not considered "available" revenues and are deferred in the governmental funds. | | |
| Property Taxes | (49,273) | |
| Special Assessments | (159,732) | |
| Due From Other Governments | | |
| Charges for Services | 114,789 | |
| Shared Taxes and Local Government Revenue Assistance | (38,362) | |
| Income Taxes | 12,305 | |
| Revenue in Lieu of Taxes | (725,976) | |
| Other Revenue | (8,031) | |
| Capital Leases | <u>(2,412)</u> | (856,692) |
| Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | |
| Bond principal retirement | 237,456 | |
| Special assessment principal retirement | 77,544 | |
| Note principal retirement | 240,000 | |
| Police pension principal retirement | 326 | |
| Capital lease payments | <u>13,326</u> | 568,652 |
| Total long-term debt repayment | | |
| Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities | | |
| Accretion on Library Bonds | (24,387) | |
| Current Year Bond Discounts that were deferred | 16,768 | |
| Current Year Bond Issuance Costs that were deferred | <u>56,217</u> | 48,598 |
| Bond and Note Proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. | | |
| Bond Proceeds | (4,005,000) | |
| Note Proceeds | <u>(120,000)</u> | (4,125,000) |
| Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of: | | |
| Compensated Absences | (147,397) | |
| Accrued Pension Contributions | 120,553 | |
| Accrued Interest | <u>(159)</u> | (27,003) |
| Total additional expenditures | | |
| Internal service funds used by management to charge the costs of insurance and automotive maintenance to individual funds are not reported in the entity-wide statement of activities. The net loss of the internal service funds is reported with governmental activities, net of the adjustment to reflect the consolidation of internal service fund activities related to business type activities. | | |
| | | <u>(37,518)</u> |
| Change in Net Assets of Governmental Activities | | <u>\$6,715,855</u> |

See accompanying notes to the basic financial statements

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CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Property Taxes | \$951,550 | \$884,216 | \$884,216 | \$0 |
| Income Taxes | 1,975,000 | 1,928,661 | 1,928,661 | 0 |
| Other Local Taxes | 837,150 | 729,282 | 729,282 | 0 |
| Charges for Services | 1,618,600 | 1,595,042 | 1,595,042 | 0 |
| Licenses and Permits | 1,060,350 | 984,415 | 984,415 | 0 |
| Intergovernmental | 738,920 | 810,745 | 810,745 | 0 |
| Interest | 201,500 | 104,399 | 104,399 | 0 |
| Contributions and Donations | 500 | 1,500 | 1,500 | 0 |
| Other | 48,800 | 34,514 | 34,514 | 0 |
| Total Revenues | 7,432,370 | 7,072,774 | 7,072,774 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 3,647,787 | 3,813,131 | 3,407,746 | 405,385 |
| Security of Persons and Property: | | | | |
| Police | 2,861,385 | 2,822,374 | 2,769,298 | 53,076 |
| Public Health Services | 6,003 | 6,003 | 6,003 | 0 |
| Leisure Time Services | 450,997 | 458,707 | 407,962 | 50,745 |
| Community and Economic Development | 745,397 | 764,215 | 712,799 | 51,416 |
| Capital Outlay | 0 | 4,490 | 4,490 | 0 |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 0 | 51 | 51 | 0 |
| Total Expenditures | 7,711,569 | 7,868,971 | 7,308,349 | 560,622 |
| Excess of Revenues Over (Under) Expenditures | (279,199) | (796,197) | (235,575) | 560,622 |
| Other Financing Sources and Uses: | | | | |
| Transfers In | 47,495 | 47,495 | 47,495 | 0 |
| Proceeds from Sale of Capital Assets | 305,000 | 9,000 | 9,000 | 0 |
| Advances In | 121,407 | 121,407 | 121,407 | 0 |
| Transfers Out | (80,000) | (80,000) | (52,326) | 27,674 |
| Total Other Financing Sources and Uses | 393,902 | 97,902 | 125,576 | 27,674 |
| Net Change in Fund Balance | 114,703 | (698,295) | (109,999) | 588,296 |
| Fund Balance at Beginning of Year | 588,592 | 588,592 | 588,592 | 0 |
| Prior Year Encumbrances Appropriated | 226,700 | 226,700 | 226,700 | 0 |
| Fund Balance at End of Year | \$929,995 | \$116,997 | \$705,293 | \$588,296 |

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2003

| | BUSINESS -TYPE ACTIVITIES | | |
|---|---------------------------|------------------|---------------------|
| | ELECTRIC | SANITATION | SEWER |
| ASSETS: | | | |
| Current Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$7,200,198 | \$728,281 | \$6,526,769 |
| Materials and Supplies Inventory | 855,059 | 0 | 17,074 |
| Accounts Receivable | 2,299,249 | 91,468 | 286,768 |
| Interfund Receivable | 0 | 0 | 0 |
| Intergovernmental Receivable | 0 | 0 | 29,084 |
| Prepaid Items | 35,953 | 0 | 9,498 |
| Special Assessments Receivable | 0 | 0 | 58,969 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents with Fiscal Agents | 845,564 | 0 | 806,704 |
| Total Current Assets | 11,236,023 | 819,749 | 7,734,866 |
| Noncurrent Assets: | | | |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 824,055 | 0 | 240,000 |
| Deferred Charges | 286,344 | 0 | 33,122 |
| Advances to Other Funds | 3,399,669 | 0 | 0 |
| Nondepreciable Capital Assets | 4,576,182 | 54,000 | 2,619,032 |
| Depreciable Capital Assets, Net | 10,790,155 | 40,000 | 19,390,283 |
| Total Noncurrent Assets | 19,876,405 | 94,000 | 22,282,437 |
| Total Assets | 31,112,428 | 913,749 | 30,017,303 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts Payable | 73,109 | 47,081 | 75,267 |
| Accrued Wages | 20,825 | 0 | 7,859 |
| Contracts Payable | 606,750 | 0 | 354,197 |
| Intergovernmental Payable | 8,768 | 0 | 3,861 |
| Accrued Interest Payable | 17,694 | 0 | 19,056 |
| Retainage Payable | 0 | 0 | 279,342 |
| Interfund Payable | 155,483 | 0 | 2,360 |
| Claims Payable | 0 | 0 | 0 |
| Notes Payable | 3,250,000 | 0 | 3,500,000 |
| Compensated Absences Payable | 40,991 | 0 | 11,091 |
| Total Current Liabilities | 4,173,620 | 47,081 | 4,253,033 |
| Current Liabilities Payable from Restricted Assets: | | | |
| Revenue Bonds Payable | 480,000 | 0 | 400,000 |
| Accrued Interest Payable | 48,445 | 0 | 37,172 |
| Total Current Liabilities Payable from Restricted Assets | 528,445 | 0 | 437,172 |
| Long-term Liabilities: | | | |
| Advances from Other Funds | 0 | 0 | 0 |
| Compensated Absences Payable | 69,470 | 0 | 6,807 |
| Revenue Bonds Payable | 10,906,854 | 0 | 8,414,096 |
| Long-term Liabilities Payable from Restricted Assets: | | | |
| Refundable Deposits | 331,555 | 0 | 0 |
| Total Long-term Liabilities | 11,307,879 | 0 | 8,420,903 |
| Total Liabilities | 16,009,944 | 47,081 | 13,111,108 |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt (Deficit) | 1,015,827 | 94,000 | 9,728,341 |
| Restricted for: | | | |
| Revenue Bonds Replacement and Improvement | 492,500 | 0 | 240,000 |
| Revenue Bonds Current Debt Service | 797,119 | 0 | 769,532 |
| Unrestricted (Deficit) | 12,797,038 | 772,668 | 6,168,322 |
| Total Net Assets | \$15,102,484 | \$866,668 | \$16,906,195 |

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds
Net assets of business-type activities

See accompanying notes to the basic financial statements

| ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS |
|---------------------|--------------------|--------------------|---|
| TELECOMMUNICATIONS | WATER | TOTALS | |
| 51,104,129 | 58,450,503 | 524,009,880 | 574,709 |
| 291,684 | 123,235 | 1,287,052 | 0 |
| 0 | 297,700 | 2,975,185 | 0 |
| 152,961 | 0 | 152,961 | 22,440 |
| 0 | 0 | 29,084 | 0 |
| 20,056 | 13,918 | 79,425 | 1,230 |
| 0 | 0 | 58,969 | 0 |
| <u>316,288</u> | <u>548,282</u> | <u>2,516,838</u> | <u>0</u> |
| <u>1,885,118</u> | <u>9,433,638</u> | <u>31,109,394</u> | <u>98,379</u> |
| 0 | 212,300 | 1,276,355 | 0 |
| 151,341 | 137,877 | 608,684 | 0 |
| 0 | 0 | 3,399,669 | 0 |
| 0 | 4,438,343 | 11,687,557 | 64,666 |
| <u>5,486,426</u> | <u>12,756,841</u> | <u>48,463,705</u> | <u>7,117</u> |
| <u>5,637,767</u> | <u>17,545,361</u> | <u>65,435,970</u> | <u>71,783</u> |
| <u>7,522,885</u> | <u>26,978,999</u> | <u>96,545,364</u> | <u>170,162</u> |
| 25,789 | 134,401 | 355,647 | 17,286 |
| 12,264 | 6,164 | 47,112 | 964 |
| 188,165 | 107,817 | 1,256,929 | 0 |
| 5,139 | 2,808 | 20,576 | 779 |
| 9,221 | 0 | 45,971 | 0 |
| 0 | 6,736 | 286,078 | 0 |
| 763 | 207 | 158,813 | 0 |
| 0 | 0 | 0 | 130,173 |
| 1,750,000 | 0 | 8,500,000 | 0 |
| <u>19,283</u> | <u>17,252</u> | <u>88,617</u> | <u>9,770</u> |
| <u>2,010,624</u> | <u>275,385</u> | <u>10,759,743</u> | <u>158,972</u> |
| 190,000 | 380,000 | 1,450,000 | 0 |
| <u>21,941</u> | <u>35,833</u> | <u>143,391</u> | <u>0</u> |
| <u>211,941</u> | <u>415,833</u> | <u>1,593,391</u> | <u>0</u> |
| 3,399,669 | 0 | 3,399,669 | 0 |
| 8,876 | 51,444 | 136,597 | 10,522 |
| <u>5,098,380</u> | <u>8,379,218</u> | <u>32,798,548</u> | <u>0</u> |
| <u>0</u> | <u>12,300</u> | <u>343,855</u> | <u>0</u> |
| <u>8,506,925</u> | <u>8,442,962</u> | <u>36,678,669</u> | <u>10,522</u> |
| <u>10,729,490</u> | <u>9,134,180</u> | <u>49,031,803</u> | <u>169,494</u> |
| (1,400,613) | 8,573,843 | 18,011,398 | 71,783 |
| 0 | 200,000 | 932,500 | 0 |
| 294,347 | 512,449 | 2,373,447 | 0 |
| <u>(2,100,339)</u> | <u>8,558,527</u> | <u>26,196,216</u> | <u>(71,115)</u> |
| <u>(53,206,605)</u> | <u>517,844,819</u> | <u>47,513,561</u> | <u>5668</u> |
| | | <u>2,277</u> | |
| | | <u>547,515,838</u> | |

CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Business-type Activities - | | |
|--|----------------------------|------------------|---------------------|
| | Electric | Sanitation | Sewer |
| OPERATING REVENUES: | | | |
| Charges for Services | \$12,702,888 | \$770,531 | \$2,683,478 |
| Other | 58,361 | 7,287 | 1,775 |
| Total Operating Revenues | 12,761,249 | 777,818 | 2,685,253 |
| OPERATING EXPENSES: | | | |
| Personal Services | 1,205,229 | 0 | 420,988 |
| Travel Transportation | 215 | 0 | 2,221 |
| Contractual Services | 504,193 | 759,752 | 1,302,254 |
| Purchased Power | 8,346,029 | 0 | 0 |
| Supplies and Materials | 69,108 | 0 | 165,077 |
| Claims | 0 | 0 | 0 |
| Depreciation | 984,324 | 3,333 | 490,742 |
| Other | 8,342 | 319 | 1,783 |
| Total Operating Expenses | 11,117,440 | 763,404 | 2,383,065 |
| Operating Income (Loss) | 1,643,809 | 14,414 | 302,188 |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Interest | 93,756 | 0 | 33,521 |
| Other Non-Operating Revenues | 0 | 0 | 137,853 |
| Interest and Fiscal Charges | (703,597) | 0 | (511,833) |
| Other Non-Operating Expenses | 0 | 0 | 0 |
| Total Non-Operating Revenues (Expenses) | (609,841) | 0 | (340,459) |
| Income (Loss) Before Contributions and Transfers | 1,033,968 | 14,414 | (38,271) |
| Capital Grants and Contributions | 0 | 0 | 948,722 |
| Transfers In | 18,000 | 0 | 0 |
| Transfers Out | (3,500) | 0 | (115,214) |
| Change in Net Assets | 1,048,468 | 14,414 | 795,237 |
| Net Assets at Beginning of Year - Restated (See Note 3) | 14,054,016 | 852,254 | 16,110,958 |
| Net Assets at End of Year | \$15,102,484 | \$866,668 | \$16,906,195 |

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds
Change in Net Assets of business-type activities

See accompanying notes to the basic financial statements

| Enterprise Funds | | | Governmental Activities- Internal Service Funds |
|----------------------|---------------------|--------------------|--|
| Telecommunications | Water | Total | |
| \$3,913,328 | \$2,942,050 | \$23,012,275 | \$1,836,608 |
| 138,151 | 33,056 | 238,630 | 47,445 |
| <u>4,051,479</u> | <u>2,975,106</u> | <u>23,250,905</u> | <u>1,884,053</u> |
| 714,834 | 430,618 | 2,771,669 | 118,319 |
| 3,021 | 4,801 | 10,258 | 0 |
| 2,366,475 | 847,692 | 5,780,366 | 464,146 |
| 0 | 0 | 8,346,029 | 0 |
| 125,194 | 216,805 | 576,184 | 164,946 |
| 0 | 0 | 0 | 1,184,574 |
| 826,787 | 382,709 | 2,687,895 | 3,559 |
| 12,547 | 1,002 | 23,993 | 0 |
| <u>4,048,858</u> | <u>1,883,627</u> | <u>20,196,394</u> | <u>1,935,544</u> |
| <u>2,621</u> | <u>1,091,479</u> | <u>3,054,511</u> | <u>(51,491)</u> |
| 7,484 | 89,866 | 224,627 | 466 |
| 31,781 | 0 | 169,634 | 0 |
| (317,331) | (478,948) | (2,011,709) | 0 |
| (33,564) | 0 | (33,564) | 0 |
| <u>(311,630)</u> | <u>(389,082)</u> | <u>(1,651,012)</u> | <u>466</u> |
| (309,009) | 702,397 | 1,403,499 | (51,025) |
| 0 | 160,751 | 1,109,473 | 0 |
| 83,916 | 0 | 101,916 | 0 |
| 0 | (97,700) | (216,414) | 0 |
| <u>(225,093)</u> | <u>765,448</u> | <u>2,398,474</u> | <u>(51,025)</u> |
| <u>(2,981,512)</u> | <u>17,079,371</u> | | <u>51,693</u> |
| <u>(\$3,206,605)</u> | <u>\$17,844,819</u> | | <u>\$668</u> |
| | | (13,507) | |
| | | <u>\$2,384,967</u> | |

CITY OF LEBANON, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Business-type Activities - | | |
|---|----------------------------|------------------|--------------------|
| | Electric | Sanitation | Sewer |
| <u>Increase (Decrease) in Cash and Cash Equivalents:</u> | | | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers | \$12,579,457 | \$773,195 | \$2,663,057 |
| Cash Payments for Employee Services and Benefits | (1,202,667) | 0 | (433,984) |
| Cash Payments to Suppliers for Goods and Services | (8,948,619) | (770,830) | (917,389) |
| Cash Payments for Employee Medical, Dental, and Life Insurance Claims | 0 | 0 | 0 |
| Cash Payments for Interfund Services Provided | 0 | 0 | 0 |
| Other Operating Revenues | 58,570 | 7,287 | 1,775 |
| Other Non-Operating Revenues | 0 | 0 | 137,853 |
| Other Non-Operating Expenses | 0 | 0 | 0 |
| Utility Deposits Received | 185,665 | 0 | 0 |
| Utility Deposits Returned | (113,243) | 0 | 0 |
| Net Cash Provided by (Used for) Operating Activities | <u>2,559,163</u> | <u>9,652</u> | <u>1,451,312</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Short-Term Advance to Another Fund | (1,050,483) | 0 | 0 |
| Short-Term Advance From Another Fund | 0 | 0 | 0 |
| Transfers In | 18,000 | 0 | 0 |
| Transfers Out | (3,500) | 0 | (115,214) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | <u>(1,035,983)</u> | <u>0</u> | <u>(115,214)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Cash Received from Special Assessments | 0 | 0 | 5,383 |
| Acquisition of Capital Assets | (500,333) | 0 | (1,767,806) |
| Proceeds from Sale of Notes | 3,250,000 | 0 | 3,500,000 |
| Principal Paid on Notes | (3,250,000) | 0 | 0 |
| Interest Paid on Notes | (86,628) | 0 | 0 |
| Principal Paid on Mortgage Revenue Bonds | (465,000) | 0 | (380,000) |
| Interest and Fiscal Charges Paid on Mortgage Revenue Bonds | (601,261) | 0 | (468,307) |
| Net Cash Used for Capital and Related Financing Activities | <u>(1,653,222)</u> | <u>0</u> | <u>889,270</u> |
| Cash Flows from Investing Activities: | | | |
| Interest | 93,756 | 0 | 33,521 |
| Net Cash Provided by Investing Activities | <u>93,756</u> | <u>0</u> | <u>33,521</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (36,286) | 9,652 | 2,258,889 |
| Cash and Cash Equivalents Beginning of Year | <u>8,906,103</u> | <u>718,629</u> | <u>5,314,584</u> |
| Cash and Cash Equivalents End of Year | <u>\$8,869,817</u> | <u>\$728,281</u> | <u>\$7,573,473</u> |

| Enterprise Funds | | | Governmental Activities- Internal Service Funds |
|--------------------|--------------------|---------------------|--|
| Telecommunications | Water | Total | |
| \$3,913,328 | \$2,924,288 | \$22,853,325 | \$0 |
| (709,534) | (405,491) | (2,751,676) | (128,833) |
| (2,559,251) | (948,454) | (14,144,543) | (620,799) |
| 0 | 0 | 0 | (1,282,765) |
| 0 | 0 | 0 | 1,839,116 |
| 138,151 | 33,056 | 238,839 | 47,445 |
| 31,781 | 0 | 169,634 | 0 |
| (33,564) | 0 | (33,564) | 0 |
| 0 | 15,000 | 200,665 | 0 |
| 0 | (2,700) | (115,943) | 0 |
| <u>780,911</u> | <u>1,615,699</u> | <u>6,416,737</u> | <u>(145,836)</u> |
| 0 | 0 | (1,050,483) | 0 |
| 1,050,483 | 0 | 1,050,483 | 0 |
| 83,916 | 0 | 101,916 | 0 |
| 0 | (97,700) | (216,414) | 0 |
| <u>1,134,399</u> | <u>(97,700)</u> | <u>(114,498)</u> | <u>0</u> |
| 0 | 0 | 5,383 | 0 |
| (1,368,569) | (588,865) | (4,225,573) | 0 |
| 1,750,000 | 0 | 8,500,000 | 0 |
| (1,750,000) | 0 | (5,000,000) | 0 |
| (43,118) | 0 | (129,746) | 0 |
| (180,000) | (365,000) | (1,390,000) | 0 |
| (270,483) | (444,418) | (1,784,469) | 0 |
| <u>(1,862,170)</u> | <u>(1,398,283)</u> | <u>(4,024,405)</u> | <u>0</u> |
| <u>7,484</u> | <u>89,866</u> | <u>224,627</u> | <u>466</u> |
| <u>7,484</u> | <u>89,866</u> | <u>224,627</u> | <u>466</u> |
| 60,624 | 209,582 | 2,502,461 | (145,370) |
| 1,359,793 | 9,001,503 | 25,300,612 | 220,079 |
| <u>\$1,420,417</u> | <u>\$9,211,085</u> | <u>\$27,803,073</u> | <u>\$74,709</u> |

(Continued)

CITY OF LEBANON, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

| | Business-type Activities - | | |
|---|----------------------------|----------------|--------------------|
| | Electric | Sanitation | Sewer |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | |
| Operating Income (Loss) | \$1,643,809 | \$14,414 | \$302,188 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Depreciation | 984,324 | 3,333 | 490,742 |
| Other Non-Operating Revenues | 0 | 0 | 137,853 |
| Other Non-Operating Expenses | 0 | 0 | 0 |
| Changes in Assets and Liabilities: | | | |
| (Increase) Decrease in Accounts Receivable | (123,431) | 2,664 | (13,358) |
| Decrease in Interfund Receivable | 0 | 0 | 0 |
| (Increase) in Intergovernmental Receivable | 0 | 0 | (7,063) |
| (Increase) Decrease in Materials and Supplies Inventory | 15,810 | 0 | 5,982 |
| (Increase) in Prepaids Items | (24,289) | 0 | (4,824) |
| Increase (Decrease) in Accounts Payable | (558,450) | (10,759) | (14,127) |
| Decrease in Claims Payable | 0 | 0 | 0 |
| Increase in Contracts Payable | 598,351 | 0 | 297,975 |
| Increase (Decrease) in Contracts Payable Retainage | (52,673) | 0 | 267,803 |
| Increase (Decrease) in Accrued Wages Payable | 3,158 | 0 | 2,315 |
| Increase in Interfund Payable | 519 | 0 | 1,133 |
| Decrease in Intergovernmental Payable | (30,002) | 0 | (8,935) |
| Increase in Liabilities Payable from Restricted Assets | 72,631 | 0 | 0 |
| Increase (Decrease) in Compensated Absences Payable | 29,406 | 0 | (6,372) |
| Net Cash Provided by (Used for) Operating Activities | <u>\$2,559,163</u> | <u>\$9,652</u> | <u>\$1,451,312</u> |

Noncash Capital Financing Activities:

During 2003, the Sewer and Water Enterprise Funds received sewer and water lines from developers with a fair market value of \$948,722 and \$160,751 respectively.

