

CITY OF LANCASTER
SINGLE AUDIT
YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

Members of City Council
City of Lancaster
104 East Main Street
Lancaster, Ohio 43130

We have reviewed the *Independent Auditors' Report* of the City of Lancaster, Fairfield County, prepared by Wolfe, Wilson, & Phillips, Inc. for the audit period January 1, 2005 through December 31, 2005. 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 Lancaster is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 14, 2006

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CITY OF LANCASTER

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**CITY OF LANCASTER
FAIRFIELD COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
(Direct Award)			
Community Development Block Grant	N/A	14.218	
CDBG 95			\$ 3,465
CDBG 96			10,669
CDBG 98			2,490
CDBG 99			9,771
CDBG 00			10,000
CDBG 01			2,291
CDBG 02			17,824
CDBG 03			60,859
CDBG 04			477,157
CDBG 05			30,214
Total Community Development Block Grant			<u>624,740</u>
Home Investment Partnerships Program	N/A	14.239	24,637
Total U.S. Department of Housing and Urban Development			649,377
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
Pass through Ohio Department of Transportation			
Federal Transit Capital/Operating Grant	RPT4023-024-051 RPT4023-024-052	20.509	238,757
			<u>81,600</u>
Total U.S. Department of Transportation			320,357
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
Pass through Ohio Office of Criminal Justice Services			
Violence Against Women Act Grant	2003-WF-VA5-8422	16.588	36,000
Local Law Enforcement Block Grant	2003-LB-BX-0837 2004-LB-BX-1519	16.592	13,182
Total Local Law Enforcement Block Grant			<u>545</u> 13,727
Bryne Formula Grant	2003-DG-DOV-7214A	16.579	10,459
Total U.S. Department of Justice			60,186
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
(Direct Award)			
Assistance to Firefighters Grant	EMW-2004-FG-06084-002	97.044	116,576
Total U.S. Department of Homeland Security			<u>116,576</u>
Total Federal Awards Expenditures			\$ 1,146,496

See notes to Schedule of Federal Awards Expenditures.

CITY OF LANCASTER

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

Program Title: Community Development Block Grant; CFDA#: 14.218; Amount: \$99,028.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under Federal Circular A-133, the City is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purpose in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C - REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2005, the gross amount of loans outstanding under the Community Development Block Grant (CDBG) program was \$671,009. At December 31, 2005, the gross amount of loans outstanding under the Home Improvement Partnerships Program was \$709,650.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Honorable Mayor and Members of City Council
City of Lancaster
Lancaster, Ohio 43130

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 Lancaster as of and for the year ended December 31, 2005, and have issued our report thereon dated April 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Lancaster'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 an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of City of Lancaster in a separate letter dated April 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lancaster's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of City of Lancaster in a separate letter dated April 28, 2006.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 28, 2006

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Honorable Mayor and Members of City Council
City of Lancaster
Lancaster, Ohio 43130

Compliance

We have audited the compliance of City of Lancaster with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. City of Lancaster's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Lancaster's management. Our responsibility is to express an opinion on City of Lancaster's compliance based on our audit.

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

In our opinion, City of Lancaster complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of City of Lancaster is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Lancaster's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Internal Control Over Compliance (Continued)

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

Schedule of Federal Award Expenditures

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregated remaining fund information of City of Lancaster as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 28, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of federal award expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 28, 2006

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505**

**CITY OF LANCASTER
DECEMBER 31, 2005**

1. AUDITOR’S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs’ Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	FTA #20.509
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

Comprehensive Annual Financial Report



Lancaster, Ohio

**FOR THE YEAR ENDED
DECEMBER 31, 2005**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005

Prepared by the City Auditor's Office

Mary F. Green
City Auditor



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FAIRFIELD COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF LANCASTER

104 East Main Street • Lancaster, Ohio 43130
Mary F. Green, City Auditor

phone (740) 687-6611

fax (740)-681-5064

April 28, 2006

To the Citizens and
Elected Officials of
Lancaster, Ohio:

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR), of the City of Lancaster, Ohio, for the year ended December 31, 2005.