See accompanying notes to the basic financial statements

| Enterprise Funds | | | Governmental Activities- Internal Service Funds |
|--------------------|--------------------|--------------------|--|
| Telecommunications | Water | Total | |
| \$2,621 | \$1,091,479 | \$3,054,511 | (\$51,491) |
| 826,787 | 382,709 | 2,687,895 | 3,559 |
| 31,781 | 0 | 169,634 | 0 |
| (33,564) | 0 | (33,564) | 0 |
| 0 | (17,762) | (151,887) | 0 |
| 0 | 0 | 0 | 2,508 |
| 0 | 0 | (7,063) | 0 |
| (81,295) | 11,625 | (47,878) | 2,397 |
| (7,928) | (8,889) | (45,930) | (511) |
| (150,809) | 106,787 | (627,358) | 6,407 |
| 0 | 0 | 0 | (98,191) |
| 188,165 | 99,447 | 1,183,938 | 0 |
| 0 | (86,473) | 128,657 | 0 |
| 2,682 | 802 | 8,957 | (486) |
| (147) | (651) | 854 | 0 |
| (13,151) | (8,564) | (60,652) | (2,601) |
| 0 | 12,300 | 84,931 | 0 |
| 15,769 | 32,889 | 71,692 | (7,427) |
| <u>\$780,911</u> | <u>\$1,615,699</u> | <u>\$6,416,737</u> | <u>(\$145,836)</u> |

**CITY OF LEBANON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2003**

ASSETS:

Current Assets:

| | |
|---|---------------|
| Equity in Pooled Cash and Cash Equivalents | \$896 |
| Cash and Cash Equivalents in Segregated Accounts | <u>56,389</u> |

Total Assets \$57,285

LIABILITIES:

Current Liabilities:

| | |
|---------------------------|---------------|
| Intergovernmental Payable | \$24,842 |
| Undistributed Monies | <u>32,443</u> |

Total Liabilities \$57,285

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - REPORTING ENTITY

The City of Lebanon (the "City") is a home rule municipal corporation organized under the laws of the State of Ohio, which operates under its own charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1961. The seven-member Council is elected to four-year terms. Biennially, Council selects one of its members to serve as Mayor and one of its members to serve as Vice Mayor. Council appoints the City Manager, City Auditor and City Attorney.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds and departments, which comprise the legal entity of the City. They provide various services including police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare, water, sewer, electric, telecommunications and refuse collection. Council and the City Manager have direct responsibility for these activities.

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

The City is associated with one organization, which is defined as a jointly governed organization. This organization, the Warren County General Health District, is presented in Note 21.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds, provided that they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

Basis of Presentation

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for the City's fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

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

Governmental Funds

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

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

Capital Improvement Fund: - This fund is used to account for capital acquisitions purchased from City municipal income tax revenue.

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

Proprietary Fund Types

Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows. The City's proprietary funds are enterprise and internal service funds.

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

Electric Fund - This fund is used to account for the provision of electricity operations to residential and commercial users living within the City.

Sanitation Fund - This fund is used to account for the provision of refuse collection service to residential and commercial users living within the City.

Sewer Fund - This fund is used to account for the provision of sanitary sewer service to residential and commercial users living within the City.

Telecommunications Fund - This fund is used to account for the provision of cable, high-speed internet and various telephone services to residents of the City.

Water Fund - This fund is used to account for the provision of water treatment and distribution to residential and commercial users living within the City.

Internal Service Funds

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds report on self-insurance programs for employee medical benefits and automotive maintenance services for City vehicles.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has two agency funds. The Fire Insurance Collection fund is used to account for money received from fire insurance settlements held on behalf of individuals and private organizations that is paid out when the fire damaged structure is repaired. The Court agency fund is used to account for municipal court collections that are distributed to various other governments.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes and payments in lieu of taxes are recognized in the year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the year for which the taxes are levied. (See Notes 6 and 8.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), income taxes, revenue in lieu of taxes, and accounts.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Expenses/Expenditures

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

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

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on the expenditures plus encumbrances at a level of control selected by Council. The legal level of control has been established by Council at the object level (personal services, contractual services, supplies and materials, etc.) within each department and fund. Budgetary modifications may only be made by resolution of Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that was in effect at the time the final appropriations were passed by Council.

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

Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by fiscal agent, are pooled and invested in order to provide improved cash management. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2003, investments were limited to STAROhio, City issued debt and money market mutual funds. Investments are reported at fair value which is based on quoted market prices. For investments in money market mutual funds, the fair value is determined by the fund's current share price.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003.

The City utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented as "Cash and Cash Equivalents with Fiscal Agent". Monies maintained by the Lebanon Housing Services Corporation to administer the Community Development Block Grant are presented as "Cash and Cash Equivalents with Fiscal Agent".

Interest income is distributed to the funds according to Ohio statutory requirements and the City charter. Interest revenue credited to the General Fund during 2003 amounted to \$103,277, which includes \$100,661 assigned from other City funds.

Investments with original maturities of three months or less and investments of the cash management pool are reported as cash equivalents on the financial statements.

Inventory of Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures/expenses when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Restricted Assets

Restricted assets in the enterprise funds represent cash and cash equivalents and cash and cash equivalents with fiscal agent set aside to satisfy bond indenture requirements for current debt payments and for the replacement and improvement of fixed assets originally acquired with bond proceeds. In addition, electric and water customer deposits are presented as restricted cash and cash equivalents.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Capital Assets and Depreciation

General capital assets are capital assets that are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the Governmental Activities column of the government-wide Statement of Net Assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the Business-Type Activities column of the government-wide Statement of Net Assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of \$5,000.

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

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

The City's infrastructure consists of roads, bridges, curbs, gutters, sidewalks and drainage systems. The City only currently reports the amounts acquired after 2002. The City plans to phase in the prior years' amounts in future years.

Depreciation is computed using the straight-line method over the following useful lives:

| | |
|---|---------------|
| Improvements Other Than Buildings | 20 years |
| Buildings | 45 years |
| Equipment | 5 – 15 years |
| Vehicles | 5 – 20 years |
| Electric Lines, Poles Transformers and Switch Gears | 20 – 30 years |
| Sewer Lines | 65 years |
| Water Lines | 40 – 65 years |
| Telecommunications Lines and Equipment | 10 years |

Compensated Absences

Vacation benefits and holiday pay are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated, unused vacation time when earned for all employees with more than one year of service.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated, unused sick leave for employees after ten years of current service.

Accrued Liabilities and Long-Term Obligations

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

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

Contributions of Capital

Contributions of capital arise from outside contributions of capital assets and grants or outside contributions of resources restricted to capital acquisition and construction or transfers of governmental capital assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of recreational activities, improving the living environment of the City, the operation of law enforcement programs, the operation of emergency services programs and the City's street repair/improvement programs.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The City's electric, sewer, telecommunications and water enterprise funds have restricted net assets relative to those resources necessary to comply with various covenants of bond financing agreements.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, sanitation, sewer, telecommunications, and water services, automotive maintenance services provided to other City departments, and self-insurance programs. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as nonoperating.

Reserves of Fund Balance

Reserves of fund balance in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances, advances and notes receivable.

Bond Discounts, Premiums/Issuance Costs

Bond discounts, premiums and issuance costs for government wide statements and proprietary fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond discounts/premiums are presented as a reduction/increase to the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

The accounting gain/loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Interfund Transactions

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Long-term interfund loan receivables are reported as "Advances to Other Funds" or "Advances from Other Funds" and are equally offset by a fund balance reserve in the funds making the advances, which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

Changes in Accounting Principles

For 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the following changes in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. This statement did not apply to the City for 2003.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (continued)

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The City restated the fund liability for compensated absences that were not matured as of December 31, 2003.

Restatement of Fund Equity

The restatements for GASB *Statement No. 34*, and *GASB Interpretation No. 6* had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported.

| <u>Governmental Activities</u> | | | | |
|--|--------------------|------------------------|--------------------|---------------------|
| | General | Capital Improvement | Nonmajor | <u>Total</u> |
| Fund Balances, December 31, 2002 | \$3,062,658 | (\$2,148,198) | \$4,200,125 | <u>\$5,114,585</u> |
| Fund Reclassifications | <u>163,047</u> | <u>0</u> | <u>570,635</u> | <u>733,682</u> |
| Adjusted Fund Balance December 31, 2003 | <u>\$3,225,705</u> | <u>(\$2,148,198)</u> | <u>\$4,770,760</u> | 5,848,267 |
| GASB No. 34 Adjustments: | | | | |
| Deferred Assets: | | | | |
| Intergovernmental Receivables | | | | 783,360 |
| Revenue In Lieu of Taxes | | | | 1,568,965 |
| Delinquent Property Taxes | | | | 172,799 |
| Income Taxes | | | | 315,709 |
| Special Assessments Receivable | | | | 1,234,194 |
| Capital Leases Receivable | | | | 57,791 |
| Capital Assets | | | | 16,439,474 |
| Intergovernmental Payable | | | | (196,039) |
| Accrued Interest Payable | | | | (28,118) |
| Long-Term Liabilities: | | | | |
| Bonds Payable | | | | (4,057,809) |
| Notes Payable | | | | (240,000) |
| Capital Lease Payable | | | | (73,547) |
| Compensated Absences | | | | (739,648) |
| Police Pension | | | | (22,170) |
| Internal Service | | | | 51,693 |
| Internal Balances | | | | (15,784) |
| Governmental Activities Net Assets, December 31, 2002 | | | | <u>\$21,099,137</u> |

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (continued)

In the prior year, capital assets related to business-type activities were stated incorrectly. The restatement of these amounts had the following effect on fund equity:

| | Business-Type Activities | | | | | Total |
|-------------------------------------|--------------------------|------------------|---------------------|----------------------|---------------------|---------------------|
| | Electric | Sanitation | Sewer | Tele-communications | Water | |
| Fund Equity at December 31, 2002 | \$14,639,960 | \$856,019 | \$16,413,348 | (\$3,192,732) | \$16,923,347 | \$45,639,942 |
| Capital Assets | (585,944) | (3,765) | (302,390) | 211,220 | 156,024 | (524,855) |
| Restated Net Assets | | | | | | |
| at December 31, 2002 | <u>\$14,054,016</u> | <u>\$852,254</u> | <u>\$16,110,958</u> | <u>(\$2,981,512)</u> | <u>\$17,079,371</u> | \$45,115,087 |
| Internal Balance | | | | | | <u>15,784</u> |
| Business-Type Activities Net Assets | | | | | | |
| at December 31, 2002 | | | | | | <u>\$45,130,871</u> |

NOTE 4 - BUDGET TO GAAP RECONCILIATION

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

| Net Change in Fund Balance | |
|----------------------------|--------------------|
| GAAP Basis | (\$198,052) |
| Revenue Accruals | 1,476,020 |
| Expenditure Accruals | (1,435,553) |
| Encumbrances | (73,821) |
| Advances | 121,407 |
| Budget Basis | <u>(\$109,999)</u> |

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS

The City is a charter City and has adopted an investment policy through City ordinance. The policy classifies monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit, maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

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

Interim monies can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Commercial paper;
5. Bankers acceptances;

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds investing exclusively in United States Treasury obligations provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons; or
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year end, the carrying amount of the City's deposits was \$897,054 and the bank balance was \$2,442,402. Of the bank balance, \$100,105 was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio, an investment fund operated by the Ohio State Treasurer, and investments in open-end mutual funds made by the trustee who is managing the enterprise funds' restricted assets are unclassified since they are not evidenced by securities that exist in physical or book entry form.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

| | Category 1 | Carrying/Fair Value |
|---------------------------|---------------|------------------------|
| STAR Ohio | \$0 | \$34,455,085 |
| Money Market Mutual Funds | 0 | 3,237,039 |
| City Bonds | 100,000 | 100,000 |
| Total | \$100,000 | \$37,792,124 |

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classifications per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/ Deposits | Investments |
|---------------------------|---|--------------|
| GASB Statement 9 | \$38,689,178 | \$0 |
| Investments: | | |
| STAR Ohio | (34,455,085) | 34,455,085 |
| Money Market Mutual Funds | (3,237,039) | 3,237,039 |
| City Bonds | (100,000) | 100,000 |
| GASB Statement 3 | \$897,054 | \$37,792,124 |

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002 on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2003, was \$7.72 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 6 - PROPERTY TAXES (continued)

| Category | Assessed Value |
|---|----------------|
| Real Property | \$213,456,970 |
| Public Utility Real Property | 71,275,970 |
| Public Utility Tangible Personal Property | 4,142,310 |
| Tangible Personal Property | 56,696,710 |
| Total | \$345,571,960 |

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lebanon. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003 and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 7 - PAYMENTS IN LIEU OF TAXES

The City acquired property that is leased to twenty-nine companies, Amtex Inc., Lucas Sumitomo Brakes Inc., Bunnell Hill, Ghent Manufacturing, Cinmar, JBM, E-Beam Services, Knauf USA, OPW, Portman Equipment Co., Service Wholesale, Eastgate Graphics, Flint Ink, J & N Distribution, R & I Enterprises, Quantum Metals, Doran Enterprises, Franklin Brazing, Tomak Precision, Trim Parts, Collins Ink, Contemporary Image Labeling, 4 Sands Industries, G.C. Contracting, J.I.T. Packaging, Keland Steel Erectors, Superior Walls of Cincinnati, Unitherm, and ZHW. The corporations have built or are in the process of building factories on the land leased from the City. To encourage development, the companies have been granted an exemption from paying any property taxes on the new construction; however, payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due. These payments are being used for costs associated with promoting and improving the industrial park. Payments will continue over the thirty-year life of the lease. At the conclusion of the lease term, the companies may purchase the leased property for \$1.

A receivable for the amount of the payments has been recorded in the Tax Increment Financing Special Revenue Fund with a corresponding credit to deferred revenue. On a full accrual basis, the entire amount of the receivable is recorded as revenue. See Note 14.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 8 - INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2003, the proceeds were allocated to the General Fund, the Capital Improvement Capital Projects Fund and the Debt Service Fund.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2003, consisted of property, income and other local taxes, payments in lieu of taxes, utility accounts, special assessments, notes, intergovernmental receivables arising from grants, entitlements and shared revenues, interfund, and capital leases. Special assessments expected to be collected in more than one year for the City amount to \$957,622. The City has \$12,930 in delinquent special assessments at December 31, 2003. All receivables are considered fully collectible except utility accounts.

| <u>Accounts Receivable</u> | <u>Estimated Uncollectible</u> | <u>Net Receivable</u> |
|--------------------------------|------------------------------------|---------------------------|
| \$3,207,535 | \$232,350 | \$2,975,185 |

A summary of intergovernmental receivables follows:

| <u>Governmental Activities:</u> | |
|---|-------------------------------|
| Local Government Assistance | \$342,363 |
| Inheritance Tax | 6,868 |
| City of Franklin | 114,789 |
| Bailiff | 4,867 |
| Homestead & Rollback | 171,980 |
| Hotel/Motel Tax | 5,911 |
| Pari-Mutual Tax | 15,000 |
| Permissive Tax | 61,331 |
| Motor Vehicle Tax | 84,546 |
| Gasoline Tax | <u>224,958</u> |
| Total Governmental Activities | <u>1,032,613</u> |
| <u>Business-Type Activities:</u> | |
| Village of South Lebanon | <u>29,084</u> |
| Total Intergovernmental Receivables | <u><u>\$1,061,697</u></u> |

The City is involved in a home rehabilitation program that was begun with Community Development Block Grant monies. The Notes Receivable reflected on the balance sheet represents amounts that individuals owe the City on these loans.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 – CAPITAL ASSETS

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

| | Balance at 12/31/02 (Restated) | Additions | Deductions | Balance at 12/31/03 |
|---|--------------------------------------|--------------------|-------------------|------------------------|
| <u>Governmental Activities</u> | | | | |
| <i>Capital Assets, Not being Depreciated</i> | | | | |
| Land | \$10,287,547 | \$0 | \$0 | \$10,287,547 |
| Construction in Progress | 621,397 | 4,228,322 | (73,681) | 4,776,038 |
| Total Capital Assets, Not Being Depreciated | <u>10,908,944</u> | <u>4,228,322</u> | <u>(73,681)</u> | <u>15,063,585</u> |
| <i>Capital Assets Being Depreciated</i> | | | | |
| Land Improvements | 878,160 | 129,732 | 0 | 1,007,892 |
| Buildings and Improvements | 4,176,940 | 47,955 | 0 | 4,224,895 |
| Equipment | 1,448,610 | 122,125 | (30,961) | 1,539,774 |
| Vehicles | 3,147,950 | 65,233 | 0 | 3,213,183 |
| Infrastructure | 0 | 1,766,713 | 0 | 1,766,713 |
| Total Capital Assets, Being Depreciated | <u>9,651,660</u> | <u>2,131,758</u> | <u>(30,961)</u> | <u>11,752,457</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Land Improvements | (307,606) | (34,067) | 0 | (341,673) |
| Buildings and Improvements | (1,193,594) | (170,743) | 0 | (1,364,337) |
| Equipment | (706,795) | (138,028) | 30,961 | (813,862) |
| Vehicles | (1,837,793) | (214,028) | 0 | (2,051,821) |
| Infrastructure | 0 | (98,065) | 0 | (98,065) |
| Total Accumulated Depreciation | <u>(4,045,788)</u> | <u>(654,931)</u> | <u>30,961</u> | <u>(4,669,758)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>5,605,872</u> | <u>1,476,827</u> | <u>0</u> | <u>7,082,699</u> |
| Governmental Activities Capital Assets, Net | <u>\$16,514,816</u> | <u>\$5,705,149</u> | <u>(\$73,681)</u> | <u>\$22,146,284</u> |

Additions to capital assets being depreciated and accumulated depreciation includes \$39,103 in assets transferred from business-type activities to governmental activities.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 – CAPITAL ASSETS (continued)

| | Balance at 12/31/02 (Restated) | Additions | Deductions | Balance at 12/31/03 |
|---|--------------------------------------|--------------------|--------------------|------------------------|
| Business-Type Activities | | | | |
| <i>Capital Assets, Not being Depreciated</i> | | | | |
| Land | \$5,265,787 | \$122,218 | \$0 | \$5,388,005 |
| Construction in Progress | 13,264,955 | 1,616,836 | (8,582,239) | 6,299,552 |
| Total Capital Assets, Not Being Depreciated | 18,530,742 | 1,739,054 | (8,582,239) | 11,687,557 |
| <i>Capital Assets Being Depreciated</i> | | | | |
| Buildings and Improvements | 15,015,629 | 7,625,634 | 0 | 22,641,263 |
| Equipment | 5,303,180 | 194,051 | (39,103) | 5,458,128 |
| Vehicles | 1,885,560 | 93,232 | (12,775) | 1,966,017 |
| Infrastructure | 41,681,229 | 4,278,089 | 0 | 45,959,318 |
| Total Capital Assets, Being Depreciated | 63,885,598 | 12,191,006 | (51,878) | 76,024,726 |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Buildings and Improvements | (6,964,090) | (816,938) | 0 | (7,781,028) |
| Equipment | (4,927,542) | (108,551) | 39,103 | (4,996,990) |
| Vehicles | (1,185,615) | (137,374) | 0 | (1,322,989) |
| Infrastructure | (11,834,982) | (1,625,032) | 0 | (13,460,014) |
| Total Accumulated Depreciation | (24,912,229) | (2,687,895) | 39,103 | (27,561,021) |
| Total Capital Assets, Being Depreciated, Net | 38,973,369 | 9,503,111 | (12,775) | 48,463,705 |
| Business-Type Activities Capital Assets, Net | \$57,504,111 | \$9,625,329 | (\$12,775) | \$60,151,262 |

* Depreciation expense was charged to governmental functions as follows:

| | |
|-----------------------------------|------------------|
| Security of Persons and Property: | |
| Police | \$74,105 |
| Fire | 163,687 |
| Community Environment | 105,109 |
| Leisure Time Activities | 106,778 |
| Transportation | 43,652 |
| Public Health | 42,514 |
| Community Development | 4,522 |
| General Government | 75,461 |
| Total Depreciation Expense | \$615,828 |

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$309,325, \$403,416, and \$522,267 respectively; 97 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$3,198 made by the City and \$2,006 made by the plan members.

OHIO POLICE AND FIRE PENSION FUND

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2003, 2002, and 2001 were \$177,761, \$197,288, and \$183,424 respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 71 percent has been contributed for 2003 with the remainder being reported as a liability.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2003, the unfunded liability of the City was \$21,844, payable in semiannual installments through the year 2030. This is an accounting liability of the City which will not vary. The liability is reported on the government-wide financial statements.

NOTE 12 - POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$180,892. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

OHIO POLICE AND FIRE PENSION FUND

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$98,531 for police and \$13,533 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the past, vacation leave was permitted to accumulate with no limit. Currently, vacation leave earned in one year must be used in the next year. If the employee has not used the vacation earned for one year, the vacation accrual stops. When an employee terminates employment, he/she is paid for their unused vacation leave.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of four and six tenths hours per eighty hours of service. Sick leave is cumulative without limit. In the case of death or retirement, an employee (or his estate) is paid 50% of accumulated sick leave up to 1040 hours and 10% for accumulated hours in excess of 1,040.

Accumulated Unpaid Holiday Pay

Under contract, police personnel who work a holiday receive holiday time in addition to four hours pay. Accumulated unpaid holiday time is paid to employees upon separation or death.

NOTE 14 - CAPITAL LEASE RECEIVABLE

City-owned land within the following Industrial Parks was leased to twenty-nine companies: Kingsview Industrial Park: Amtex Inc., J.I.T. Packaging, Lucas Sumitomo Brakes Inc., R & I Enterprises, Unitherm, Lebanon Commerce Center: Bunnell Hill, Cinmar L.P., Collins Ink, Dover/OPW, E-Beam Services, Flint Ink, Ghent Manufacturing, JBM Envelope, J & N Distribution, Knauf USA, Portman Equipment, Service Wholesale, Tomak Precision, Lebanon Commerce Center North: Trim Parts, Columbia Business Park: Contemporary Image Labeling, Doran Enterprises, 4 Sands Industries, Franklin Brazing, G.C. Contracting, Quantum Metals, Star Packaging, Superior Walls of Cincinnati, ZHW Inc., Norgal Industrial Park: Eastgate Graphics. The companies are developing the land. The new construction has been granted a tax exemption, although payments in lieu of taxes will be made to the City. See Note 7.

The lease period is thirty years. At the conclusion of the lease period, the companies may purchase the leased properties for \$1. The City has classified these agreements as direct financing capital leases. The lease payments to the City are paid into the Industrial Development Capital Projects Fund and will be used for improvements to the industrial park.

The City has recognized the future minimum lease payments, less unearned interest income, as leases receivable in the capital projects fund type. That portion (other than unearned interest income) which is not available at year end is classified as deferred revenue on the fund financial statements. On the government-wide financial statements, deferred revenue related to leases receivable is classified as revenue.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - CAPITAL LEASE RECEIVABLE (continued)

| <u>December 31,</u> | <u>Amount</u> |
|---|------------------------|
| 2004 | \$6,098 |
| 2005 | 6,098 |
| 2006 | 6,098 |
| 2007 | 6,098 |
| 2008 | 6,098 |
| 2009-2013 | 30,490 |
| 2014-2017 | <u>24,392</u> |
| Total Minimum Lease Payments to be Received | 85,372 |
| Less: Amount Representing Unearned Interest | <u>(29,993)</u> |
| Net Investment in Direct Financing Leases | <u><u>\$55,379</u></u> |

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the City contracted with Hylant MacLean for vehicle, property and general liability insurance. Cincinnati Insurance Company covers boiler and machinery, while police liability and public officials are protected by Hylant MacLean.

Boiler and machinery deductible levels vary with equipment. EDT equipment has a \$1,000 deductible for computer equipment. Vehicles hold a \$250 to \$500 deductible, general liability has a \$0 deductible, and property has a \$1,000 deductible. The City carries a \$2,500 deductible for both police professional and public officials liability insurance. The City has an internal accident review board which analyzes all vehicle accidents. The City also contracts with Hylant MacLean, who reviews each accident claim.

Settled claims have not exceeded this commercial coverage in any of the past five years and there have been no significant reductions in coverage from last year.

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

The City has elected to provide employee medical, dental and life insurance benefits through a self insured program. The City maintains a Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical plan with a \$50 single and \$50 per person family deductible for City employees. The City also provides a dental plan with a \$50 deductible, and \$30,000 in accidental life insurance. A third party administrator reviews all claims which the City then pays. Klais & Company, located in Akron, was the third party administrator for the year. The City purchases stop-loss coverage for claims in excess of \$25,000 per employee, per occurrence. In December, Medical Mutual became the new third party administrator.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - RISK MANAGEMENT (continued)

The City pays into the Self-Insurance Internal Service Fund \$875 per employee per month. The fund that pays the salary for the employee pays this premium which is based on historic cost information. The claims liability of \$130,173 reported in the fund at December 31, 2003, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. Estimates were calculated by using actual claims reports for several months following the balance sheet date. This estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount for the past two years were:

| | <u>Balance at January 1,</u> | <u>Current Year Claims</u> | <u>Claim Payments</u> | <u>Balance at December 31,</u> |
|------|----------------------------------|--------------------------------|---------------------------|------------------------------------|
| 2002 | \$259,897 | \$1,267,174 | \$1,298,707 | \$228,364 |
| 2003 | 228,364 | 1,184,574 | 1,282,765 | 130,173 |

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2003, follows:

| | <u>Balance at January 1, 2003</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at December 31, 2003</u> |
|--|---|--------------------|--------------------|---|
| <u>Governmental Activities</u> | | | | |
| Capital Projects | | | | |
| Capital Improvements Fund | | | | |
| Road Improvement, 2.15% | \$3,870,000 | \$0 | \$3,870,000 | \$0 |
| <u>Business-Type Activities</u> | | | | |
| Electric Fund | | | | |
| Electric Systems Improvement, 2.0% | 3,250,000 | 3,250,000 | 3,250,000 | 3,250,000 |
| Sewer Fund | | | | |
| Sewer Systems Improvement, 2.0% | 0 | 3,500,000 | 0 | 3,500,000 |
| Telecommunications Fund | | | | |
| Telecommunication, 2.0% | 750,000 | 750,000 | 750,000 | 750,000 |
| Telephone System, 1.85% | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Total Business-Type Activities | <u>5,000,000</u> | <u>8,500,000</u> | <u>5,000,000</u> | <u>8,500,000</u> |
| Total Governmental and Business-Type Activities | <u>\$8,870,000</u> | <u>\$8,500,000</u> | <u>\$8,870,000</u> | <u>\$8,500,000</u> |

The notes are issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and will mature within one year. The liability for the notes is presented in the fund that received the note proceeds. All proceeds of the short-term notes had been spent as of December 31, 2003.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2003 follows:

| | Balance at January 1, 2003 | Increases | Decreases | Balance at December 31, 2003 | Amount Due in One Year |
|---|----------------------------------|---------------|----------------|------------------------------------|------------------------------|
| <u>Special Assessment Bonds:</u> | | | | | |
| 1990 - 7.00% \$438,150 Kingsview/Henkle Drive Improvement | \$193,200 | \$0 | \$24,150 | \$169,050 | \$24,150 |
| 1991 - 6.45% \$731,080 Deerfield Road Improvement | 477,440 | 0 | 41,030 | 436,410 | 41,030 |
| 1993 - 5.75% \$200,000 Henkle Drive Extension | 110,000 | 0 | 10,000 | 100,000 | 10,000 |
| 1994 - 5.00% \$54,372 Pleasant Street Improvement | 40,171 | 0 | 2,364 | 37,807 | 2,364 |
| TOTAL - Special Assessment Bonds Payable | <u>820,811</u> | <u>0</u> | <u>77,544</u> | <u>743,267</u> | <u>77,544</u> |
| <u>Voted General Obligation Bonds:</u> | | | | | |
| 1997 - 4.0 to 13.5% \$1,039,224 Library Improvement | | | | | |
| Serial Bonds - 4.0 - 4.7% | 435,000 | 0 | 100,000 | 335,000 | 110,000 |
| Capital Appreciation Bonds - 13.5% | 89,224 | 0 | 0 | 89,224 | 0 |
| Accretion on Capital Appreciation Bonds | 83,586 | 24,387 | 0 | 107,973 | 0 |
| TOTAL - Voted General Obligation Bonds Payable | <u>607,810</u> | <u>24,387</u> | <u>100,000</u> | <u>532,197</u> | <u>110,000</u> |
| <u>Unvoted General Obligation Bonds:</u> | | | | | |
| 1990 - 7.00% \$196,850 Kingsview/Henkle Drive Improvement | 86,800 | 0 | 10,850 | 75,950 | 10,850 |
| 1991 - 6.450% \$248,920 Deerfield Road Improvement | 162,560 | 0 | 13,970 | 148,590 | 13,970 |

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

| | Balance at January 1, 2003 | Increases | Decreases | Balance at December 31, 2003 | Amount Due in One Year |
|---|----------------------------------|--------------------|------------------|------------------------------------|------------------------------|
| <u>Unvoted General Obligation Bonds: (continued)</u> | | | | | |
| 1994 - 5.50% \$175,628 Pleasant Street Improvement | \$129,828 | \$0 | \$7,636 | \$122,192 | 7,636 |
| 1997 - 3.90 to 5.25% \$2,700,000 Miller Road | 2,250,000 | 0 | 105,000 | 2,145,000 | 110,000 |
| 2003 - 2.0 to 4.15% \$4,005,000 Road Improvement | 0 | 4,005,000 | 0 | 4,005,000 | 150,000 |
| Discount on Debt Issue | 0 | (17,292) | (524) | (16,768) | |
| TOTAL - Unvoted General Obligation Bonds Payable | <u>2,629,188</u> | <u>3,987,708</u> | <u>136,932</u> | <u>6,479,964</u> | <u>292,456</u> |
| <u>Other Long-Term Obligations</u> | | | | | |
| Fire Improvement Note 3.28% | 240,000 | 120,000 | 240,000 | 120,000 | 120,000 |
| Capital Lease Payable | 73,547 | 0 | 13,326 | 60,221 | 13,984 |
| Compensated Absences Payable | 767,367 | 486,366 | 346,396 | 907,337 | 255,988 |
| Police Pension | 22,170 | 0 | 326 | 21,844 | 341 |
| TOTAL - General Long-Term Obligations | <u>\$5,087,346</u> | <u>\$4,618,461</u> | <u>\$901,198</u> | <u>\$8,864,830</u> | <u>\$870,313</u> |

The Kingsview/Henkle special assessment/general obligation bond was issued to finance the construction and improvement of roads near the industrial park area. The general obligation bond is being paid from the Debt Service Fund with income tax revenue. The remainder is being assessed to the property owners.

The Deerfield Road Improvement special assessment/general obligation bonds were issued to finance the construction and improvement of a road. The City is responsible for paying for the costs of intersections, rights of way and some additional costs as determined by legal counsel. This is being paid through the Debt Service Fund with income tax revenue. The remainder is being assessed.

The Henkle Drive Extension special assessment bonds were issued to finance the construction of a road in the industrial park.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

The Pleasant Street Improvement special assessment/general obligation bonds were issued to finance the construction and improvement of a road and new storm sewer. The City is responsible for paying for the costs of the intersections, rights of way, storm sewer and some additional costs as determined by legal counsel. This is being paid through the Debt Service Fund with income tax revenue. The remainder is being assessed.

The Miller Road general obligation bonds will be paid through the Debt Service Fund with City income tax revenue.

The Special Assessment Bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt.

The Library Improvement general obligation bonds included serial and capital appreciation bonds in the amounts of \$950,000 and \$89,224, respectively, with interest rates ranging from 4.0% to 13.5%. The capital appreciation bonds will mature in 2007, 2008 and 2009. The maturity amount of the capital appreciation bonds is \$125,000 in 2007, \$125,000 in 2008 and \$130,000 in 2009, for a total of \$380,000. For 2003, the capital appreciation bonds were accreted \$24,387. The Library Improvement Bond will be paid through the Debt Service Fund with property tax revenue.

During 2003, the City issued \$4,005,000 in unvoted general obligation bonds for the purpose of making road improvements. The bonds were issued for a twenty year period, with final maturity in December, 2023. The bonds will be paid through the Debt Service Fund with City income tax revenue.

On May 23, 2003, the City issued \$120,000 in bond anticipation notes to refinance a \$240,000 bond anticipation note that was used for the purpose of acquiring land and a building for use by the fire department. The note will be paid from the Fire and Life Squad special revenue fund.

Compensated absences will be paid from the General, Transportation, Cemetery, and Fire and Life Squad Funds. The capital lease liability will be paid from the Transportation fund. The police pension liability is paid from the general fund from general property tax revenue.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Changes in the long-term obligations reported in business-type activities of the City during 2003 were as follows:

| | Balance at January 1, 2003 | Increases | Decreases | Balance at December 31, 2003 | Amounts Due in One Year |
|--|----------------------------------|------------------|---------------------|------------------------------------|-------------------------------|
| <u>Mortgage Revenue Bonds</u> | | | | | |
| 1999 - 4.9 to 5.35% Sanitary Sewer | \$8,210,000 | \$0 | \$220,000 | \$7,990,000 | \$230,000 |
| 1999 - 3.75 to 5.3% Water System Improvement and Refunding Discount on Debt Issue | 9,165,000 (48,939) | 0 0 | 365,000 (8,157) | 8,800,000 (40,782) | 380,000 |
| 1997 - 4.0 to 4.8% Sanitary Sewer Discount on Debt Issue | 1,080,000 (115,084) | 0 0 | 160,000 (19,180) | 920,000 (95,904) | 170,000 |
| 1996 - 3.7% Electric System Discount on Debt Issue | 3,900,000 (34,472) | 0 0 | 200,000 (2,463) | 3,700,000 (32,009) | 205,000 |
| 2001 - 4.0 to 5.75% \$8,125,000 Electric System Premium on Debt Issue | 7,870,000 120,401 | 0 0 | 265,000 6,538 | 7,605,000 113,863 | 275,000 |
| 2001 - 4.0 to 5.75% \$5,565,000 Telecommunications System Premium on Debt Issue | 5,390,000 82,880 | 0 0 | 180,000 4,500 | 5,210,000 78,380 | 190,000 |
| TOTAL - Mortgage Revenue Bonds Payable | 35,619,786 | 0 | 1,371,238 | 34,248,548 | 1,450,000 |
| Compensated Absences Payable | 153,522 | 149,667 | 77,975 | 225,214 | 88,617 |
| TOTAL - Enterprise Funds | <u>\$35,773,308</u> | <u>\$149,667</u> | <u>\$1,449,213</u> | <u>\$34,473,762</u> | <u>\$1,538,617</u> |

During 1999, the City issued sanitary sewer mortgage revenue bonds in the amount of \$8,830,000. The proceeds were used to pay for sewer system improvements. A portion of the proceeds were used to pay off a \$500,000 note.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

During 1999, the City issued \$10,180,000 in water system improvement mortgage revenue bonds. A portion of the proceeds were used to advance refund the 1991 water system improvement bonds in the amount of \$1,315,000. The average rate on the refunded bonds was 6.93% while the average rate on the refunded portion of the new debt was 4.05%. The net proceeds of \$1,388,410 (after payment of \$281,848 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 bonds. As a result, the 1991 bonds are considered defeased and the liability for those bonds has been removed from the balance sheet. A portion of the proceeds were used to pay off a \$3,500,000 note.

During 1996, the City issued electric system mortgage bonds in the amount of \$4,925,000 for making improvements to the electric system.

On May 24, 2001, the City issued \$13,690,000 in mortgage revenue bonds for making improvements to the electric and telecommunications systems. The interest rate on the bonds ranges from 4.0% to 5.75%, and final maturity is December 2021.

The Mortgage Revenue Bonds are being repaid from charges for services in the respective enterprise funds, with the exception of the Telecommunications Fund. Telecommunication debt is being repaid from advances from the Electric Fund.

Compensated absences will be paid from the Telecommunication, Electric, Water, Sewer and Auto Maintenance Funds.

In prior years, the City defeased Water System Improvement Mortgage Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the City's financial statements. As of December 31, 2003, \$8,815,000 of the bonds were unmatured and unpaid.

The Enterprise Funds' related bond indentures have certain restrictive covenants, which require that bond reserve funds be maintained and charges for fees to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties in good condition.

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$35,979,310 and the unvoted debt margin was \$18,700,712.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2003, were:

| Year | Governmental Activities | | | | | | Business-Type Activities | |
|-----------|--------------------------|------------------|--------------------------|--------------------|----------------------------|------------------|--------------------------|---------------------|
| | Special Assessment Bonds | | General Obligation Bonds | | Capital Appreciation Bonds | | Mortgage Revenue | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2004 | \$77,544 | \$48,002 | \$402,456 | \$276,667 | \$0 | \$0 | \$1,450,000 | \$1,720,691 |
| 2005 | 81,274 | 42,948 | 413,726 | 261,593 | 0 | 0 | 1,515,000 | 1,659,988 |
| 2006 | 85,004 | 37,653 | 429,996 | 245,946 | 0 | 0 | 1,590,000 | 1,590,693 |
| 2007 | 89,916 | 3,218 | 358,397 | 321,225 | 33,313 | 91,687 | 1,650,000 | 1,522,148 |
| 2008 | 93,646 | 26,272 | 370,586 | 313,619 | 29,233 | 95,767 | 1,720,000 | 1,449,993 |
| 2009-2013 | 311,172 | 44,404 | 1,845,523 | 981,036 | 26,678 | 103,322 | 7,760,000 | 6,147,163 |
| 2014-2018 | 4,711 | 284 | 1,610,272 | 415,536 | 0 | 0 | 9,165,000 | 3,923,124 |
| 2019-2023 | 0 | 0 | 1,220,000 | 205,110 | 0 | 0 | 8,175,000 | 1,476,729 |
| 2024-2028 | 0 | 0 | 270,000 | 11,218 | 0 | 0 | 1,200,000 | 63,900 |
| Totals | <u>\$743,267</u> | <u>\$202,781</u> | <u>\$6,920,956</u> | <u>\$3,031,950</u> | <u>\$89,224</u> | <u>\$290,776</u> | <u>\$34,225,000</u> | <u>\$19,554,429</u> |

NOTE 18 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 2003, were as follows:

Interfund Receivable/Payable

The Auto Maintenance Internal Service fund had interfund receivables for services provided to those funds. The Electric fund had an amount due from the Telecommunications fund for interest and fiscal charges paid by the Electric fund on behalf of the Telecommunications fund. When funds become available in the Telecommunications fund, this amount will be repaid.

| | Receivable | | |
|--------------------------------|------------------|------------------|------------------|
| | Auto Maintenance | Electric | Total |
| Payable General | \$7,638 | \$0 | \$7,638 |
| Nonmajor Special Revenue Funds | 8,950 | 0 | \$8,950 |
| Electric | 2,522 | 0 | \$2,522 |
| Sewer | 2,360 | 0 | \$2,360 |
| Telecommunications | 763 | 152,961 | \$153,724 |
| Water | 207 | 0 | \$207 |
| Total | <u>\$22,440</u> | <u>\$152,961</u> | <u>\$175,401</u> |

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 18 - INTERFUND ASSETS/LIABILITIES (continued)

Advances From/To Other Funds

When the Telecommunications Fund was established in 2001, the City advanced monies from the Electric Fund as a beginning balance. During 2004, the Telecommunications fund will begin repaying this advance to the Electric fund, and will continue repayment over a twenty year period.

In addition, the Electric fund advanced monies to the Telecommunications fund for interest and principal payments that were to be paid from the Telecommunications fund. The Telecommunications fund will repay this advance in 2004 and 2005.

Finally, in 2003, the Telecommunications fund partnered with Cincinnati Bell Telephone to provide telephone service to residents of the City. The Electric fund advanced monies to the Telecommunications fund for the purchase of telephone equipment, in order to expedite implementation of the new telephone program.

| | Advances From | |
|-------------|--------------------|-------------|
| | Electric | |
| Advances To | Telecommunications | \$3,399,669 |

Transfers From/To Other Funds

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers to the General and Industrial Development funds from the Tax Increment Financing fund are related to payments by corporations to purchase land that the City originally purchased with General fund revenues for an industrial park. Transfers from the General fund to the Parks and Recreation Impact Fee and Parks and Recreation Donation funds were made according to a City ordinance, which requires matching of revenues in these funds by the General fund. Transfers to the Water and Sewer funds from the Telecommunications fund were made to reimburse the Telecommunications fund for the purchase of automated meter reading equipment that will be utilized by all three funds.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 18 - INTERFUND ASSETS/LIABILITIES (continued)

| | Transfers From | | | | Total |
|-----------------------------|-----------------|-----------------------------------|-----------------|-----------------|------------------|
| | General | Nonmajor Governmental Funds | Water | Sewer | |
| Transfers To | | | | | |
| General | \$0 | \$47,495 | \$0 | \$0 | \$47,495 |
| Nonmajor Governmental Funds | 52,326 | 311,432 | 0 | 0 | 363,758 |
| Electric | 0 | 18,000 | 0 | 0 | 18,000 |
| Telecommunications | 0 | 0 | 41,958 | 41,958 | 83,916 |
| Total | <u>\$52,326</u> | <u>\$376,927</u> | <u>\$41,958</u> | <u>\$41,958</u> | <u>\$513,169</u> |

During 2003, the Electric, Sewer and Water enterprise funds provided services and assets to the governmental activities in the amounts of \$3,500, \$73,256, and \$55,742 respectively, for the construction of general capital assets. Therefore, transfers in and out do not equal.