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

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

The Report

The CAFR is divided into three sections as follows:

1. *The Introductory Section* includes this letter of transmittal which presents the City's organization, operational structure and accomplishments; an organizational chart; a list of elected officials; and the GFOA Certificate of Achievement.
2. *The Financial Section* contains the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.
3. *The Statistical Section* presents social, economic and historical data in a multi-year format useful in identifying financial trends and data relative to the fiscal capacity of the City.

CITY OF LANCASTER, OHIO

Letter of Transmittal For the Year Ended December 31, 2005

The Reporting Entity

The City of Lancaster is a statutory city operating under the provisions of the Ohio Revised Code which provides for an elected Mayor, Auditor, Treasurer, Law Director, President of Council, Council (six elected from wards and three at-large members), two Judges of the Municipal Court and a Municipal Court Clerk.

Lancaster is a full service City, and in order to provide necessary services to its citizens, the City of Lancaster is divided into departments. Services provided include full time police and fire protection, health services and clinic, park and recreational activities, city owned gas company, solid waste disposal, sewage collections and treatment, water treatment and distribution, street maintenance and repair and traffic control. These activities are provided by the City Council through the budgetary process and other elected officials through administrative and managerial policies and procedures and by the statutes of the State of Ohio.

The City participates in the following Jointly Governed Organizations: Fairfield Metropolitan Housing Authority, Community Action Board, Fairfield Regional Planning Commission, Fairfield Family, Adult and Children First, Fairfield County Multi-System Youth Committee, Community Corrections Board, Fairfield-Hocking Major Crimes Investigation Unit and FairCATS.

The Lancaster City School District, under the Board of Education, and the Fairfield Medical Center are separate and independent entities and as such, are not included in this report.

City Overview

The City of Lancaster is the county seat of Fairfield County and is located in central Ohio approximately thirty miles southeast of Columbus.

History abounds in Lancaster and the surrounding area. Colonel Ebenezer Zane, a famous trailblazing pioneer and soldier, is generally considered the founding father of Lancaster. In 1796, Zane petitioned Congress to grant him a contract to open a road through Ohio, a distance of two hundred sixty-six (266) miles, which stretched from Wheeling, West Virginia, to Limestone, Kentucky, (1797 "ZANES TRACE" opened). In payment for Zane's work, he received three square mile tracts of land where Lancaster now stands. He sold some of his real estate and the town began to take root and was named New Lancaster. His two sons, Noah and John, laid out the original town from Pearl Street on the east to Front Street (now Memorial Drive) on the west and included Chestnut, Main, Wheeling and Mulberry Streets running east and west between Pearl and Front Streets. The town was named New Lancaster at the request of the early German settlers from Lancaster, Pennsylvania, but was shortened to Lancaster in 1805.

Items of Local Interest

The City of Lancaster is known for its excellent park system, including Rising Park and Mount Pleasant. General William T. Sherman was born in Lancaster, and his home on downtown Main Street is maintained by the State of Ohio as a Civil War Museum. Other important men who have called Lancaster home are U.S. Senator Thomas Ewing and three Governors of Ohio, William Medill, John Brough and John Brown.

***Letter of Transmittal
For the Year Ended December 31, 2005***

Culture and Education

Lancaster is home to the annual Lancaster Festival, the Zane Square Festival and the Fairfield Heritage annual tour of beautiful and historic buildings and homes. The Lancaster Public Library is second-to-none and offers full library services. In addition to the excellent public school system, grades K-12, operated by the Lancaster Board of Education, Ohio University, maintains a branch college in the City and offers a variety of Associate, Bachelor and Masters degree opportunities as well as continuing education programs. The Fairfield County Fair is held in Lancaster every year in the month of October and is the last county fair each year in the State of Ohio.

ECONOMIC CONDITION AND OUTLOOK

With a history of almost 200 years, Lancaster is home to a diversified community of businesses. The more than 150 manufacturing operations in the area are supported by an equal number of service operations that provide a comprehensive network of support. With the completion of the \$160 MM U.S. Route 33 bypass, the expansion of City utilities and Industrial grounds, and a growing workforce, Lancaster is well positioned to have successful economic retention and growth.

The City is a hub for Medical services in Fairfield and the surrounding counties of Perry, Hocking, Vinton, Meigs, and Athens. The Fairfield Medical Center provides full hospital services to the region with a 222 bed facility and smaller outpatient clinics throughout the City. FMC has over 250 doctors on staff and employees over 2,200. With the recent 26 MM expansion that includes an expanded Emergency Area, Parking Garage, and Heart and Gastronomical Care Units, the Fairfield Medical Center continues to be a catalyst for economic stimulus for the entire community.

Having a regional medical facility fosters economic development in various areas of our community including restaurant and retail sectors. Current projects include a 100 acre retail center that will facilitate three national big-box retailers and multiple out-lots. This project is expected to begin construction in early summer of 2006. Retail projects in 2005 include Weldons Ice Cream Shoppe, Oakland Hill Bank, Standing Stone Bank, Hobby Lobby, TJ Maxx, Fifth Third Bank, and others. The downtown area is being re-invented with a new Special Improvement District Director. Projects include the Lancaster Olde Town Center with retail artistic vendors on the ground floor and attractive renovated upscale housing above. WG Grinders restaurant recently announced that they would be coming downtown in a newly renovated building. The focus to replace out-of-town building owners with locals is a plus that will make the downtown a better place for commerce. The City is also addressing the concern for convenient parking downtown and exploring the feasibility of two parking garages located adjacent to the north and south downtown areas.

Being an attractive community active in the Arts with world famous talent and events such as the Lancaster Festival, and being a safe and economical place to live, coupled with quality healthcare, makes Lancaster a hotbed for retirement living. The Jerry McClain Company is actively constructing a new 90 bed assisted living complex. New technology will be implemented to make this facility premiere in quality of life for residents. Approximately ninety jobs will be created for this single endeavor. Gorsuch-Methodist Eldercare Development, LLC is also building 47 cottage units, 85 congregate units, and a 35 bed assisted living facility on 22 acres. The condo market has soared in the last couple years with multiple projects occurring across the City. Single Family homes also continue to add to the communities' population with multiple mass-builder and local-builder projects.

***Letter of Transmittal
For the Year Ended December 31, 2005***

Regional and National activities that include new transportation improvements will impact the economic activity in Lancaster in a positive way. Rickenbacker Air-Industrial Park recently began construction on a new intermodal that will connect by rail this region to a new port-of-call in Norfolk, Virginia. According to a study performed by Insight Research for the Columbus Regional Airport Authority and Norfolk Southern, these terminal projects at Rickenbacker will provide the following benefits: Annual Direct and Indirect taxes by 2028; \$100.9 million; Annual Direct Jobs by 2028; 9,473; Annual Indirect Jobs; 10,860; and other economic impacts by 2028 of \$1.044 billion. Lancaster's geographic location in proximity to this project and its own rail sites provides an opportunity to be positively impacted both directly and indirectly. Other regional transportation improvements in the direction of Rickenbacker and Interstate roadway access will continue to foster economic activity and relocations of Columbus Area businesses such as Fox Mechanical that purchased two acres in Lancaster and has begun construction on a new 12,000 square foot industrial building.

In 2005, the City restructured local government departments and created the Lancaster Port Authority. With a more efficient local government, The City of Lancaster is working to create a more productive atmosphere in government affairs. The creation of the Lancaster Port Authority is a new government tool for Lancaster that is working on various projects from Broadband infrastructure to brown-field redevelopment projects.