NOTE 19 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

The City of Lebanon has entered into the following contracts as of December 31, 2003:

| Contractor | Purpose | Amount Remaining |
|----------------------------------|---|---------------------|
| Adams Robinson | Glosser Rd Sanitary Sewer Flow EQ Basin (General) | \$3,100,523 |
| LC United | 1.0MG Logo Water Tower Painting & Rehab | 589,200 |
| MU Net | Utility Monitoring System | 302,228 |
| Ameritcon | Mason Morrow Millgrove Well & Water Main (General) | 261,900 |
| Byrnes Inc. | Mason Morrow Millgrove Well & Water Main (Water Main) | 207,940 |
| SK Construction | North Fork Creek Sanitary Sewer | 214,325 |
| Donald W. May Contracting | Water Main Upsizing | 195,656 |
| ICS | Glosser Road Pumping Station Improv. | 185,275 |
| Plangraphics | GIS Mapping | 175,832 |
| Fryman-Kuck | Wastewater Treatment Plant Improv. (General) | 168,161 |
| Instrumentaion & Control Systems | Glosser Rd Sanitary Sewer Flow EQ Basin (Electrical) | 114,395 |
| Rawdon Myers | Scada System Upgrade | 115,000 |
| Omega Riggers & Erectors Inc. | Mason Morrow Millgrove Well & Water Main (Electrical) | 63,800 |
| LJB Inc. | Design 1.0MG Water Tower | 50,374 |
| Wager Smith | 2003 Traffic Signal Modification | 47,840 |
| URS | Countryside Bikeway Alternate Trail Alignment | 42,035 |
| Quality Control Inspection Inc. | Project Mgmt-Glosser Rd. Flow EQ Basin | 39,058 |
| HD Water Service | Groundwater Exploration | 36,818 |
| Camp Dresser & McKee Inc. | Formation & Implementation Storm Water Utility | 35,167 |
| Northwest Consultants | Engineering North Fork Sanitary Sewer Extension | 28,560 |
| American Energy | Electric Power Generation Study | 27,703 |
| HDR Engineering | Vulnerability Assessment | 21,500 |

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 20 – CAPITAL LEASES – LESSEE DISCLOSURE

In prior years, the City entered into a capital lease for equipment. By the terms of the agreement, ownership of the equipment is transferred to the City by the end of the five year lease term. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as a debt service expenditure in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment have been capitalized in the amount of \$73,547 which equaled the present value of the future minimum lease payments at the time of acquisition. Principal payments in 2003 totaled \$13,326 in the governmental funds.

| Asset | Asset Value | Accumulated Depreciation | Net Book Value |
|-------------------|----------------|-----------------------------|-------------------|
| Case Wheel Loader | \$73,547 | \$8,954 | \$64,593 |

The following is a schedule of the future long-term minimum lease payments required under the capital lease, and the present value of the minimum lease payments as of December 31, 2003:

| Year Ending <u>December 31,</u> | <u>Amount</u> |
|---|------------------------|
| 2004 | \$16,959 |
| 2005 | 16,959 |
| 2006 | 16,959 |
| 2007 | <u>16,959</u> |
| Subtotal | 67,836 |
| Less: Amount Representing Interest | <u>(7,615)</u> |
| Present Value of Minimum Lease Payments | <u><u>\$60,221</u></u> |

NOTE 21 - JOINTLY GOVERNED ORGANIZATION

Warren County General Health District

The Warren County General Health District, a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, including the City, oversees the operation of the District. The City contributed \$6,003 during 2003 for the operation of the District. The City does not have any financial interest in or responsibility for the District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers. You may obtain financial information from Kathy Stephenson at the Warren County General Health District, 416 S. East Street, Lebanon, Ohio 45036.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 22 - ACCOUNTABILITY AND COMPLIANCE

Accountability

At year end, the Industrial Development capital projects fund had a deficit fund balance of \$1,762,921. The deficit fund balance is a result of the application of generally accepted accounting principles to the financial reporting of these funds. Advances (long term and current) from other funds and proceeds of notes used to finance these projects are not recognized as other financing sources, but rather as a fund liability. The deficit will be eliminated when the advances and notes are repaid. The Telecommunications enterprise fund and the Self Insurance internal service fund had deficit net assets of \$3,206,605 and \$79,439, respectively.

The Telecommunications fund deficit is due to advances from the Electric for the payment of debt, advances for equipment for the telephone program startup monies for basic operations. In the City's 2004 budget, the Telecommunications fund is planned to begin paying these advances back to the Electric fund and it is also scheduled to pay its own principal and interest payments for the first time. The fund has also begun to contribute to its reserve and replacement fund as well as paying a share of administrative charge back. City management carefully monitors this fund and makes monthly reports to City Council.

The City took steps in 2004 to improve the deficit in the Self Insurance fund by changing third party administrators, increasing deductibles, office co-pays and employee cost sharing.

Compliance

The following appropriation accounts had an excess of expenditures over appropriations for the year ended December 31, 2003:

| | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|-------------------------------------|-----------------------|---------------------|---------------|
| <u>Governmental Activities</u> | | | |
| Debt Service Fund: | | | |
| Debt Service | | | |
| Issuance Costs | \$0 | \$57,972 | (\$57,972) |
| <u>Business-Type Activities</u> | | | |
| Sewer Fund | | | |
| Other | 1,500 | 1,783 | (283) |
| Interest and Fiscal Charges | 464,068 | 468,307 | (4,239) |
| Electric Fund | | | |
| Purchased Power | 8,401,150 | 8,456,685 | (55,535) |
| Interest and Fiscal Charges | 684,615 | 687,889 | (3,274) |
| Telecommunications Fund | | | |
| Other | 43,500 | 46,111 | (2,611) |
| Self Insurance Fund | | | |
| Contractual Services | 383,490 | 462,194 | (78,704) |

The Community Development special revenue fund and the automotive maintenance and self insurance internal service funds had appropriations that exceeded estimated resources for the year ended December 31, 2003 of \$3,000, \$7,086 and \$119,347, respectively.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 22 - ACCOUNTABILITY AND COMPLIANCE (continued)

The City will monitor budgetary controls more closely and ensure that documents are filed with the County Auditor in a timely manner in the future to alleviate such compliance issues.

NOTE 23 - CONTINGENT LIABILITIES

Litigation

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Federal and State Grants

For the period January 1, 2003, to December 31, 2003, the City received state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 24 - SUBSEQUENT EVENT

On July 7, 2004, the City issued Fire Improvement Bond Anticipation Notes in the amount of \$120,000. The notes will mature on July 7, 2005.

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CITY OF LEBANON, OHIO

**COMBINING STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

CITY OF LEBANON, OHIO

NONMAJOR FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specific purposes. The following are descriptions of the City's nonmajor Special Revenue Funds.

NONMAJOR SPECIAL REVENUE FUNDS

Cemetery

To account for monies received for the operation and maintenance of the cemeteries.

Community Development

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

Court

To account for fines, forfeitures and donations related to law enforcement that are received by the Municipal Court.

Fire and Life Squad

To account for revenues to be used for the operation of the fire and life squad.

Park Recreation Impact Fee

To account for monies received from park facility rental fees for the purpose of purchasing land for open space.

Parks and Recreation

To account for donations for parks and recreation.

Tax Increment Financing

To account for payments received in lieu of taxes on property granted a tax exemption by the City.

Transportation

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

NONMAJOR DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the City is obligated for the payment. The City has only one Debt Service Fund.

Continued

CITY OF LEBANON, OHIO
(Continued)

NONMAJOR FUND DESCRIPTIONS

CAPITAL PROJECTS FUNDS

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

NONMAJOR CAPITAL PROJECTS FUNDS

Cemetery Improvement

To account for monies received from all sources for cemetery improvements.

State Issue II

To account for Issue II funds received from the State of Ohio for each project awarded through this program and local matching funds.

Industrial Development

To account for capital expenditures connected with the development of the Kingsview Industrial Park.

CITY OF LEBANON, OHIO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2003

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Fund | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|---|-------------------------------------|--|--|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3,908,239 | \$3,481,664 | \$255,593 | \$7,645,496 |
| Cash and Cash Equivalents with Fiscal Agents | 180,506 | 105 | 0 | 180,611 |
| Materials and Supplies Inventory | 84,042 | 0 | 0 | 84,042 |
| Intergovernmental Receivable | 499,580 | 7,262 | 0 | 506,842 |
| Prepaid Items | 64,490 | 0 | 0 | 64,490 |
| Income Taxes Receivables | 0 | 70,564 | 0 | 70,564 |
| Property and Other Local Taxes Recd | 1,306,860 | 131,603 | 0 | 1,438,463 |
| Revenue in Lieu of Taxes Receivable | 842,989 | 0 | 0 | 842,989 |
| Notes Receivable | 11,621 | 0 | 0 | 11,621 |
| Special Assessments Receivable | 0 | 979,450 | 0 | 979,450 |
| Capital Lease Receivable | 0 | 0 | 55,379 | 55,379 |
| Total Assets | \$6,898,327 | \$4,670,648 | \$310,972 | \$11,879,947 |
| Liabilities: | | | | |
| Accounts Payable | \$67,607 | \$4,315 | \$0 | \$71,922 |
| Accrued Wages | 22,916 | 0 | 0 | 22,916 |
| Intergovernmental Payable | 48,907 | 0 | 0 | 48,907 |
| Matured Interest Payable | 0 | 105 | 0 | 105 |
| Interfund Payable | 8,950 | 0 | 0 | 8,950 |
| Retainage Payable | 0 | 0 | 38,264 | 38,264 |
| Deferred Revenue | 2,580,634 | 1,118,315 | 55,379 | 3,754,328 |
| Advances from Other Funds | 0 | 0 | 1,823,627 | 1,823,627 |
| Total Liabilities | 2,729,014 | 1,122,735 | 1,917,270 | 5,769,019 |
| Fund Equity: | | | | |
| Fund Balances: | | | | |
| Reserved for Encumbrances | 245,197 | 0 | 50,068 | 295,265 |
| Reserved for Notes Receivable | 11,621 | 0 | 0 | 11,621 |
| Unreserved, Undesignated | | | | |
| Special Revenue Funds | 3,912,495 | 0 | 0 | 3,912,495 |
| Debt Service Funds | 0 | 3,547,913 | 0 | 3,547,913 |
| Capital Project Funds | 0 | 0 | (1,656,366) | (1,656,366) |
| Total Fund Balances | 4,169,313 | 3,547,913 | (1,606,298) | 6,110,928 |
| Total Liabilities and Fund Equity | \$6,898,327 | \$4,670,648 | \$310,972 | \$11,879,947 |

CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Fund | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|---|-------------------------------------|--|--|
| Revenues: | | | | |
| Property Taxes | \$1,239,087 | \$125,727 | \$0 | \$1,364,814 |
| Income Taxes | 0 | 871,322 | 0 | 871,322 |
| Other Local Taxes | 125,202 | 0 | 0 | 125,202 |
| Payments in Lieu of Taxes | 766,298 | 0 | 0 | 766,298 |
| Special Assessments | 0 | 159,732 | 0 | 159,732 |
| Charges for Services | 286,146 | 0 | 0 | 286,146 |
| Licenses and Permits | 167,999 | 0 | 0 | 167,999 |
| Intergovernmental | 831,011 | 7,073 | 0 | 838,084 |
| Interest | 3,822 | 41,326 | 15,054 | 60,202 |
| Contributions and Donations | 87,717 | 0 | 0 | 87,717 |
| Other | 865 | 7,683 | 6,098 | 14,646 |
| Total Revenues | <u>3,508,147</u> | <u>1,212,863</u> | <u>21,152</u> | <u>4,742,162</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property: | | | | |
| Police | 28,410 | 0 | 0 | 28,410 |
| Fire | 1,109,834 | 0 | 0 | 1,109,834 |
| Public Health Services | 139,001 | 0 | 0 | 139,001 |
| Leisure Time Services | 267,300 | 0 | 0 | 267,300 |
| Community Environment | 169,843 | 0 | 0 | 169,843 |
| Transportation | 679,456 | 0 | 0 | 679,456 |
| Capital Outlay | 30,427 | 0 | 420,012 | 450,439 |
| Debt Service: | | | | |
| Principal Retirement | 240,000 | 315,000 | 0 | 555,000 |
| Interest and Fiscal Charges | 5,625 | 338,653 | 0 | 344,278 |
| Issuance Costs | 0 | 57,972 | 0 | 57,972 |
| Total Expenditures | <u>2,669,896</u> | <u>711,625</u> | <u>420,012</u> | <u>3,801,533</u> |
| Excess of Revenues Over (Under) Expenditures | <u>838,251</u> | <u>501,238</u> | <u>(398,860)</u> | <u>940,629</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 52,326 | 0 | 311,432 | 363,758 |
| Bonds Issued | 0 | 135,000 | 0 | 135,000 |
| Notes Issued | 120,000 | 0 | 0 | 120,000 |
| Discount on Debt Issued | 0 | (17,292) | 0 | (17,292) |
| Transfers Out | (201,927) | 0 | 0 | (201,927) |
| Total Other Financing Sources (Uses) | <u>(29,601)</u> | <u>117,708</u> | <u>311,432</u> | <u>399,539</u> |
| Net Change in Fund Balance | 808,650 | 618,946 | (87,428) | 1,340,168 |
| Fund Balance (Deficit) at Beginning of Year | <u>3,360,663</u> | <u>2,928,967</u> | <u>(1,518,870)</u> | <u>4,770,760</u> |
| Fund Balance (Deficit) at End of Year | <u>\$4,169,313</u> | <u>\$3,547,913</u> | <u>(\$1,606,298)</u> | <u>\$6,110,928</u> |

CITY OF LEBANON, OHIO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2003

| | <u>Cemetery</u> | <u>Community Development</u> | <u>Court</u> |
|---|-------------------------|----------------------------------|-------------------------|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$414,291 | \$71,491 | \$463,909 |
| Cash and Cash Equivalents with Fiscal Agents | 0 | 180,506 | 0 |
| Materials and Supplies Inventory | 965 | 0 | 0 |
| Intergovernmental Receivable | 15,000 | 0 | 0 |
| Prepaid Items | 2,810 | 0 | 0 |
| Property and Other Local Taxes Recd | 0 | 0 | 0 |
| Revenue in Lieu of Taxes Receivable | 0 | 0 | 0 |
| Notes Receivable | 0 | 11,621 | 0 |
| Total Assets | <u><u>\$433,066</u></u> | <u><u>\$263,618</u></u> | <u><u>\$463,909</u></u> |
| Liabilities: | | | |
| Accounts Payable | 240 | 0 | 0 |
| Accrued Wages | 2,424 | 0 | 0 |
| Interfund Payable | 819 | 0 | 0 |
| Intergovernmental Payable | 772 | 0 | 0 |
| Deferred Revenue | 0 | 0 | 0 |
| Total Liabilities | <u><u>4,255</u></u> | <u><u>0</u></u> | <u><u>0</u></u> |
| Fund Equity: | | | |
| Fund Balances: | | | |
| Reserved for Encumbrances | 558 | 0 | 0 |
| Reserved for Notes Receivable | 0 | 11,621 | 0 |
| Unreserved, Undesignated | 428,253 | 251,997 | 463,909 |
| Total Fund Equity | <u><u>428,811</u></u> | <u><u>263,618</u></u> | <u><u>463,909</u></u> |
| Total Liabilities and Fund Equity | <u><u>\$433,066</u></u> | <u><u>\$263,618</u></u> | <u><u>\$463,909</u></u> |

| <u>Fire and Life Squad</u> | <u>Park/Recreation Impact Fee</u> | <u>Parks and Recreation</u> | <u>Tax Increment Financing</u> | <u>Transportation</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|------------------------------------|---|---------------------------------|--|-----------------------|---|
| \$1,001,381 | \$341,595 | \$314,316 | \$655,472 | \$645,784 | \$3,908,239 |
| 0 | 0 | 0 | 0 | 0 | 180,506 |
| 53,749 | 0 | 0 | 0 | 29,328 | 84,042 |
| 67,873 | 0 | 0 | 45,872 | 370,835 | 499,580 |
| 45,987 | 0 | 0 | 0 | 15,693 | 64,490 |
| 1,306,860 | 0 | 0 | 0 | 0 | 1,306,860 |
| 0 | 0 | 0 | 842,989 | 0 | 842,989 |
| 0 | 0 | 0 | 0 | 0 | 11,621 |
| <u>\$2,475,850</u> | <u>\$341,595</u> | <u>\$314,316</u> | <u>\$1,544,333</u> | <u>\$1,061,640</u> | <u>\$6,898,327</u> |
| 31,234 | 0 | 30,427 | 0 | 5,706 | 67,607 |
| 12,592 | 0 | 0 | 0 | 7,900 | 22,916 |
| 1,704 | 0 | 0 | 0 | 6,427 | 8,950 |
| 4,460 | 0 | 0 | 39,966 | 3,709 | 48,907 |
| 1,374,733 | 0 | 0 | 888,861 | 317,040 | 2,580,634 |
| <u>1,424,723</u> | <u>0</u> | <u>30,427</u> | <u>928,827</u> | <u>340,782</u> | <u>2,729,014</u> |
| 117,978 | 0 | 110,255 | 0 | 16,406 | 245,197 |
| 0 | 0 | 0 | 0 | 0 | 11,621 |
| 933,149 | 341,595 | 173,634 | 615,506 | 704,452 | 3,912,495 |
| <u>1,051,127</u> | <u>341,595</u> | <u>283,889</u> | <u>615,506</u> | <u>720,858</u> | <u>4,169,313</u> |
| <u>\$2,475,850</u> | <u>\$341,595</u> | <u>\$314,316</u> | <u>\$1,544,333</u> | <u>\$1,061,640</u> | <u>\$6,898,327</u> |

CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Cemetery | Community Development | Court |
|--|------------------|--------------------------|------------------|
| Revenues: | | | |
| Property Taxes | \$0 | \$0 | \$0 |
| Other Local Taxes | 0 | 0 | 0 |
| Payments in Lieu of Taxes | 0 | 0 | 0 |
| Charges for Services | 77,103 | 0 | 5,263 |
| Licenses and Permits | 0 | 0 | 121,586 |
| Intergovernmental | 30,000 | 65,000 | 6,763 |
| Interest | 2,690 | 1,132 | 0 |
| Contributions and Donations | 87,717 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Total Revenues | <u>197,510</u> | <u>66,132</u> | <u>133,612</u> |
| Expenditures: | | | |
| Current: | | | |
| Security of Persons and Property | | | |
| Police | 0 | 0 | 28,410 |
| Fire | 0 | 0 | 0 |
| Public Health Services | 139,001 | 0 | 0 |
| Leisure Time Services | 0 | 0 | 0 |
| Community Environment | 0 | 0 | 0 |
| Transportation | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| Total Expenditures | <u>139,001</u> | <u>0</u> | <u>28,410</u> |
| Excess of Revenues Over (Under) Expenditures | <u>58,509</u> | <u>66,132</u> | <u>105,202</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | 30,000 | 0 | 0 |
| Notes Issued | 0 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>30,000</u> | <u>0</u> | <u>0</u> |
| Net Change in Fund Balance | 88,509 | 66,132 | 105,202 |
| Fund Balance at Beginning of Year | <u>340,302</u> | <u>197,486</u> | <u>358,707</u> |
| Fund Balances at End of Year | <u>\$428,811</u> | <u>\$263,618</u> | <u>\$463,909</u> |

| Fire and Life Squad | Park/Recreation Impact Fee | Parks and Recreation | Tax Increment Financing | Transportation | Total Nonmajor Special Revenue Funds |
|---------------------------|-------------------------------|-------------------------|-------------------------------|------------------|---|
| \$1,239,087 | \$0 | \$0 | \$0 | \$0 | \$1,239,087 |
| 0 | 0 | 0 | 0 | 125,202 | 125,202 |
| 0 | 0 | 0 | 766,298 | 0 | 766,298 |
| 157,172 | 0 | 46,608 | 0 | 0 | 286,146 |
| 0 | 46,413 | 0 | 0 | 0 | 167,999 |
| 131,175 | 0 | 0 | 46,970 | 551,103 | 831,011 |
| 0 | 0 | 0 | 0 | 0 | 3,822 |
| 0 | 0 | 0 | 0 | 0 | 87,717 |
| 865 | 0 | 0 | 0 | 0 | 865 |
| <u>1,528,299</u> | <u>46,413</u> | <u>46,608</u> | <u>813,268</u> | <u>676,305</u> | <u>3,508,147</u> |
| 0 | 0 | 0 | 0 | 0 | 28,410 |
| 1,109,834 | 0 | 0 | 0 | 0 | 1,109,834 |
| 0 | 0 | 0 | 0 | 0 | 139,001 |
| 0 | 0 | 267,300 | 0 | 0 | 267,300 |
| 0 | 0 | 0 | 169,843 | 0 | 169,843 |
| 0 | 0 | 0 | 0 | 679,456 | 679,456 |
| 0 | 0 | 30,427 | 0 | 0 | 30,427 |
| 240,000 | 0 | 0 | 0 | 0 | 240,000 |
| 5,625 | 0 | 0 | 0 | 0 | 5,625 |
| <u>1,355,459</u> | <u>0</u> | <u>297,727</u> | <u>169,843</u> | <u>679,456</u> | <u>2,669,896</u> |
| <u>172,840</u> | <u>46,413</u> | <u>(251,119)</u> | <u>643,425</u> | <u>(3,151)</u> | <u>838,251</u> |
| 0 | 11,163 | 11,163 | 0 | 0 | 52,326 |
| 120,000 | 0 | 0 | 0 | 0 | 120,000 |
| 0 | 0 | 0 | (201,927) | 0 | (201,927) |
| <u>120,000</u> | <u>11,163</u> | <u>11,163</u> | <u>(201,927)</u> | <u>0</u> | <u>(29,601)</u> |
| 292,840 | 57,576 | (239,956) | 441,498 | (3,151) | 808,650 |
| 758,287 | 284,019 | 523,845 | 174,008 | 724,009 | 3,360,663 |
| <u>\$1,051,127</u> | <u>\$341,595</u> | <u>\$283,889</u> | <u>\$615,506</u> | <u>\$720,858</u> | <u>\$4,169,313</u> |

CITY OF LEBANON, OHIO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2003

| | Cemetery Improvement | State Issue II | Industrial Development | Total Nonmajor Capital Projects Funds |
|---|-------------------------|----------------------|---------------------------|--|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$87,812 | \$107,075 | \$60,706 | \$255,593 |
| Capital Lease Receivable | 0 | 0 | 55,379 | 55,379 |
| Total Assets | \$87,812 | \$107,075 | \$116,085 | \$310,972 |
| Liabilities: | | | | |
| Retainage Payable | \$0 | \$38,264 | \$0 | \$38,264 |
| Deferred Revenue | 0 | 0 | 55,379 | 55,379 |
| Advances From Other Funds | 0 | 0 | 1,823,627 | 1,823,627 |
| Total Liabilities | 0 | 38,264 | 1,879,006 | 1,917,270 |
| Fund Equity: | | | | |
| Fund Balances: | | | | |
| Reserved for Encumbrances | 34,227 | 15,841 | 0 | 50,068 |
| Unreserved, (Deficit) | 53,585 | 52,970 | (1,762,921) | (1,656,366) |
| Total Fund Equity (Deficit) | 87,812 | 68,811 | (1,762,921) | (1,606,298) |
| Total Liabilities and Fund Equity | \$87,812 | \$107,075 | \$116,085 | \$310,972 |

CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Cemetery Improvement | State Issue II | Industrial Development | Total Nonmajor Capital Projects Funds |
|---|-------------------------|------------------------|-----------------------------|--|
| Revenues: | | | | |
| Interest | \$1,323 | \$0 | \$13,731 | \$15,054 |
| Other | <u>0</u> | <u>0</u> | <u>6,098</u> | <u>6,098</u> |
| Total Revenues | 1,323 | 0 | 19,829 | 21,152 |
| Expenditures: | | | | |
| Capital Outlay | <u>43,823</u> | <u>376,189</u> | <u>0</u> | <u>420,012</u> |
| Excess of Revenues Over (Under) Expenditures | (42,500) | (376,189) | 19,829 | (398,860) |
| Other Financing Sources: | | | | |
| Transfers In | <u>0</u> | <u>175,000</u> | <u>136,432</u> | <u>311,432</u> |
| Net Change in Fund Balance | (42,500) | (201,189) | 156,261 | (87,428) |
| Fund Balances (Deficit) at Beginning of Year | <u>130,312</u> | <u>270,000</u> | <u>(1,919,182)</u> | <u>(1,518,870)</u> |
| Fund Balances (Deficit) at End of Year | <u><u>\$87,812</u></u> | <u><u>\$68,811</u></u> | <u><u>(\$1,762,921)</u></u> | <u><u>(\$1,606,298)</u></u> |

INTERNAL SERVICE FUNDS

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

Automotive Maintenance

To account for the operation of the municipal vehicle repair garage for work performed for all departments within the City.

Self-Insurance

To account for the payment of all City employees' medical, dental and life insurance claims.

CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2003

| | Automotive Maintenance | Self- Insurance | Total |
|---|---------------------------|--------------------|----------------|
| Assets: | | | |
| Current Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$23,975 | \$50,734 | \$74,709 |
| Materials and Supplies Inventory | 22,440 | 0 | 22,440 |
| Interfund Receivable | 1,230 | 0 | 1,230 |
| Prepaid Items | 0 | 0 | 0 |
| Total Current Assets | <u>47,645</u> | <u>50,734</u> | <u>98,379</u> |
| Noncurrent Assets: | | | |
| Nondepreciable Capital Assets | 64,666 | 0 | 64,666 |
| Depreciable Capital Assets, Net | 7,117 | 0 | 7,117 |
| Total Noncurrent Assets | <u>71,783</u> | <u>0</u> | <u>71,783</u> |
| Total Assets | <u>119,428</u> | <u>50,734</u> | <u>170,162</u> |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts Payable | 17,286 | 0 | 17,286 |
| Accrued Salaries Payable | 964 | 0 | 964 |
| Intergovernmental Payable | 779 | 0 | 779 |
| Claims Payable | 0 | 130,173 | 130,173 |
| Compensated Absences | 9,770 | 0 | 9,770 |
| Total Current Liabilities | <u>28,799</u> | <u>130,173</u> | <u>158,972</u> |
| Long-term Liabilities | | | |
| Compensated Absences | <u>10,522</u> | <u>0</u> | <u>10,522</u> |
| Total Liabilities | <u>39,321</u> | <u>130,173</u> | <u>169,494</u> |
| Net Assets | | | |
| Invested in Capital Assets | 71,783 | 0 | 71,783 |
| Unrestricted (Deficit) | 8,324 | (79,439) | (71,115) |
| Total Net Asset | <u>\$80,107</u> | <u>(\$79,439)</u> | <u>\$668</u> |

**CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <u>Automotive Maintenance</u> | <u>Self- Insurance</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------|------------------|
| Operating Revenues: | | | |
| Charges for Services | \$251,294 | \$1,585,314 | \$1,836,608 |
| Other | 0 | 47,445 | 47,445 |
| | <u>251,294</u> | <u>1,632,759</u> | <u>1,884,053</u> |
| Total Operating Revenues | | | |
| Operating Expenses: | | | |
| Personal Services | 118,319 | 0 | 118,319 |
| Contractual Services | 3,656 | 460,490 | 464,146 |
| Supplies and Materials | 164,946 | 0 | 164,946 |
| Claims | 0 | 1,184,574 | 1,184,574 |
| Depreciation | 3,559 | 0 | 3,559 |
| | <u>290,480</u> | <u>1,645,064</u> | <u>1,935,544</u> |
| Total Operating Expenses | | | |
| Operating (Loss) | <u>(39,186)</u> | <u>(12,305)</u> | <u>(51,491)</u> |
| Non-Operating Revenues: | | | |
| Interest | 0 | 466 | 466 |
| | <u>0</u> | <u>466</u> | <u>466</u> |
| Total Non-Operating Revenues | | | |
| Change in Net Assets | (39,186) | (11,839) | (51,025) |
| Net Assets (Deficit) at Beginning of Year | <u>119,293</u> | <u>(67,600)</u> | <u>51,693</u> |
| Net Assets (Deficit) at End of Year | <u>\$80,107</u> | <u>(\$79,439)</u> | <u>\$668</u> |

CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Automotive Maintenance | Self- Insurance | Total |
|--|---------------------------|--------------------|--------------------|
| <u>Increase (Decrease) in Cash and Cash Equivalents:</u> | | | |
| Cash Flows from Operating Activities: | | | |
| Cash Payments for Employee Services and Benefits | (\$128,833) | \$0 | (\$128,833) |
| Cash Payments to Suppliers for Goods and Services | (160,309) | (460,490) | (620,799) |
| Cash Payments for Employee Medical, Dental and Life Insurance Claims | 0 | (1,282,765) | (1,282,765) |
| Cash Received from Interfund Services Provided | 253,802 | 1,585,314 | 1,839,116 |
| Other Operating Revenues | 0 | 47,445 | 47,445 |
| Net Cash Used for Operating Activities | <u>(35,340)</u> | <u>(110,496)</u> | <u>(145,836)</u> |
| Cash Flows from Investing Activities: | | | |
| Interest | 0 | 466 | 466 |
| Net Cash Provided by Investing Activities | <u>0</u> | <u>466</u> | <u>466</u> |
| Net Decrease in Cash and Cash Equivalents | (35,340) | (110,030) | (145,370) |
| Cash and Cash Equivalents Beginning of Year | <u>59,315</u> | <u>160,764</u> | <u>220,079</u> |
| Cash and Cash Equivalents End of Year | <u>\$23,975</u> | <u>\$50,734</u> | <u>\$74,709</u> |
| Reconciliation of Operating Loss to | | | |
| <u>Net Cash Used for Operating Activities:</u> | | | |
| Operating Loss | (\$39,186) | (\$12,305) | (\$51,491) |
| Adjustments to Reconcile Operating Loss to | | | |
| Net Cash Used for Operating Activities | | | |
| Depreciation | 3,559 | 0 | 3,559 |
| Changes in Assets and Liabilities: | | | |
| Decrease in Interfund Receivable | 2,508 | 0 | 2,508 |
| Decrease in Materials and Supplies Inventory | 2,397 | 0 | 2,397 |
| Increase in Prepaids Items | (511) | 0 | (511) |
| Increase in Accounts Payable | 6,407 | 0 | 6,407 |
| Decrease in Claims Payable | 0 | (98,191) | (98,191) |
| Decrease in Accrued Wages Payable | (486) | 0 | (486) |
| Decrease in Intergovernmental Payable | (2,601) | 0 | (2,601) |
| Decrease in Compensated Absences Payable | (7,427) | 0 | (7,427) |
| Net Cash Used for Operating Activities | <u>(\$35,340)</u> | <u>(\$110,496)</u> | <u>(\$145,836)</u> |

AGENCY FUNDS

To account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units.

Fire Insurance Collection Fund

To account for money received from fire insurance settlements held on behalf of individuals and private organizations that is paid out when the fire damaged structure is repaired.

Municipal Court

To account for monies that are disbursed to other governments through the Clerk of Courts Office.

**CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 DECEMBER 31, 2003**

| | <u>Fire Insurance Collection</u> | <u>Municipal Court</u> | <u>Total</u> |
|---|--|----------------------------|------------------------|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$896 | \$0 | \$896 |
| Cash and Cash Equivalents in Segregated Accounts | <u>0</u> | <u>56,389</u> | <u>56,389</u> |
| Total Assets | <u><u>\$896</u></u> | <u><u>\$56,389</u></u> | <u><u>\$57,285</u></u> |
| Liabilities: | | | |
| Intergovernmental Payable | 0 | 24,842 | 24,842 |
| Undistributed Monies | <u>896</u> | <u>31,547</u> | <u>32,443</u> |
| Total Liabilities | <u><u>\$896</u></u> | <u><u>\$56,389</u></u> | <u><u>\$57,285</u></u> |

CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Balance 1/1/03 | Additions | Reductions | Balance 12/31/03 |
|---|-------------------|-----------|------------|---------------------|
| FIRE INSURANCE COLLECTION | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$772 | \$124 | \$0 | \$896 |
| Liabilities: | | | | |
| Undistributed Monies | \$772 | \$124 | \$0 | \$896 |
| MUNICIPAL COURT | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents in Segregated Accounts | \$67,782 | \$411,433 | \$422,826 | \$56,389 |
| Liabilities: | | | | |
| Intergovernmental Payable | \$33,419 | \$389,139 | \$397,716 | \$24,842 |
| Undistributed Monies | 34,363 | 22,294 | 25,110 | 31,547 |
| Total Liabilities | \$67,782 | \$411,433 | \$422,826 | \$56,389 |
| TOTAL - ALL AGENCY | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$772 | \$124 | \$0 | \$896 |
| Cash and Cash Equivalents in Segregated Accounts | 67,782 | 411,433 | 422,826 | 56,389 |
| Total Assets | \$68,554 | \$411,557 | \$422,826 | \$57,285 |
| Liabilities: | | | | |
| Intergovernmental Payable | \$33,419 | \$389,139 | \$397,716 | \$24,842 |
| Undistributed Monies | 35,135 | 22,418 | 25,110 | 32,443 |
| Total Liabilities | \$68,554 | \$411,557 | \$422,826 | \$57,285 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance |
|---------------------------------------|--------------------|------------------|------------------|----------------------|
| | Original Budget | Final Budget | | with Final Budget |
| Revenues: | | | | |
| Property Taxes | 5951,550 | 5884,216 | 5884,216 | 50 |
| Income Taxes | 1,975,000 | 1,928,661 | 1,928,661 | 0 |
| Other Local Taxes | 837,150 | 729,282 | 729,282 | 0 |
| Charges for Services | 1,618,600 | 1,595,042 | 1,595,042 | 0 |
| Fines, Licenses and Permits | 1,060,350 | 984,415 | 984,415 | 0 |
| Intergovernmental | 738,920 | 810,745 | 810,745 | 0 |
| Interest | 201,500 | 104,399 | 104,399 | 0 |
| Contributions and Donations | 500 | 1,500 | 1,500 | 0 |
| Other | 48,800 | 34,514 | 34,514 | 0 |
| Total Revenues | 7,432,370 | 7,072,774 | 7,072,774 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | | | | |
| Legislative | | | | |
| Personal Services | 10,114 | 10,614 | 10,600 | 14 |
| Travel Transportation | 1,500 | 1,500 | 60 | 1,440 |
| Contractual Services | 20,800 | 22,115 | 14,553 | 7,562 |
| Supplies and Materials | 12,000 | 13,366 | 12,975 | 391 |
| Total Legislative | 44,414 | 47,595 | 38,188 | 9,407 |
| City Manager | | | | |
| Personal Services | 265,130 | 270,730 | 270,677 | 53 |
| Travel Transportation | 6,000 | 6,000 | 5,185 | 815 |
| Contractual Services | 22,650 | 23,454 | 13,637 | 9,817 |
| Supplies and Materials | 6,000 | 5,975 | 1,614 | 4,361 |
| Total City Manager | 299,780 | 306,159 | 291,113 | 15,046 |
| Department of Service | | | | |
| Personal Services | 426,726 | 438,226 | 437,855 | 371 |
| Travel Transportation | 4,300 | 4,300 | 1,962 | 2,338 |
| Contractual Services | 86,035 | 70,721 | 62,288 | 8,433 |
| Supplies and Materials | 2,500 | 5,000 | 2,640 | 2,360 |
| Total Department of Service | 519,561 | 518,247 | 504,745 | 13,502 |
| Bureau-Computer Services | | | | |
| Personal Services | 211,612 | 211,612 | 142,922 | 68,690 |
| Travel Transportation | 5,000 | 8,624 | 8,618 | 6 |
| Contractual Services | 54,311 | 96,370 | 90,197 | 6,173 |
| Supplies and Materials | 6,500 | 6,738 | 3,802 | 2,936 |
| Total Bureau-Computer Services | 277,423 | 323,344 | 245,539 | 77,805 |
| Finance | | | | |
| Personal Services | 410,142 | 433,242 | 431,247 | 1,995 |
| Travel Transportation | 6,750 | 18,980 | 16,607 | 2,373 |
| Contractual Services | 114,597 | 132,844 | 94,538 | 38,306 |
| Supplies and Materials | 1,400 | 1,500 | 1,260 | 240 |
| Total Finance | 532,889 | 586,566 | 543,652 | 42,914 |
| Income Tax | | | | |
| Personal Services | 140,598 | 142,298 | 142,281 | 17 |
| Travel Transportation | 1,835 | 1,974 | 1,396 | 578 |
| Contractual Services | 8,350 | 10,850 | 8,215 | 2,635 |
| Supplies and Materials | 11,250 | 18,048 | 15,126 | 2,922 |
| Refunds | 50,000 | 50,000 | 45,279 | 4,721 |
| Total Income Tax | 212,033 | 223,170 | 212,297 | 10,873 |
| Law | | | | |
| Personal Services | 258,527 | 258,527 | 255,797 | 2,730 |
| Travel Transportation | 1,500 | 2,054 | 1,977 | 77 |
| Contractual Services | 189,500 | 189,549 | 188,587 | 962 |
| Supplies and Materials | 2,400 | 2,453 | 1,094 | 1,359 |
| Total Law | 451,927 | 452,583 | 447,455 | 5,128 |

(Continued)

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-----------|----------------------------------|
| | Original Budget | Final Budget | | |
| Municipal Court | | | | |
| Personal Services | 5428,528 | 5428,528 | 5418,122 | \$10,406 |
| Travel Transportation | 1,950 | 1,700 | 905 | 795 |
| Contractual Services | 117,900 | 122,849 | 70,733 | 52,116 |
| Supplies and Materials | 12,500 | 12,536 | 7,377 | 5,159 |
| Total Municipal Court | 560,878 | 565,613 | 497,137 | 68,476 |
| Parking System | | | | |
| Contractual Services | 5,800 | 5,800 | 0 | 5,800 |
| Supplies and Materials | 1,500 | 1,500 | 726 | 774 |
| Capital Outlay | 16,000 | 16,000 | 12,000 | 4,000 |
| Other | 26,500 | 26,500 | 26,500 | 0 |
| Total Parking System | 49,800 | 49,800 | 39,226 | 10,574 |
| Probation | | | | |
| Personal Services | 167,709 | 167,709 | 165,082 | 2,627 |
| Travel Transportation | 5,000 | 5,600 | 1,779 | 3,821 |
| Contractual Services | 4,100 | 4,408 | 3,494 | 914 |
| Supplies and Materials | 4,700 | 4,700 | 3,501 | 1,199 |
| Total Probation | 181,509 | 182,417 | 173,856 | 8,561 |
| Building Maintenance | | | | |
| Personal Services | 193,448 | 193,448 | 177,688 | 15,760 |
| Travel Transportation | 550 | 550 | 0 | 550 |
| Contractual Services | 17,900 | 19,649 | 18,500 | 1,149 |
| Supplies and Materials | 9,500 | 10,052 | 5,857 | 4,195 |
| Total Building Maintenance | 221,398 | 223,699 | 202,045 | 21,654 |
| Other General Government | | | | |
| Travel Transportation | 0 | 0 | 0 | 0 |
| Contractual Services | 283,175 | 321,020 | 203,798 | 117,222 |
| Supplies and Materials | 13,000 | 12,918 | 8,695 | 4,223 |
| Total Other General Government | 296,175 | 333,938 | 212,493 | 121,445 |
| Total General Government | 3,647,787 | 3,813,131 | 3,407,746 | 405,385 |
| Security of Persons and Property | | | | |
| Police | | | | |
| Personal Services | 2,576,387 | 2,523,287 | 2,492,471 | 30,816 |
| Travel Transportation | 18,250 | 18,725 | 13,872 | 4,853 |
| Contractual Services | 206,193 | 214,325 | 207,018 | 7,307 |
| Supplies and Materials | 60,555 | 66,037 | 55,937 | 10,100 |
| Total Security of Persons and Property | 2,861,385 | 2,822,374 | 2,769,298 | 53,076 |
| Public Health Services | | | | |
| Contractual Services | 6,003 | 6,003 | 6,003 | 0 |
| Total Public Health Services | 6,003 | 6,003 | 6,003 | 0 |
| Leisure Time Activities | | | | |
| Recreation Programs | | | | |
| Personal Services | 319,869 | 319,869 | 298,195 | 21,674 |
| Travel Transportation | 7,000 | 7,000 | 1,663 | 5,337 |
| Contractual Services | 73,628 | 76,769 | 69,983 | 6,786 |
| Supplies and Materials | 50,000 | 54,569 | 38,046 | 16,523 |
| Refunds/ Reimbursement | 500 | 500 | 75 | 425 |
| Total Leisure Time Activities | 450,997 | 458,707 | 407,962 | 50,745 |
| Community Environment | | | | |
| Bi-Centennial | | | | |
| Contractual Services | 12,000 | 12,000 | 12,000 | 0 |
| Total Bi-Centennial | 12,000 | 12,000 | 12,000 | 0 |