The combinations of City Government, Regional Development, Private Sector Investment and Industry, Medical Technology, and The Education and Arts Communities work well and compliment the region to create a dynamic and positive Lancaster City Economic Outlook.

Lancaster voters approved a .15% Income Tax in May 2005 specific to safety (Fire). This levy will generate approximately \$1,200,000 and will result in the hiring of additional firemen and the eventual creation of a much needed firehouse to be located in the north corridor of the city.

The Lancaster Bike Trail, Phase I of IV Phases, is nearing completion. Planners of the project hope to finish the entire Bike Trail Loop by 2008. The bike trail has been supported in greatest part by various grants; Community Development Block Grant, R. Alvin Severson Fund/Columbus Foundation, Nannie Martens Fund, Fairfield Foundation, Lancaster City Parks, Fairfield Medical Center, Recreational Trails Program and Clean Ohio Grant. Money so far spent or earmarked to be spent on the Bike Trail project is \$1,463,000.

MAJOR INITIATIVES

The long-awaited U.S. Route 33 Lancaster Bypass opened for its full-length on October 26, 2005. This "interstate look-alike" highway routes U.S. 33 around the City between Horns Mill Road south of Lancaster and Carroll north of Lancaster. The new highway is expected to alleviate traffic congestion on Memorial Drive, formerly U.S. 33 inside the City. The improved traffic flow on Memorial Drive should help the City's busiest commercial corridor continue to thrive.

***Letter of Transmittal
For the Year Ended December 31, 2005***

Due to its proximity to the U.S. 33 Bypass' interchange with SR 188, City Council determined in 2001 that the development of Phase 2 of the Rock Mill Corporate Park to be the City's top priority for economic development. Council decided to focus the City's capital improvement monies to develop infrastructure to serve Phase 2 of the industrial park. Council set a deadline of the opening of the Bypass to have ready sites available in Phase 2 and at the SR 188 interchange area. The new sites are to attract new industries and jobs to Lancaster, helping restore the income tax base that funds most of the City's basic services. The overall project involved street and roadway improvements, water system improvements including new lines and a storage tank, and new sanitary sewers and a lift station. The cost to provide the immediate needs for infrastructure to serve Phase 2 of the Rock Mill Corporate Park was over \$10M. Upon the opening of the Bypass, Council's goal had been met with job ready sites in Phase 2 of the park as well as both sides of the SR 188 interchange.

Vacant property in Rock Mill Corporate Park Phase 1 is not being ignored. West Fair Avenue between Camp Ground Road and Collins Road was upgraded from a country lane to an industrial street. The reconstructed street now has sufficient strength to carry the expected traffic loads, and the wider pavement meets current standards. A State Capital Improvement Grant from the Ohio Public Works Commission paid for 70-percent of the construction costs.

Development in the northwest corridor along US 33 created the need for upgrades to the City's water distribution system. Three water main projects had been completed in previous years to upgrade water service to this high-growth corridor under the Northwest Distribution System Improvements project. Phase 4 of the project began in 2005 and extended water lines up Baltimore Road to Rainbow Drive, and out Rainbow Drive in both directions. The construction of a pressure booster station near Arlington Avenue to serve the Baltimore Road water line was nearing completion at year's end. The City is restudying the need for a 1 or 2-million gallon water storage tank off of SR 158 near Rainbow Drive in the original; the impact of the previous improvements and other potential improvements may eliminate the need for that tank.

Development in the north-central and northeast portions of the City has also created the need for water system improvements. This area of the City is experiencing renewed residential growth. Also, along with the existing developments, the demand from developers to serve additional acreage is pushing the need to erect a water storage tank. The tank will provide the necessary water pressure and fire protection flows for development to continue in this area of the City. The City has identified a site for an elevated water storage tank. The project is programmed for land acquisition and design engineering in 2006. In addition, this tank along with the Northwest Distribution System Improvements may eliminate the need for a ground storage tank in the vicinity of SR 158 and Rainbow Drive.

The City did not have a contract or in-house street resurfacing program in 2005. The State Legislature passed legislation that severely curtails the City's Department of Transportation's (LDoT) efforts to maintain the City's streets. The legislation has imposed a maximum of \$30,000 in work, including labor that a City may undertake on one of its streets. The City must bid projects of a greater magnitude.

CITY OF LANCASTER, OHIO

Letter of Transmittal For the Year Ended December 31, 2005

The City and the Ohio Department of Transportation (ODOT) continued joint efforts to reconstruct former U.S. 33, Memorial Drive, through the City. The project was let in 2005, but work is not expected to begin until April 2006. With completion of the Lancaster Bypass, the federal US 33 shield was removed from Memorial Drive, and it become a city street to maintain. ODOT provided design engineering and is administering and inspecting the construction work. Funding for this project will utilize the ODOT contribution as well as the City's allocation of federal surface transportation program (STP) funds that the City has "banked" over the last few years. The City has also assumed a State Infrastructure Bank load to fund the remaining portion of this \$9.1M project. The reconstruction of this main commercial artery of the City should enhance Memorial Drive as a desirable site for new businesses.

The City and ODOT have cooperative efforts to improve two other state routes in the City. ODOT has let a project to resurfacing SR 188 West, Cedar Hill Road from the west corporation line to US 22 in 2006. They are also programming the resurfacing of SR 793 and repairs to the pile encasements on the SR 793, South Broad Street bridge over the Hocking River for 2006 or 2007.

Amendments to the federal Clean Water Act have directed pollution mitigation efforts to other water pollution sources, one being combined sewer overflows (CSO's). Older cities like Lancaster have combined sewers that carry both sanitary and storm flows in the same conduits. During and after rain events those sewers become filled beyond capacity and the system outlets the excess flow to streams and rivers. Those outlet points are CSO's. The CSO's are currently permitted under the City's National Pollution Discharge Elimination System (NPDES) permit. The Ohio Environmental Pollution Agency (OEPA) has advised the City that under future NPDES permits the City will be required to reduce the number of overflow events at its CSO's. Therefore, the City retained a consulting engineer to develop a plan to meet the stricter permit conditions. The City is on schedule and the required nine minimum controls mandated in the regulations have been implemented. The City submitted the *Combined Sewer System Characterization Report* and the *Combined Sewer System Operational Plan* to the Ohio Environmental Protection Agency (OEPA) in 1999. The *Combined Sewer Overflow Long Term Control Plan (LTCP)* was completed and submitted to OEPA in June 2000, and a rewrite based on OEPA's review comments was submitted in 2003. The City and OEPA are negotiating a settlement of this plan at year's end, and expecting its acceptance.

One major component of the *LTCP* is the construction of a satellite wastewater treatment plant that will treat flows from the northwest and west sides of the City where the storm and sanitary flows are separate. The elimination of flows from these sections of the City will reduce flows in the combined system they now drain to, and will reduce the number of overflow events from CSO's. Property for this facility was acquired at the beginning of 2005, which will be located west of Collins Road, east of Camp Ground Road and south of the Hocking River. An engineer was selected in mid-2005 to begin the planning and design of the new facility. Design criteria was established prior to year's end. Construction is anticipated to begin in 2008.

Another major project listed in the *LTCP* to alleviate CSO overflow events is the Lake/Allen/Maple Sewer Improvement project. Another purpose of this project is to separate storm and sanitary sewer flows in this Sewer District to eliminate basement flooding in the Lake-Allen area. This \$9.1M project is projected to take over two years to complete. Bonds have been sold to pay projects costs, and will be repaid from receipts from both sanitary sewer collection revenues and stormwater program revenues.