(Continued)

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-----------|----------------------------------|
| | Original Budget | Final Budget | | |
| Planning and Development | | | | |
| Personal Services | \$233,094 | \$236,294 | \$236,218 | \$76 |
| Travel Transportation | 3,000 | 3,000 | 1,093 | 1,907 |
| Contractual Services | 8,950 | 8,950 | 6,318 | 2,632 |
| Supplies and Materials | 4,500 | 4,846 | 3,852 | 994 |
| Total Planning and Development | 249,544 | 253,090 | 247,481 | 5,609 |
| Building and Zoning | | | | |
| Personal Services | 137,325 | 137,325 | 131,911 | 5,414 |
| Travel Transportation | 2,000 | 2,200 | 1,000 | 1,200 |
| Contractual Services | 106,750 | 111,669 | 76,907 | 34,762 |
| Supplies and Materials | 2,350 | 2,492 | 2,159 | 333 |
| Total Building and Zoning | 248,425 | 253,686 | 211,977 | 41,709 |
| Engineer Services | | | | |
| Personal Services | 206,228 | 213,728 | 213,700 | 28 |
| Travel Transportation | 3,000 | 3,000 | 2,807 | 193 |
| Contractual Services | 19,200 | 21,430 | 19,040 | 2,390 |
| Supplies and Materials | 7,000 | 7,281 | 5,794 | 1,487 |
| Total Engineer Services | 235,428 | 245,439 | 241,341 | 4,098 |
| Total Community Environment | 745,397 | 764,215 | 712,799 | 51,416 |
| Capital Outlay | 0 | 4,490 | 4,490 | 0 |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 0 | 51 | 51 | 0 |
| Total Debt Service | 0 | 51 | 51 | 0 |
| Total Expenditures | 7,711,569 | 7,868,971 | 7,308,349 | 560,622 |
| Excess of Revenues Over (Under) Expenditures | (279,199) | (796,197) | (235,575) | 560,622 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Capital Assets | 305,000 | 9,000 | 9,000 | 0 |
| Advances In | 121,407 | 121,407 | 121,407 | 0 |
| Transfers In | 47,495 | 47,495 | 47,495 | 0 |
| Transfers - Out | (80,000) | (80,000) | (52,326) | 27,674 |
| Total Other Financing Sources (Uses): | 393,902 | 97,902 | 125,576 | 27,674 |
| Net Change in Fund Balance | 114,703 | (698,295) | (109,999) | 588,296 |
| Fund Balance at Beginning of Year | 588,592 | 588,592 | 588,592 | 0 |
| Prior Year Encumbrances Appropriated | 226,700 | 226,700 | 226,700 | 0 |
| Fund Balance at End of Year | \$929,995 | \$116,997 | \$705,293 | \$588,296 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---------------------------------------|--------------------|-----------------|-------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Income Taxes | \$1,874,500 | \$1,734,150 | \$1,734,150 | \$0 |
| Intergovernmental | 0 | 339,845 | 339,845 | 0 |
| Other | 104,000 | 33,444 | 33,444 | 0 |
| Total Revenues | 1,978,500 | 2,107,439 | 2,107,439 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | | | | |
| Contractual Services | 101,150 | 101,150 | 101,150 | 0 |
| Total General Government | 101,150 | 101,150 | 101,150 | 0 |
| Capital Outlay | 1,773,000 | 2,361,606 | 1,940,060 | 421,546 |
| Debt Service: | | | | |
| Principal Retirement | 3,870,000 | 3,870,000 | 3,870,000 | 0 |
| Interest and Fiscal Charges | 143,205 | 143,205 | 82,960 | 60,245 |
| Total Debt Service | 4,013,205 | 4,013,205 | 3,952,960 | 60,245 |
| Total Expenditures | 5,887,355 | 6,475,961 | 5,994,170 | 481,791 |
| Excess of Revenues Under Expenditures | (3,908,855) | (4,368,522) | (3,886,731) | 481,791 |
| Other Financing Sources (Uses): | | | | |
| Notes Issued | 3,870,000 | 3,870,000 | 3,870,000 | 0 |
| Transfers Out | (175,000) | (175,000) | (175,000) | 0 |
| Total Other Financing Sources (Uses) | 3,695,000 | 3,695,000 | 3,695,000 | 0 |
| Net Change in Fund Balance | (213,855) | (673,522) | (191,731) | 481,791 |
| Fund Balance at Beginning of Year | 1,247,159 | 1,247,159 | 1,247,159 | 0 |
| Prior Year Encumbrances Appropriated | 712,377 | 712,377 | 712,377 | 0 |
| Fund Balance at End of Year | \$1,745,681 | \$1,286,014 | \$1,767,805 | \$481,791 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
ELECTRIC FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|--------------------|--------------------|--------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$13,508,900 | \$12,579,457 | \$12,579,457 | \$0 |
| Other | 30,000 | 58,570 | 58,570 | 0 |
| Interest | 20,000 | 86,478 | 93,756 | 7,278 |
| Utility Deposits Received | 110,000 | 185,665 | 185,665 | 0 |
| Notes Issued | 3,250,000 | 3,250,000 | 3,250,000 | 0 |
| Total Revenues | <u>16,918,900</u> | <u>16,160,170</u> | <u>16,167,448</u> | <u>7,278</u> |
| Expenses: | | | | |
| Personal Services | 1,208,619 | 1,216,619 | 1,202,667 | 13,952 |
| Travel Transportation | 15,900 | 15,900 | 430 | 15,470 |
| Contractual Services | 1,075,743 | 1,100,933 | 1,008,719 | 92,214 |
| Supplies and Materials | 157,300 | 162,398 | 72,861 | 89,537 |
| Purchased Power | 8,401,150 | 8,401,150 | 8,456,685 | (55,535) |
| Other | 6,000 | 8,682 | 8,342 | 340 |
| Utility Deposits Returned | 107,300 | 113,800 | 113,243 | 557 |
| Capital Outlay | 3,113,000 | 3,650,898 | 1,195,173 | 2,455,725 |
| Debt Service: | | | | |
| Principal Retirement | 3,715,000 | 3,715,000 | 3,715,000 | 0 |
| Interest and Fiscal Charges | 684,615 | 684,615 | 687,889 | (3,274) |
| Total Expenses | <u>18,484,627</u> | <u>19,069,995</u> | <u>16,461,009</u> | <u>2,608,986</u> |
| Excess of Revenues Under Expenses | (1,565,727) | (2,909,825) | (293,561) | 2,616,264 |
| Advances Out | (450,483) | (1,050,483) | (1,050,483) | 0 |
| Transfers In | 48,000 | 18,000 | 18,000 | 0 |
| Transfers Out | (30,000) | (30,000) | 0 | 30,000 |
| Net Change in Fund Equity | (1,998,210) | (3,972,308) | (1,326,044) | 2,646,264 |
| Fund Equity at Beginning of Year | 8,400,794 | 8,400,794 | 8,400,794 | 0 |
| Prior Year Encumbrances Appropriated | 505,309 | 505,309 | 505,309 | 0 |
| Fund Equity at End of Year | <u>\$6,907,893</u> | <u>\$4,933,795</u> | <u>\$7,580,059</u> | <u>\$2,646,264</u> |

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND EQUITY - BUDGET AND ACTUAL
 SANITATION FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$788,253 | \$773,195 | \$773,195 | \$0 |
| Other | 7,800 | 7,287 | 7,287 | 0 |
| Total Revenues | <u>796,053</u> | <u>780,482</u> | <u>780,482</u> | <u>0</u> |
| Expenses: | | | | |
| Contractual Services | 794,500 | 844,407 | 811,107 | 33,300 |
| Capital Outlay | 0 | 13,000 | 13,000 | 0 |
| Reimbursements | 500 | 1,522 | 319 | 1,203 |
| Total Expenses | <u>795,000</u> | <u>858,929</u> | <u>824,426</u> | <u>34,503</u> |
| Net Change in Fund Equity | 1,053 | (78,447) | (43,944) | 34,503 |
| Fund Equity at Beginning of Year | 668,689 | 668,689 | 668,689 | 0 |
| Prior Year Encumbrances Appropriated | <u>49,940</u> | <u>49,940</u> | <u>49,940</u> | <u>0</u> |
| Fund Equity at End of Year | <u>\$719,682</u> | <u>\$640,182</u> | <u>\$674,685</u> | <u>\$34,503</u> |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL
SEWER FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|--------------------|--------------------|--------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$2,687,346 | \$2,663,057 | \$2,663,057 | (\$24,289) |
| Other | 10,000 | 858,028 | 858,028 | 848,028 |
| Interest | 195,000 | 28,781 | 33,521 | (161,479) |
| Notes Issued | 1,000,000 | 3,500,000 | 3,500,000 | 2,500,000 |
| Total Revenues | <u>3,892,346</u> | <u>7,049,866</u> | <u>7,054,606</u> | <u>3,162,260</u> |
| Expenses: | | | | |
| Personal Services | 433,398 | 446,398 | 433,984 | 12,414 |
| Travel Transportation | 4,740 | 5,502 | 2,721 | 2,781 |
| Contractual Services | 1,028,650 | 1,106,006 | 1,078,956 | 27,050 |
| Supplies and Materials | 110,200 | 114,382 | 83,707 | 30,675 |
| Other | 1,500 | 1,500 | 1,783 | (283) |
| Capital Outlay | 3,488,300 | 6,569,662 | 6,334,192 | 235,470 |
| Debt Service: | | | | |
| Principal Retirement | 380,000 | 380,000 | 380,000 | 0 |
| Interest and Fiscal Charges | 464,068 | 464,068 | 468,307 | (4,239) |
| Total Expenses | <u>5,910,856</u> | <u>9,087,518</u> | <u>8,783,650</u> | <u>303,868</u> |
| Excess of Revenues Under Expenses | (2,018,510) | (2,037,652) | (1,729,044) | 2,858,392 |
| Transfers In | 15,747 | 1,000 | 0 | 1,000 |
| Transfers Out | (57,705) | (57,705) | (41,958) | (15,747) |
| Net Change in Fund Equity | (2,060,468) | (2,094,357) | (1,771,002) | 2,843,645 |
| Fund Equity at Beginning of Year | 4,553,386 | 4,553,386 | 4,553,386 | 0 |
| Prior Year Encumbrances Appropriated | 761,199 | 761,199 | 761,199 | 0 |
| Fund Equity at End of Year | <u>\$3,254,117</u> | <u>\$3,220,228</u> | <u>\$3,543,583</u> | <u>\$2,843,645</u> |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
TELECOMMUNICATIONS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$3,925,687 | \$3,913,328 | \$3,913,328 | \$0 |
| Other | 140,700 | 169,932 | 169,932 | 0 |
| Interest | 8,000 | 6,437 | 7,484 | 1,047 |
| Notes issued | 1,750,000 | 1,750,000 | 1,750,000 | 0 |
| Total Revenues | 5,824,387 | 5,839,697 | 5,840,744 | 1,047 |
| Expenses: | | | | |
| Personal Services | 675,833 | 710,833 | 709,534 | 1,299 |
| Travel Transportation | 7,500 | 7,500 | 3,021 | 4,479 |
| Contractual Services | 1,999,694 | 2,526,717 | 2,433,026 | 93,691 |
| Supplies and Materials | 41,500 | 45,240 | 42,747 | 2,493 |
| Other | 7,500 | 43,500 | 46,111 | (2,611) |
| Capital Outlay | 1,176,500 | 1,647,651 | 1,630,484 | 17,167 |
| Debt Service: | | | | |
| Principal Retirement | 1,930,000 | 1,930,000 | 1,930,000 | 0 |
| Interest and Fiscal Charges | 336,483 | 336,483 | 313,601 | 22,882 |
| Total Expenses | 6,175,010 | 7,247,924 | 7,108,524 | 139,400 |
| Excess of Revenues Over (Under) Expenses | (350,623) | (1,408,227) | (1,267,780) | 140,447 |
| Advances In | 450,483 | 1,050,483 | 1,050,483 | 0 |
| Transfers In | 83,916 | 83,916 | 83,916 | 0 |
| Net Change in Fund Equity | 183,776 | (273,828) | (133,381) | 0 |
| Fund Equity at Beginning of Year | 1,185,398 | 1,185,398 | 1,185,398 | 0 |
| Prior Year Encumbrances Appropriated | 174,395 | 174,395 | 174,395 | 0 |
| Fund Balance at End of Year | \$1,543,569 | \$1,085,965 | \$1,226,412 | \$140,447 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
WATER FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$2,881,290 | \$2,924,288 | \$2,924,288 | \$0 |
| Utility Deposits Received | 0 | 15,000 | 15,000 | 0 |
| Other | 16,000 | 33,056 | 33,056 | 0 |
| Interest | 350,000 | 85,380 | 89,866 | 4,486 |
| Total Revenues | 3,247,290 | 3,057,724 | 3,062,210 | 4,486 |
| Expenses: | | | | |
| Personal Services | 385,572 | 409,572 | 405,491 | 4,081 |
| Travel Transportation | 5,240 | 5,282 | 4,801 | 481 |
| Contractual Services | 1,629,200 | 1,636,289 | 1,474,014 | 162,275 |
| Supplies and Materials | 41,500 | 53,210 | 38,669 | 14,541 |
| Other | 1,500 | 1,500 | 1,002 | 498 |
| Utility Deposits Returned | 2,700 | 2,700 | 2,700 | 0 |
| Capital Outlay | 3,464,000 | 3,806,458 | 1,740,504 | 2,065,954 |
| Debt Service: | | | | |
| Principal Retirement | 365,000 | 365,000 | 365,000 | 0 |
| Interest and Fiscal Charges | 446,418 | 446,418 | 444,418 | 2,000 |
| Total Expenses | 6,341,130 | 6,726,429 | 4,476,599 | 2,249,830 |
| Excess of Revenues Over (Under) Expenses | (3,093,840) | (3,668,705) | (1,414,389) | 2,254,316 |
| Transfers In | 43,408 | 0 | 0 | 0 |
| Transfers Out | (85,366) | (85,366) | (41,958) | 43,408 |
| Net Change in Fund Equity | (3,135,798) | (3,754,071) | (1,456,347) | 43,408 |
| Fund Equity at Beginning of Year | 8,581,785 | 8,581,785 | 8,581,785 | 0 |
| Prior Year Encumbrances Appropriated | 419,719 | 419,719 | 419,719 | 0 |
| Fund Balance at End of Year | \$5,865,706 | \$5,247,433 | \$7,545,157 | \$2,297,724 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$69,300 | \$77,103 | \$77,103 | \$0 |
| Intergovernmental | 30,000 | 30,000 | 30,000 | 0 |
| Interest | 4,400 | 2,690 | 2,690 | 0 |
| Contributions and Donations | 0 | 87,717 | 87,717 | 0 |
| Total Revenues | <u>103,700</u> | <u>197,510</u> | <u>197,510</u> | <u>0</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public Health Services | | | | |
| Cemetery | | | | |
| Personal Services | 98,338 | 98,338 | 96,868 | 1,470 |
| Travel Transportation | 200 | 200 | 0 | 200 |
| Contractual Services | 22,700 | 30,048 | 26,734 | 3,314 |
| Supplies and Materials | 4,050 | 4,679 | 1,726 | 2,953 |
| Total Public Health Services | <u>125,288</u> | <u>133,265</u> | <u>125,328</u> | <u>7,937</u> |
| Total Expenditures | <u>125,288</u> | <u>133,265</u> | <u>125,328</u> | <u>7,937</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(21,588)</u> | <u>64,245</u> | <u>72,182</u> | <u>7,937</u> |
| Other Financing Sources: | | | | |
| Transfers In | 30,000 | 30,000 | 30,000 | 0 |
| Total Other Financing Sources | <u>30,000</u> | <u>30,000</u> | <u>30,000</u> | <u>0</u> |
| Net Change in Fund Balance | 8,412 | 94,245 | 102,182 | 7,937 |
| Fund Balance at Beginning of Year | 302,820 | 302,820 | 302,820 | 0 |
| Prior Year Encumbrances Appropriated | <u>8,531</u> | <u>8,531</u> | <u>8,531</u> | <u>0</u> |
| Fund Balance at End of Year | <u>\$319,763</u> | <u>\$405,596</u> | <u>\$413,533</u> | <u>\$7,937</u> |

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---------------------------------------|--------------------|------------------|-----------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Intergovernmental | \$66,000 | \$65,000 | \$65,000 | \$0 |
| Total Revenues | 66,000 | 65,000 | 65,000 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| Community Environment | | | | |
| Community Development | | | | |
| Capital Outlay | 74,491 | 74,491 | 0 | 74,491 |
| Total Expenditures | 74,491 | 74,491 | 0 | 74,491 |
| Net Change in Fund Balance | (8,491) | (9,491) | 65,000 | 74,491 |
| Fund Balance at Beginning of Year | 6,491 | 6,491 | 6,491 | 0 |
| Fund Balance (Deficit) at End of Year | <u>(\$2,000)</u> | <u>(\$3,000)</u> | <u>\$71,491</u> | <u>\$74,491</u> |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COURT SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$5,263 | \$5,263 | \$5,263 | \$0 |
| Licenses and Permits | 117,504 | 117,504 | 117,504 | 0 |
| Intergovernmental | 6,763 | 6,763 | 6,763 | 0 |
| Total Revenues | <u>129,530</u> | <u>129,530</u> | <u>129,530</u> | <u>0</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Indigent Drivers Alcohol Materials and Supplies | <u>12,000</u> | <u>17,000</u> | <u>14,883</u> | <u>2,117</u> |
| Dare Personal Services | <u>2,000</u> | <u>2,000</u> | <u>0</u> | <u>2,000</u> |
| Computerized Legal Research | | | | |
| Contractual Services | 5,000 | 5,000 | 2,852 | 2,148 |
| Materials and Supplies | 5,000 | 5,000 | 0 | 5,000 |
| Capital Outlay | <u>5,000</u> | <u>5,000</u> | <u>0</u> | <u>5,000</u> |
| Total Computerized Legal Research | <u>15,000</u> | <u>15,000</u> | <u>2,852</u> | <u>12,148</u> |
| Computer Improvement | | | | |
| Contractual Services | 8,500 | 8,500 | 0 | 8,500 |
| Materials and Supplies | 6,500 | 6,500 | 0 | 6,500 |
| Capital Outlay | <u>20,000</u> | <u>21,260</u> | <u>1,260</u> | <u>20,000</u> |
| Total Computer Improvement | <u>35,000</u> | <u>36,260</u> | <u>1,260</u> | <u>35,000</u> |
| Law Enforcement Trust | | | | |
| Contractual Services | <u>0</u> | <u>4,000</u> | <u>3,935</u> | <u>65</u> |
| Drug Law Enforcement | | | | |
| Contractual Services | <u>0</u> | <u>7,000</u> | <u>7,000</u> | <u>0</u> |
| Total Expenditures | <u>64,000</u> | <u>81,260</u> | <u>29,930</u> | <u>51,330</u> |
| Net Change in Fund Balance | 65,530 | 48,270 | 99,600 | (51,330) |
| Fund Balance at Beginning of Year | 352,115 | 352,115 | 352,115 | 0 |
| Prior Year Encumbrances Appropriated | <u>3,743</u> | <u>3,743</u> | <u>3,743</u> | <u>0</u> |
| Fund Balance at End of Year | <u>\$421,388</u> | <u>\$404,128</u> | <u>\$455,458</u> | <u>(\$51,330)</u> |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE AND LIFE SQUAD SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Property Taxes | \$1,267,050 | \$1,239,087 | \$1,239,087 | \$0 |
| Charges for Services | 90,000 | 157,172 | 157,172 | 0 |
| Intergovernmental | 125,000 | 131,175 | 131,175 | 0 |
| Other | 2,100 | 865 | 865 | 0 |
| Total Revenues | <u>1,484,150</u> | <u>1,528,299</u> | <u>1,528,299</u> | <u>0</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Fire Fighting, Prevention and Inspection | | | | |
| Personal Services | 868,618 | 768,618 | 597,328 | 171,290 |
| Travel Transportation | 30,000 | 34,185 | 33,694 | 491 |
| Contractual Services | 259,400 | 301,522 | 290,509 | 11,013 |
| Supplies and Materials | 44,000 | 46,042 | 43,340 | 2,702 |
| Capital Outlay | 125,000 | 249,904 | 247,742 | 2,162 |
| Total Fire Fighting, Prevention and Inspection | <u>1,327,018</u> | <u>1,400,271</u> | <u>1,212,613</u> | <u>187,658</u> |
| Fire Insurance Trust | | | | |
| Materials and Supplies | 22,000 | 22,000 | 0 | 22,000 |
| Total Fire Insurance Trust | <u>22,000</u> | <u>22,000</u> | <u>0</u> | <u>22,000</u> |
| Total Security of Persons and Property | 1,349,018 | 1,422,271 | 1,212,613 | 209,658 |
| Debt Service: | | | | |
| Principal Retirement | 240,000 | 240,000 | 240,000 | 0 |
| Interest and Fiscal Charges | 6,660 | 6,660 | 5,625 | 1,035 |
| Total Debt Service | <u>246,660</u> | <u>246,660</u> | <u>245,625</u> | <u>1,035</u> |
| Total Expenditures | <u>1,595,678</u> | <u>1,668,931</u> | <u>1,458,238</u> | <u>210,693</u> |
| Excess of Revenues Over (Under) Expenditures | (111,528) | (140,632) | 70,061 | 210,693 |
| Other Financing Sources: | | | | |
| Notes Issued | 120,000 | 120,000 | 120,000 | 0 |
| Net Change in Fund Balance | 8,472 | (20,632) | 190,061 | 210,693 |
| Fund Balance at Beginning of Year | 607,341 | 607,341 | 607,341 | 0 |
| Prior Year Encumbrances Appropriated | 58,754 | 58,754 | 58,754 | 0 |
| Fund Balance at End of Year | <u>\$674,567</u> | <u>\$645,463</u> | <u>\$856,156</u> | <u>\$210,693</u> |

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 PARK RECREATION IMPACT FEE SPECIAL REVENUE FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|--------------------|-----------------|-----------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Fines, Licenses and Permits | \$52,000 | \$46,413 | \$46,413 | \$0 |
| Total Revenues | 52,000 | 46,413 | 46,413 | 0 |
| Expenditures: | | | | |
| Total Community Environment | 0 | 0 | 0 | 0 |
| Total Expenditures | 0 | 0 | 0 | 0 |
| Excess of Revenues Over Expenditures | 52,000 | 46,413 | 46,413 | 0 |
| Other Financing Sources: | | | | |
| Transfers In | 25,000 | 11,163 | 11,163 | 0 |
| Net Change in Fund Balance | 77,000 | 57,576 | 57,576 | 0 |
| Fund Balance at Beginning of Year | 284,019 | 284,019 | 284,019 | 0 |
| Fund Balance at End of Year | \$361,019 | \$341,595 | \$341,595 | \$0 |

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND EQUITY - BUDGET AND ACTUAL
 PARKS AND RECREATION SPECIAL REVENUE FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-----------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$52,000 | \$46,608 | \$46,608 | \$0 |
| Total Revenues | 52,000 | 46,608 | 46,608 | 0 |
| Expenditures: | | | | |
| Capital Outlay | 346,500 | 411,661 | 406,864 | 4,797 |
| Total Expenditures | 346,500 | 411,661 | 406,864 | 4,797 |
| Excess of Revenues Over (Under) Expenditures | (294,500) | (365,053) | (360,256) | 4,797 |
| Other Financing Sources | | | | |
| Transfers In | 25,000 | 11,163 | 11,163 | 0 |
| Net Change in Fund Balance | (269,500) | (353,890) | (349,093) | 4,797 |
| Fund Balance at Beginning of Year | 445,683 | 445,683 | 445,683 | 0 |
| Prior Year Encumbrances Appropriated | 78,162 | 78,162 | 78,162 | 0 |
| Fund Balance at End of Year | \$254,345 | \$169,955 | \$174,752 | \$4,797 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAX INCREMENT FINANCING SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|--------------------|-----------------|-----------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Payments in Lieu of Taxes | \$568,000 | \$766,298 | \$766,298 | \$0 |
| Intergovernmental | 35,000 | 46,970 | 46,970 | 0 |
| Total Revenues | 603,000 | 813,268 | 813,268 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| Community and Economic Development | | | | |
| Supplies and Materials | 55,000 | 101,000 | 71,641 | 29,359 |
| Reimbursements | 177,755 | 324,289 | 264,482 | 59,807 |
| Total Community Environment | 232,755 | 425,289 | 336,123 | 89,166 |
| Total Expenditures | 232,755 | 425,289 | 336,123 | 89,166 |
| Excess of Revenues Over Expenditures | 370,245 | 387,979 | 477,145 | 89,166 |
| Other Financing UsCs: | | | | |
| Transfers Out | (201,927) | (201,927) | (201,927) | 0 |
| Net Change in Fund Balance | 168,318 | 186,052 | 275,218 | 89,166 |
| Fund Balance at Beginning of Year | 233,720 | 233,720 | 233,720 | 0 |
| Prior Year Encumbrances Appropriated | 146,534 | 146,534 | 146,534 | 0 |
| Fund Balance at End of Year | \$548,572 | \$566,306 | \$655,472 | \$89,166 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Other Local Taxes | \$121,000 | \$125,181 | \$125,181 | \$0 |
| Intergovernmental | 493,000 | 542,801 | 542,801 | 0 |
| Other | 24,800 | 19,773 | 19,773 | 0 |
| Total Revenues | 638,800 | 687,755 | 687,755 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| Transportation | | | | |
| Street Maintenance and Repair | | | | |
| Personal Services | 528,001 | 548,001 | 543,646 | 4,355 |
| Travel Transportation | 4,500 | 4,500 | 0 | 4,500 |
| Contractual Services | 73,150 | 84,528 | 77,629 | 6,899 |
| Supplies and Materials | 25,600 | 95,413 | 77,167 | 18,246 |
| Total Transportation | 631,251 | 732,442 | 698,442 | 34,000 |
| Division Highway Maintenance | | | | |
| Contractual Services | 20,000 | 30,000 | 22,765 | 7,235 |
| Supplies and Materials | 13,000 | 14,820 | 12,420 | 2,400 |
| Total Division Highway Maintenance | 33,000 | 44,820 | 35,185 | 9,635 |
| Total Transportation | 664,251 | 777,262 | 733,627 | 43,635 |
| Total Expenditures | 664,251 | 777,262 | 733,627 | 43,635 |
| Net Change in Fund Balance | (25,451) | (89,507) | (45,872) | (43,635) |
| Fund Balance at Beginning of Year | 643,429 | 643,429 | 643,429 | 0 |
| Prior Year Encumbrances Appropriated | 31,312 | 31,312 | 31,312 | 0 |
| Fund Balance at End of Year | \$649,290 | \$585,234 | \$628,869 | \$43,635 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|--------------------|--------------------|--|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Property Taxes | \$123,000 | \$125,727 | \$125,727 | \$0 |
| Income Taxes | 760,000 | 867,075 | 867,075 | 0 |
| Special Assessments | 190,000 | 159,732 | 159,732 | 0 |
| Intergovernmental | 12,000 | 13,466 | 13,466 | 0 |
| Interest | 60,000 | 41,326 | 41,326 | 0 |
| Other | 0 | 0 | 7,683 | 7,683 |
| Total Revenues | 1,145,000 | 1,207,326 | 1,215,009 | 7,683 |
| Expenditures: | | | | |
| Debt Service: | | | | |
| Principal Retirement | 315,000 | 325,000 | 325,000 | 0 |
| Interest and Fiscal Charges | 218,412 | 358,477 | 334,338 | 24,139 |
| Issuance Costs | 0 | 0 | 57,972 | (57,972) |
| Total Debt Service | 533,412 | 683,477 | 717,310 | (33,833) |
| Total Expenditures | 533,412 | 683,477 | 717,310 | (33,833) |
| Excess of Revenues Over Expenditures | 611,588 | 523,849 | 497,699 | (26,150) |
| Other Financing Sources (Uses): | | | | |
| Bonds Issued | 0 | 67,419 | 135,000 | 67,581 |
| Discount on Debt Issued | 0 | (17,292) | (17,292) | 0 |
| Total Other Financing Sources (Uses) | 0 | 50,127 | 117,708 | 67,581 |
| Net Change in Fund Balance | 611,588 | 573,976 | 615,407 | 41,431 |
| Fund Balance at Beginning of Year | 2,866,257 | 2,866,257 | 2,866,257 | 0 |
| Fund Balance at End of Year | \$3,477,845 | \$3,440,233 | \$3,481,664 | \$41,431 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY IMPROVEMENT CAPITAL PROJECTS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|-----------------|----------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Interest | \$2,500 | \$1,323 | \$1,323 | \$0 |
| Total Revenues | 2,500 | 1,323 | 1,323 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| Public Health Services Cemetery Contractual Services | 5,000 | 5,000 | 0 | 5,000 |
| Total Public Health Services | 5,000 | 5,000 | 0 | 5,000 |
| Capital Outlay | 88,000 | 93,823 | 83,050 | 10,773 |
| Total Expenditures | 93,000 | 98,823 | 83,050 | 15,773 |
| Net Change in Fund Balance | (90,500) | (97,500) | (81,727) | 15,773 |
| Fund Balance at Beginning of Year | 127,477 | 127,477 | 127,477 | 0 |
| Prior Year Encumbrances Appropriated | 7,834 | 7,834 | 7,834 | 0 |
| Fund Balance at End of Year | \$44,811 | \$37,811 | \$53,584 | \$15,773 |

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 STATE ISSUE II CAPITAL PROJECTS FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-----------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | \$0 | \$0 | \$0 | \$0 |
| Total Revenues | 0 | 0 | 0 | 0 |
| Expenditures: | | | | |
| Capital Outlay | 175,000 | 356,306 | 353,766 | 2,540 |
| Total Expenditures | 175,000 | 356,306 | 353,766 | 2,540 |
| Excess of Revenues Over (Under) Expenditures | (175,000) | (356,306) | (353,766) | 2,540 |
| Other Financing Sources: | | | | |
| Transfers In | 175,000 | 175,000 | 175,000 | 0 |
| Net Change in Fund Balance | 0 | (181,306) | (178,766) | 2,540 |
| Fund Balance at Beginning of Year | 88,694 | 88,694 | 88,694 | 0 |
| Prior Year Encumbrances Appropriated | 181,306 | 181,306 | 181,306 | 0 |
| Fund Balance at End of Year | <u>\$270,000</u> | <u>\$88,694</u> | <u>\$91,234</u> | <u>\$2,540</u> |

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 INDUSTRIAL DEVELOPMENT CAPITAL PROJECTS FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-----------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Interest | \$2,500 | \$13,731 | \$13,731 | \$0 |
| Other | 6,098 | 6,098 | 6,098 | 0 |
| Total Revenues | 8,598 | 19,829 | 19,829 | 0 |
| Expenditures: | | | | |
| Current: | | | | |
| Community Environment | | | | |
| Contractual Services | 15,000 | 15,000 | 0 | 15,000 |
| Total Expenditures | 15,000 | 15,000 | 0 | 15,000 |
| Excess of Revenues Over (Under) Expenditures | (6,402) | 4,829 | 19,829 | 15,000 |
| Other Financing Sources (Uses): | | | | |
| Advances Out | (121,407) | (121,407) | (121,407) | 0 |
| Transfers In | 136,432 | 136,432 | 136,432 | 0 |
| Total Other Financing Sources (Uses) | 15,025 | 15,025 | 15,025 | 0 |
| Net Change in Fund Balance | 8,623 | 19,854 | 34,854 | 15,000 |
| Fund Balance at Beginning of Year | 16,880 | 16,880 | 16,880 | 0 |
| Prior Year Encumbrances Appropriated | 8,972 | 8,972 | 8,972 | 0 |
| Fund Balance at End of Year | \$34,475 | \$45,706 | \$60,706 | \$15,000 |

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND EQUITY - BUDGET AND ACTUAL
 AUTOMOTIVE MAINTENANCE FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|--------------------|-----------------|-----------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$283,500 | \$253,802 | \$253,802 | \$0 |
| Total Revenues | 283,500 | 253,802 | 253,802 | 0 |
| Expenses: | | | | |
| Personal Services | 115,562 | 131,562 | 128,833 | 2,729 |
| Contractual Services | 4,850 | 4,994 | 3,933 | 1,061 |
| Supplies and Materials | 162,800 | 183,647 | 173,079 | 10,568 |
| Total Expenses | 283,212 | 320,203 | 305,845 | 14,358 |
| Net Change in Equity Balance | 288 | (66,401) | (52,043) | 14,358 |
| Fund Equity at Beginning of Year | 28,137 | 28,137 | 28,137 | 0 |
| Prior Year Encumbrances Appropriated | 31,178 | 31,178 | 31,178 | 0 |
| Fund Equity at End of Year | \$59,603 | (\$7,086) | \$7,272 | \$14,358 |

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL
SELF-INSURANCE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|--------------------|--------------------|------------------|----------------------------------|
| | Original Budget | Final Budget | | |
| Revenues: | | | | |
| Charges for Services | \$1,586,500 | \$1,585,314 | \$1,585,314 | \$0 |
| Other | 200,000 | 47,445 | 47,445 | 0 |
| Interest Income | 2,500 | 466 | 466 | 0 |
| Total Revenues | 1,789,000 | 1,633,225 | 1,633,225 | 0 |
| Expenses: | | | | |
| Contractual Services | 355,250 | 383,490 | 462,194 | (78,704) |
| Claims | 1,401,000 | 1,529,846 | 1,302,113 | 227,733 |
| Total Expenses | 1,756,250 | 1,913,336 | 1,764,307 | 149,029 |
| Net Change in Fund Equity | 32,750 | (280,111) | (131,082) | 149,029 |
| Fund Equity at Beginning of Year | 11,635 | 11,635 | 11,635 | 0 |
| Prior Year Encumbrances Appropriated | 149,129 | 149,129 | 149,129 | 0 |
| Fund Equity at End of Year | \$193,514 | (\$119,347) | \$29,682 | \$149,029 |

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STATISTICAL SECTION

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

**CITY OF LEBANON, OHIO
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN YEARS**

| <u>Year</u> | <u>Security of Persons and Property</u> | <u>Public Health Services</u> | <u>Leisure Time Activities</u> | <u>Community Environment</u> | <u>Transportation</u> |
|-------------|---|---------------------------------------|--|----------------------------------|-----------------------|
| 1994 | \$1,905,938 | \$83,604 | \$261,703 | \$343,492 | \$380,726 |
| 1995 | 2,136,404 | 90,918 | 220,279 | 531,740 | 427,069 |
| 1996 | 2,205,916 | 97,100 | 227,566 | 1,167,874 | 423,992 |
| 1997 | 2,245,636 | 100,654 | 250,297 | 712,054 | 449,565 |
| 1998 | 2,448,728 | 87,075 | 279,607 | 639,912 | 453,111 |
| 1999 | 3,224,419 | 128,508 | 305,079 | 837,088 | 534,387 |
| 2000 | 3,791,041 | 114,230 | 467,741 | 781,818 | 596,798 |
| 2001 | 3,790,927 | 122,120 | 621,077 | 914,721 | 728,214 |
| 2002 | 4,243,831 | 129,133 | 597,933 | 1,160,779 | 781,166 |
| 2003 | 3,898,657 | 145,004 | 680,463 | 873,945 | 679,456 |

Source: Auditor's Office, City of Lebanon

(1) Includes all governmental funds.

Statistical information for governmental activities will be presented when sufficient data is available for comparison.

| <u>General Government</u> | <u>Capital Outlay</u> | <u>Debt Service</u> | <u>Total (1)</u> |
|-------------------------------|---------------------------|-------------------------|------------------|
| \$1,419,283 | \$1,325,734 | \$521,433 | \$6,241,913 |
| 1,562,796 | 1,214,483 | 522,821 | 6,706,510 |
| 1,725,870 | 3,235,553 | 533,773 | 9,617,644 |
| 1,794,411 | 5,122,920 | 692,981 | 11,368,518 |
| 1,992,653 | 2,379,090 | 741,977 | 9,022,153 |
| 2,414,817 | 3,900,571 | 733,735 | 12,078,604 |
| 2,532,576 | 3,116,609 | 756,986 | 12,157,799 |
| 4,351,860 | 3,394,993 | 1,202,051 | 15,125,963 |
| 4,178,598 | 3,282,802 | 659,654 | 15,033,896 |
| 2,015,128 | 5,951,931 | 1,007,175 | 15,251,759 |

**CITY OF LEBANON, OHIO
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN YEARS**

| <u>Year</u> | <u>Taxes (1)</u> | <u>Payments in Lieu of Taxes</u> | <u>Inter- Governmental</u> | <u>Charges for Services</u> | <u>Fines, Licenses and Permits</u> |
|-------------|------------------|--------------------------------------|--------------------------------|-------------------------------------|--|
| 1994 | \$3,061,949 | \$169,978 | \$1,016,702 | \$1,224,704 | \$493,892 |
| 1995 | 3,397,780 | 152,079 | 988,138 | 1,321,360 | 609,239 |
| 1996 | 3,676,516 | 170,584 | 1,457,699 | 1,556,517 | 615,384 |
| 1997 | 4,027,203 | 185,705 | 1,444,567 | 1,700,292 | 787,123 |
| 1998 | 4,712,527 | 209,747 | 1,611,701 | 1,731,594 | 823,515 |
| 1999 | 5,053,344 | 304,260 | 3,634,545 | 1,820,288 | 980,019 |
| 2000 | 5,905,747 | 383,995 | 1,892,082 | 1,811,072 | 1,063,989 |
| 2001 | 6,551,712 | 479,483 | 2,279,515 | 1,002,206 | 1,175,845 |
| 2002 | 7,205,252 | 603,785 | 1,845,069 | 1,448,712 | 1,220,332 |
| 2003 | 7,669,754 | 766,298 | 6,173,724 | 450,005 | 1,128,354 |

Source: Auditor's Office, City of Lebanon

(1) Includes property, income and other local taxes

(2) Includes all governmental funds.

Statistical information for governmental activities will be presented
when sufficient data is available for comparison.

| <u>Special Assessments</u> | <u>Interest</u> | <u>Contributions and Donations</u> | <u>Other</u> | <u>Total (2)</u> |
|----------------------------|-----------------|------------------------------------|--------------|------------------|
| \$194,987 | \$548,243 | \$0 | \$155,707 | \$6,866,162 |
| 218,731 | 864,056 | 0 | 135,178 | 7,686,561 |
| 209,249 | 849,356 | 0 | 204,623 | 8,739,928 |
| 216,130 | 500,452 | 0 | 179,543 | 9,041,015 |
| 166,284 | 753,912 | 0 | 290,770 | 10,300,050 |
| 190,612 | 849,336 | 0 | 316,974 | 13,149,378 |
| 197,895 | 1,065,810 | 0 | 138,732 | 12,459,322 |
| 174,865 | 642,946 | 0 | 289,332 | 12,595,904 |
| 179,774 | 256,176 | 0 | 1,596,365 | 14,355,465 |
| 159,732 | 163,479 | 89,217 | 71,279 | 16,671,842 |

**CITY OF LEBANON, OHIO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

| <u>Collection Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> | <u>Delinquent Tax Collections</u> |
|----------------------------|-------------------------------|--|---|
| 1994 | \$937,998 | \$876,675 | \$25,180 |
| 1995 | 1,017,680 | 988,868 | 29,990 |
| 1996 | 1,089,315 | 1,059,258 | 36,634 |
| 1997 | 1,159,680 | 1,125,618 | 31,339 |
| 1998 | 1,282,020 | 1,243,653 | 49,891 |
| 1999 | 1,383,551 | 1,333,675 | 61,504 |
| 2000 | 2,075,061 | 2,020,900 | 84,292 |
| 2001 | 2,122,809 | 2,059,485 | 50,434 |
| 2002 | 2,326,865 | 2,255,365 | 108,197 |
| 2003 | 2,439,952 | 2,360,446 | 86,104 |

Source: County Auditor; Warren County, Ohio

| <u>Total Tax Collections</u> | <u>Percent Of Total Tax Collections To Tax Levy</u> | <u>Accumulated Outstanding Delinquent Taxes</u> | <u>Percentage Of Accumulated Delinquent Taxes To Total Tax Levy</u> |
|--------------------------------------|---|---|---|
| \$901,855 | 96.0 | \$36,846 | 3 % |
| 1,018,858 | 100.0 | 45,929 | 5 |
| 1,095,892 | 101.0 | 43,428 | 3 |
| 1,156,957 | 100.0 | 43,046 | 4 |
| 1,293,544 | 100.9 | 49,403 | 4 |
| 1,395,179 | 100.8 | 32,864 | 2 |
| 2,105,192 | 101.4 | 30,949 | 2 |
| 2,109,919 | 99.4 | 48,072 | 2 |
| 2,363,562 | 101.6 | 53,526 | 2 |
| 2,446,550 | 100.27 | 58,111 | 2 |

**CITY OF LEBANON, OHIO
 ASSESSED VALUE AND ESTIMATED
 TRUE VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS**

| <u>Year</u> | <u>Assessed Real</u> | <u>Assessed Public Utility Real</u> | <u>Assessed Public Utility Tangible Personal</u> | <u>Assessed Tangible Personal</u> |
|-------------|--------------------------|---|--|---|
| 1994 | \$75,480,990 | \$37,114,340 | \$6,335,910 | 18,890,296 |
| 1995 | 91,821,240 | 40,488,290 | 6,443,330 | 22,988,515 |
| 1996 | 98,719,800 | 40,954,260 | 6,273,910 | 24,803,624 |
| 1997 | 107,688,450 | 45,256,790 | 6,421,460 | 28,826,299 |
| 1998 | 132,550,330 | 48,844,300 | 6,393,050 | 32,506,594 |
| 1999 | 143,105,080 | 55,025,060 | 6,413,020 | 38,071,619 |
| 2000 | 151,321,540 | 59,396,390 | 5,765,920 | 41,357,405 |
| 2001 | 187,009,730 | 67,328,970 | 6,378,020 | 48,143,491 |
| 2002 | 198,936,450 | 71,077,030 | 4,005,040 | 49,118,420 |
| 2003 | 213,456,970 | 71,275,970 | 4,142,310 | 56,696,710 |

Source: County Auditor; Warren County, Ohio

(1) This is calculated by dividing the Assessed value by the assessment percentage.
 The percentages for 2002 were 35 percent for real property and public utility real,
 88 percent public utility tangible, 25 percent for capital assets and 24 percent of
 of true value of inventory.

| <u>Total</u> | <u>Estimated True Value (1)</u> | <u>Percentage Of Assessed Value To Estimated True Value</u> |
|---------------|---|---|
| \$137,821,536 | \$404,462,025 | 34 % |
| 161,741,375 | 477,303,254 | 34 |
| 170,751,594 | 498,344,769 | 34 |
| 188,192,999 | 559,588,710 | 34 |
| 220,294,274 | 655,561,576 | 34 |
| 242,614,779 | 725,660,100 | 33 |
| 257,841,255 | 774,033,030 | 33 |
| 308,860,211 | 926,503,714 | 33 |
| 323,136,940 | 972,494,950 | 33 |
| 345,571,960 | 1,045,016,700 | 33 |

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

| <u>Collection Year</u> | <u>General Fund</u> | <u>Fire and Life Squad Fund</u> | <u>Library Bond Retirement Fund</u> | <u>Total City (1)</u> | <u>Lebanon City Schools (2)</u> |
|----------------------------|-------------------------|---|---|---------------------------|---|
| 1994 | 2.80 | 3.00 | 0.90 | 6.70 | 44.62 |
| 1995 | 2.82 | 3.00 | 0.80 | 6.62 | 51.13 |
| 1996 | 2.82 | 3.00 | 0.80 | 6.62 | 51.13 |
| 1997 | 2.82 | 3.00 | 0.50 | 6.32 | 51.13 |
| 1998 | 2.82 | 3.00 | 0.50 | 6.32 | 50.03 |
| 1999 | 2.82 | 3.00 | 0.50 | 6.32 | 50.03 |
| 2000 | 2.82 | 4.50 | 0.50 | 7.82 | 50.63 |
| 2001 | 2.82 | 4.50 | 0.40 | 7.72 | 50.63 |
| 2002 | 2.82 | 4.50 | 0.40 | 7.72 | 55.63 |
| 2003 | 2.82 | 4.50 | 0.40 | 7.72 | 55.63 |

Source: (1) City of Lebanon's Operating Budget.