***Letter of Transmittal
For the Year Ended December 31, 2005***

A major area of stormwater needs is the repair and replacement of culverts. Stormwater program funds are allowing two badly deteriorated culverts under North Columbus Street east of Ety Road to be programmed for replacement. Design work for their replacements is underway at year's end with construction programmed for 2007.

Two other culverts are slated for replacement in 2006 using stormwater revenues as the local match for a State Capital Improvement Program grant from the Ohio Public Works Commission. The Hoffman Drive and Sheridan Drive Culvert Replacement project will replace badly deteriorated and hydraulically inadequate culverts under Hoffman Drive and under Sheridan Drive. The grant will cover approximately 70-percent of the project's costs. At year's end, the project design is complete. The issuance of bids has been delayed waiting for the relocation of conflicting utilities.

A project utilizing Community Development Block Grant (CDBG) funds to correct drainage problems in another neighborhood was bid in late 2005, with construction to be completed in 2006. Barr Drive in the Lanreco Farms Addition was developed prior to annexation into the City. This project will remove the existing pavement, install a closed stormwater collection system, and construct a full-width, full-depth asphalt concrete pavement with curb and gutter.

One major environmental project with economic development emphasis is the redevelopment of the former Anchor Hocking Plant 2 site on South Ewing Street. It received a U.S. Environmental Protection Agency funded Brownfield Pilot Assessment Grant of \$200,000, allowing both Phase I and Phase II Environmental Site Assessments to be completed for the site. Following the assessment, a work plan outlining cleanup costs for the site was completed in 2003. The City then applied for Clean Ohio Funding in 2003, receiving a \$2,837,448 Clean Ohio Fund grant to cleanup and redevelopment of the site. The City acquired property rights to 18 acres of the 22 acre site at the end of 2005. Plans for performing the necessary remedial work are under development at year's end.

A grant was also obtained to perform another environmental project in the City. The Ohio Public Works Commission (OPWC) awarded the City \$271,875 for the Baldwin Run Stream Restoration Project. The project was let in 2004 and completed in 2005. This project will help restore the natural stream channel, restore habitat for fish and biological communities, enhance the natural greenway and promote recreational activities and public access along the stream.

The City submitted two, Round 20 grant applications to the Ohio Public Works Commission in 2005 for funding capital improvement projects in the City with State Capital Improvement Program monies. The priority one project is the Rock Mill Corporate Park Roadway Improvements, Phase 4. This is a continuation of another project to upgrade infrastructure in the Rock Mill Corporate Park as part of the City's economic development plan. This project will reconstruct Camp Ground Road from Fair Avenue to a point just north of Wilson Road. Design is underway at year's end.

The second project is the South Ewing Street Sanitary Sewer Extension Project. The South Ewing Street Sanitary Sewer Extension will provide City sanitary sewer service to Ewing Street properties north of Lawrence Street for 1600 feet. There is a mixture of residential and commercial properties along this section of street. The grant is expected to pay for half the construction costs with the Water Pollution Control Fund paying the remaining costs. Project design is complete.

*Letter of Transmittal
For the Year Ended December 31, 2005*

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

Development of the City's accounting system included substantial consideration of the adequacy of the internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance of the following:

1. The City's assets are protected against loss and unauthorized use or disposition.
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated applying the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation.
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City administration and the Auditor's Office.

All internal control evaluations occur within this framework. It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

The Auditor's Office is responsible for the auditing and analysis of all purchase orders of the City. Personnel of the Auditor's Office carefully review purchase orders to ensure the availability of monies in the proper funds and accounts prior to the certification and subsequent payment of approved invoices. The City utilizes a fully automated accounting system as well as an automated system of controls for capital asset accounting and payroll. These systems, coupled with the review and examination performed by the City Auditor's Office, ensure that the financial information generated is both accurate and reliable.