(2) County Auditor, Warren County, Ohio

| <u>Warren County (2)</u> | <u>Mental Health (2)</u> | <u>Warren Co JVS (2)</u> | <u>Warren Co Meals(2)</u> |
|------------------------------|------------------------------|------------------------------|-------------------------------|
| 7.10 | 1.00 | 0.00 | 0.00 |
| 7.07 | 1.00 | 4.50 | 0.00 |
| 7.07 | 1.00 | 4.50 | 0.00 |
| 5.00 | 1.50 | 4.50 | 0.00 |
| 4.75 | 1.00 | 4.50 | 0.00 |
| 4.75 | 1.00 | 4.50 | 0.00 |
| 4.50 | 1.00 | 4.50 | 0.00 |
| 4.50 | 1.00 | 4.50 | 0.00 |
| 4.96 | 1.00 | 4.50 | 0.00 |
| 4.96 | 1.00 | 4.50 | 0.50 |

**CITY OF LEBANON, OHIO
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS**

| <u>Year</u> | <u>Population</u> | <u>Assessed Value (In Thousands)</u> | <u>Gross Bonded Debt (1)</u> | <u>Debt Service Monies Available (2)</u> | <u>Debt Payable From City Income Tax</u> |
|-------------|-------------------|--|--------------------------------------|--|--|
| 1994 | 10,423 | \$137,822 | \$5,893,323 | \$145,178 | \$511,945 |
| 1995 | 10,423 | 161,741 | 5,609,739 | 148,351 | 460,507 |
| 1996 | 10,423 | 170,752 | 10,171,905 | 164,784 | 394,068 |
| 1997 | 10,423 | 188,193 | 12,279,881 | 180,019 | 381,360 |
| 1998 | 10,423 | 220,294 | 11,732,691 | 170,383 | 368,652 |
| 1999 | 10,423 | 242,615 | 29,051,589 | 173,646 | 350,856 |
| 2000 | 16,962 | 257,841 | 27,999,619 | 191,652 | 2,781,790 |
| 2001 | 16,962 | 308,860 | 40,396,813 | 199,602 | 2,662,724 |
| 2002 | 16,962 | 323,136 | 38,830,627 | 219,310 | 2,542,388 |
| 2003 | 16,962 | 345,572 | 41,145,956 | 232,085 | 6,420,782 |

(1) Excludes special assessment general obligation debt.

(2) Includes only money available in the Library Bond Retirement Debt Service subfund.

(3) Excludes unamortized premiums and discount on revenue bonds

Source: 1990 and 2000 Census and Auditor's Office, City of Lebanon

| Debt Payable From Payments In Lieu Of Taxes | Debt Payable From Enterprise Revenues (3) | Net General Bonded Debt | Ratio Of Net General Bonded Debt To Assessed Value | Net General Bonded Debt Per Capita |
|--|--|----------------------------------|---|---|
| \$484,096 | \$3,767,282 | \$984,822 | 0.71 | \$94.49 |
| 459,613 | 3,599,619 | 941,649 | 0.58 | 90.34 |
| 435,131 | 8,297,706 | 880,216 | 0.52 | 84.45 |
| 408,232 | 7,826,065 | 3,484,205 | 1.85 | 334.28 |
| 381,333 | 7,455,790 | 3,356,533 | 1.52 | 322.03 |
| 354,434 | 24,980,000 | 3,192,653 | 1.32 | 306.31 |
| 325,118 | 24,140,000 | 561,059 | 0.21 | 33.07 |
| 97,650 | 36,955,000 | 481,837 | 0.16 | 28.41 |
| 86,800 | 35,615,000 | 367,129 | 0.11 | 21.64 |
| 75,950 | 34,225,000 | 192,139 | 0.06 | 11.33 |

**CITY OF LEBANON, OHIO
COMPUTATION OF OVERALL LEGAL DEBT MARGIN
DECEMBER 31, 2003**

| | | |
|---|------------------|----------------------|
| Assessed Value | | <u>\$345,571,960</u> |
| Overall Debt Limit (10 1/2% of the Assessed Value) | | \$36,285,056 |
| Total Voted and Unvoted Debt Outstanding at December 31, 2003 | \$50,509,223 | |
| Less: Exempt Debt | | |
| Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments | 743,267 | |
| Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax and Payments in Lieu of Taxes to be Applied to Debt Service | 6,496,732 | |
| Unvoted Mortgage Revenue Bonds to be Paid from Enterprise Fund Revenues | 34,225,000 | |
| Unvoted General Obligation Notes to be Paid from Enterprise Fund Revenues | <u>8,500,000</u> | |
| Total | 544,224 | |
| Less: Amount Available to Pay Non-Exempt Debt | <u>238,478</u> | |
| Net Subject to 10 1/2 percent Limitation | | <u>305,746</u> |
| Legal debt Margin within 10 1/2 percent Limitation | | <u>\$35,979,310</u> |

Source: Auditor's Office, City of Lebanon

**CITY OF LEBANON, OHIO
 COMPUTATION OF UNVOTED LEGAL DEBT MARGIN
 DECEMBER 31, 2003**

| | | |
|---|------------------|----------------------|
| Assessed Value | | <u>\$345,571,960</u> |
| Overall Debt Limit (5 1/2% of the Assessed Value) | | \$19,006,458 |
| Total Unvoted Debt Outstanding at December 31, 2003 | \$50,509,223 | |
| Less: Exempt Debt | | |
| Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments | 743,267 | |
| Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax and Payments in Lieu of Taxes to be Applied to Debt Service | 6,496,732 | |
| Unvoted Mortgage Revenue Bonds to be Paid from Enterprise Fund Revenues | 34,225,000 | |
| Unvoted General Obligation Notes to be Paid from Enterprise Fund Revenues | <u>8,500,000</u> | |
| Total | 544,224 | |
| Less: Amount Available to Pay Non-Exempt Debt | <u>238,478</u> | |
| Net Subject to 5 1/2 percent Limitation | | <u>305,746</u> |
| Legal debt Margin within 5 1/2 percent Limitation | | <u>\$18,700,712</u> |

Source: Auditor's Office, City of Lebanon

**CITY OF LEBANON, OHIO
 COMPUTATION OF DIRECT AND OVERLAPPING GENERAL BONDED DEBT
 DECEMBER 31, 2003**

| <u>Jurisdiction</u> | <u>Net Debt Outstanding</u> | <u>Percentage Applicable To City Of Lebanon</u> | <u>Amount Applicable To City Of Lebanon</u> |
|---------------------|---------------------------------|---|---|
| City of Lebanon | \$293,719 | 100.00% | \$293,719 |
| Warren County | 40,944,416 | 11.28% | <u>46,185</u> |
| Total | | | <u><u>\$339,904</u></u> |

Source: Ohio Municipal Advisory Service

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

**CITY OF LEBANON, OHIO
RATIO OF ANNUAL DEBT PRINCIPAL AND INTEREST EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL
GENERAL GOVERNMENT EXPENDITURES
LAST TEN YEARS**

| <u>Year</u> | <u>Debt Principal And Interest (1)</u> | <u>General Government Expenditures</u> | <u>Ratio Of Debt Principal And Interest To General Government Expenditures</u> |
|-------------|--|--|--|
| 1994 | \$127,815 | \$6,241,913 | 3.7 |
| 1995 | 125,201 | 6,706,510 | 3.4 |
| 1996 | 126,733 | 9,617,644 | 3.2 |
| 1997 | 165,161 | 11,368,518 | 2.9 |
| 1998 | 123,702 | 9,022,153 | 2.6 |
| 1999 | 120,218 | 12,078,604 | 2.0 |
| 2000 | 116,690 | 12,157,799 | 2.0 |
| 2001 | 118,120 | 15,125,963 | 2.0 |
| 2002 | 119,205 | 15,033,896 | 1.5 |
| 2003 | 120,025 | 15,251,759 | 0.8 |

Source: Auditor's Office, City of Lebanon

(1) Includes only General Obligation Debt payable from property taxes.

CITY OF LEBANON, OHIO
REVENUE BOND COVERAGE
LAST TEN YEARS

| Year | Operating Revenues | Operating Expenses (1) | Net Revenue Available For Debt Service | Debt Service Requirements | | | Coverage |
|------------------------------------|--------------------|------------------------|--|---------------------------|----------|-----------|----------|
| | | | | Principal | Interest | Total | |
| ELECTRIC/TELECOMMUNICATIONS | | | | | | | |
| 1994 | 6,553,126 | 4,798,695 | 1,754,431 | 0 | 0 | 0 | 0.0 |
| 1995 | 6,798,142 | 6,673,997 | 124,145 | 0 | 0 | 0 | 0.0 |
| 1996 | 7,014,943 | 5,860,330 | 1,154,613 | 0 | 0 | 0 | 0.0 |
| 1997 | 7,217,373 | 6,013,800 | 1,203,573 | 155,000 | 249,795 | 404,795 | 3.0 |
| 1998 | 7,733,375 | 8,682,967 | (949,592) | 160,000 | 244,060 | 404,060 | (2.4) |
| 1999 | 8,695,819 | 7,004,633 | 1,691,186 | 165,000 | 237,660 | 402,660 | 4.2 |
| 2000 | 11,015,754 | 10,839,189 | 176,565 | 175,000 | 228,185 | 403,185 | 0.4 |
| 2001 | 14,076,889 | 11,846,689 | 2,230,200 | 180,000 | 515,133 | 695,133 | 3.2 |
| 2002 | 15,603,687 | 13,377,046 | 2,226,641 | 620,000 | 897,571 | 1,517,571 | 1.5 |
| 2003 | 16,812,728 | 13,355,187 | 3,457,541 | 645,000 | 871,723 | 1,516,723 | 2.3 |
| SEWER | | | | | | | |
| 1994 | 1,313,550 | 746,084 | 567,466 | 82,663 | 162,950 | 245,613 | 2.3 |
| 1995 | 1,467,877 | 823,588 | 644,289 | 90,000 | 148,057 | 238,057 | 2.7 |
| 1996 | 1,548,851 | 1,177,153 | 371,698 | 95,000 | 139,538 | 234,538 | 1.6 |
| 1997 | 1,719,824 | 1,116,893 | 602,931 | 125,000 | 80,868 | 205,868 | 2.9 |
| 1998 | 1,582,869 | 994,573 | 588,296 | 130,000 | 80,550 | 210,550 | 2.8 |
| 1999 | 1,817,875 | 1,224,270 | 593,605 | 135,000 | 329,561 | 464,561 | 1.3 |
| 2000 | 1,935,006 | 1,464,746 | 470,260 | 340,000 | 507,541 | 847,541 | 0.5 |
| 2001 | 1,840,462 | 606,494 | 1,233,968 | 355,000 | 492,750 | 847,750 | 1.5 |
| 2002 | 2,309,101 | 1,607,356 | 701,745 | 370,000 | 479,825 | 849,825 | 0.8 |
| 2003 | 2,685,253 | 1,892,323 | 792,930 | 380,000 | 462,068 | 842,068 | 0.9 |
| WATER | | | | | | | |
| 1994 | 1,493,615 | 745,773 | 747,842 | 80,000 | 120,800 | 200,800 | 3.7 |
| 1995 | 1,784,680 | 707,200 | 1,077,480 | 80,000 | 116,480 | 196,480 | 5.5 |
| 1996 | 1,877,081 | 1,260,381 | 616,700 | 85,000 | 111,836 | 196,836 | 3.1 |
| 1997 | 2,058,358 | 1,347,491 | 710,867 | 90,000 | 108,737 | 198,737 | 3.6 |
| 1998 | 1,903,230 | 725,699 | 1,177,531 | 100,000 | 101,082 | 201,083 | 5.9 |
| 1999 | 2,203,332 | 848,868 | 1,354,464 | 105,000 | 281,951 | 386,951 | 3.5 |
| 2000 | 2,264,674 | 1,139,469 | 1,125,205 | 325,000 | 500,109 | 825,109 | 1.4 |
| 2001 | 2,117,782 | 1,347,618 | 770,164 | 340,000 | 471,485 | 811,485 | 0.9 |
| 2002 | 2,601,406 | 1,398,906 | 1,202,500 | 350,000 | 458,068 | 808,068 | 1.5 |
| 2003 | 2,975,106 | 1,500,918 | 1,474,188 | 365,000 | 444,418 | 809,418 | 1.8 |

Source: Auditor's Office, City of Lebanon

(1) Does not include depreciation

**CITY OF LEBANON, OHIO
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

| <u>Collection Year</u> | <u>Amount Billed (1)</u> | <u>Amount Collected (2)</u> | <u>Percent Collected</u> |
|----------------------------|------------------------------|---------------------------------|------------------------------|
| 1994 | \$203,785 | \$194,987 | 96 % |
| 1995 | 227,638 | 218,731 | 96 |
| 1996 | 241,876 | 209,249 | 87 |
| 1997 | 247,320 | 216,130 | 87 |
| 1998 | 204,068 | 166,284 | 81 |
| 1999 | 237,258 | 202,679 | 85 |
| 2000 | 231,377 | 197,895 | 86 |
| 2001 | 208,737 | 174,865 | 84 |
| 2002 | 206,496 | 187,109 | 94 |
| 2003 | 185,427 | 159,732 | 86 |

(1) County Auditor; Warren County, Ohio

(2) City's Tax Settlement Sheets

**CITY OF LEBANON, OHIO
 DEMOGRAPHIC STATISTICS
 LAST TEN YEARS**

| <u>Year</u> | <u>Population (1)</u> | <u>School Enrollment (2)</u> | <u>Unemployment Rate Warren County (3)</u> |
|-------------|-----------------------|------------------------------|--|
| 1994 | 10,423 | 3,842 | 4.9 |
| 1995 | 10,423 | 3,842 | 4.2 |
| 1996 | 10,423 | 4,214 | 3.9 |
| 1997 | 10,423 | 4,354 | 3.2 |
| 1998 | 10,423 | 4,405 | 2.9 |
| 1999 | 10,423 | 4,462 | 3.0 |
| 2000 | 16,962 | 4,496 | 3.0 |
| 2001 | 16,962 | 4,525 | 3.3 |
| 2002 | 16,962 | 4,659 | 3.7 |
| 2003 | 16,962 | 4,746 | 4.4 |

Sources: (1) 1990 Census and 2000 Census

(2) Lebanon City School District Board of Education

(3) Ohio Bureau of Employment Services

**CITY OF LEBANON, OHIO
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN YEARS**

| Year | Property Values (2) | Residential Construction (1) | | Commercial Construction (1) | | City Bank Deposits (3) | County Bank Deposits (3) |
|------|---------------------|------------------------------|-------------|-----------------------------|--------------|------------------------|--------------------------|
| | | Number Of Permits | Value | Number Of Permits | Value | | |
| 1994 | \$215,659,971 | 192 | \$8,573,264 | 49 | \$22,151,935 | \$346,078,000 | \$422,581,000 |
| 1995 | 262,346,400 | 284 | 17,677,894 | 82 | 11,362,500 | 370,414,000 | 460,950,000 |
| 1996 | 282,056,571 | 351 | 20,637,230 | 78 | 6,356,055 | 379,213,000 | 465,584,000 |
| 1997 | 307,681,286 | 291 | 19,110,569 | 80 | 13,093,658 | 427,736,000 | 523,595,000 |
| 1998 | 378,715,229 | 267 | 15,298,503 | 82 | 16,028,448 | 437,918,000 | 521,795,000 |
| 1999 | 408,871,657 | 321 | 20,556,607 | 89 | 22,130,622 | 445,370,000 | 533,873,000 |
| 2000 | 432,347,257 | 268 | 18,796,587 | 87 | 17,792,980 | 453,127,000 | 548,623,000 |
| 2001 | 534,313,514 | 329 | 24,378,196 | 106 | 11,813,007 | 482,767,000 | 618,781,000 |
| 2002 | 568,389,857 | 229 | 26,861,699 | 83 | 13,275,492 | 509,111,000 | 612,603,000 |
| 2003 | 609,877,060 | 197 | 20,500,400 | 86 | 14,063,245 | 53,037,800 | 637,524,000 |

Sources: (1) City of Lebanon Building Department

(2) Estimated true values for real property from County Auditor, Warren County, Ohio

(3) Federal Reserve Bank of Cleveland

**CITY OF LEBANON, OHIO
 PRINCIPAL TAXPAYERS
 DECEMBER 31, 2003**

| | <u>Taxpayer</u> | <u>2003 Real Property Assessed Valuation</u> | <u>Percentage of Total Assessed Valuation Real Property</u> |
|-----|--------------------------------|--|---|
| 1. | Advics Manufacturing | \$15,957,270 | 7.48 % |
| 2. | Fujitec America | 7,314,970 | 3.43 |
| 3. | Johnson & Hardin | 6,191,630 | 2.90 |
| 4. | Amtex, Inc. | 2,545,280 | 1.19 |
| 5. | United Telephone | 2,315,400 | 1.08 |
| 6. | Crossman Communities | 2,275,390 | 1.07 |
| 7. | Watson Crossing Two LLC | 2,036,120 | 0.95 |
| 8. | Eastern Retail Holdings | 2,019,420 | 0.95 |
| 9. | Southern Ohio Gun Distributors | 1,910,030 | 0.89 |
| 10. | Lebanon Parke Towne Homes | <u>1,873,010</u> | <u>0.88</u> |
| | Total Principal Taxpayers | <u>\$44,438,520</u> | <u>20.82 %</u> |
| | Total City | <u>\$213,456,970</u> | |

Source: County Auditor, Warren County, Ohio

**CITY OF LEBANON, OHIO
MISCELLANEOUS STATISTICS
DECEMBER 31, 2003**

| | |
|---|------------------------------|
| Year of Incorporation | 1960 |
| Form of Government | Charter - Council/Manager |
| Area | 12.8401 Square Miles |
| Miles of Streets | 83.598 |
| Number of Street Lights | 1,863 |
| Police Protection: | |
| Number of Stations | 1 |
| Number of Police Officers | 26 |
| Hospitals | 1 Emergency Treatment Center |
| Education (K-12) (Public only) | |
| Attendance Centers | 6 |
| Number of Classrooms | 222 |
| Number of Teachers | 305 |
| Number of Students | 4,746 |
| Municipal Water Department | |
| Miles of Water Main | 82.742 |
| Sewers: | |
| Sanitary Sewers | 80.694 |
| Storm Sewer | 37.311 |
| Building Permits Issued | 283 |
| Recreation and Culture: | |
| Number of Parks | 15 |
| Number of Libraries | 1 |
| Employees (includes part-time firefighters) | 189 |

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**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF LEBANON

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2004**