Budgetary control is maintained at the object level for each department within each fund via legislation approved by City Council. Lower levels within each object are accounted for and reported internally. Such lower levels are referred to as line items of expenditure. Estimated amounts must be encumbered prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available object level appropriations are not approved unless additional appropriations are authorized. Unencumbered appropriations return (lapse) to the unappropriated balances in the individual funds at the end of each fiscal year, which coincides with the calendar year.

CITY OF LANCASTER, OHIO

Letter of Transmittal For the Year Ended December 31, 2005

Cash Management

Cash management is a vital component of the City of Lancaster's overall financial strategy. The primary objective of the City's investment activity is the preservation of capital and the protection of invested principal. The City pools its cash for maximum investing efficiency, except for the cash held by fiscal and escrow agents and certain debt service and trust and agency funds.

Public funds are invested to achieve maximum return on the portfolio without assuming unreasonable risk. The City purchases investments only through member banks of the Federal Reserve System or broker-dealers registered with the U.S. Securities and Exchange Commission. Investments are diversified to avoid incurring unreasonable risks relating to a specific type of security or to a particular individual financial institution. Portfolio investments remain sufficiently liquid to ensure that all operating requirements are satisfied in a timely manner.

The City's cash resources were invested at December 31, 2005 as follows:

Local Securities	\$1,361,000	3.70%	
U.S. Agencies	9,833,975	26.72%	
STAR Ohio	489,223	1.33%	
Certificates of Deposit	4,118,729	11.18%	
Repurchase Agreements	18,799,106	51.07%	
Cash	2,207,076	6.00%	
Total Resources	\$36,809,109	100.00%	

The City earned interest of \$917,365 on investments for fiscal year 2005. Except for earnings on investment held by fiscal and escrow agents, in bond reserves and trust funds, interest earned was allocated to the governmental funds.

At December 31, 2005, the City had deposits of \$6,325,805 which were collateralized by pooled collateral. The Ohio Revised Code provides for the establishment of collateral pools by financial institutions designed to safeguard public deposits. The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit with the financial institution. The collateral is held by the financial institution (see Note 3 of the financial statements). All deposits are made under contracts with local banking institutions pursuant to statute.

Risk Management

The City is adequately insured in all areas including buildings, contents, vehicles, equipment and general liability. The City is also covered under the State Worker's Compensation Fund. The City makes every effort to monitor insurance costs and related risk of accident to ensure proper fiscal management in this area.

*Letter of Transmittal
For the Year Ended December 31, 2005*

OTHER INFORMATION

Independent Audit

This report includes an unqualified audit report regarding the City's financial statements. The audit was conducted by Wolfe, Wilson & Phillips, Inc., Certified Public Accountants. The Auditor's Report on the basic financial statements is included in the financial section of this report. The Auditor's report relating to the Federal Single Audit Act of 1996 is issued separately.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending December 31, 2004. This was the nineteenth consecutive year the City has won this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements, and I am again submitting it to the GFOA to determine its eligibility for another certificate.

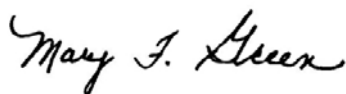
Public Disclosure

The publication of this Comprehensive Annual Financial Report is indicative of the City's commitment to provide significantly enhanced financial information and accountability to its citizens. In addition to the citizens of Lancaster, the recipients of this report include city, state and federal officials, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization requesting it. The extensive effort to prepare and distribute this report is indicative of the continued efforts of the City to improve its overall financial accounting, management and reporting capabilities.

Acknowledgments

A special thanks is extended to my staff, Catherine Ryan, Assistant Auditor, Marsha Conrad, Jody Sheets, Denise Hill, and Patricia Nettles, Deputy Auditors, for their assistance in compiling the cash reports and other data. I would like to thank Donald J. Schonhardt & Associates, Inc. for their professional guidance and many hours of hard work that went into preparing this report. The cooperation of many people is required to produce a quality product such as this CAFR.

Sincerely,



Mary F. Green
City Auditor

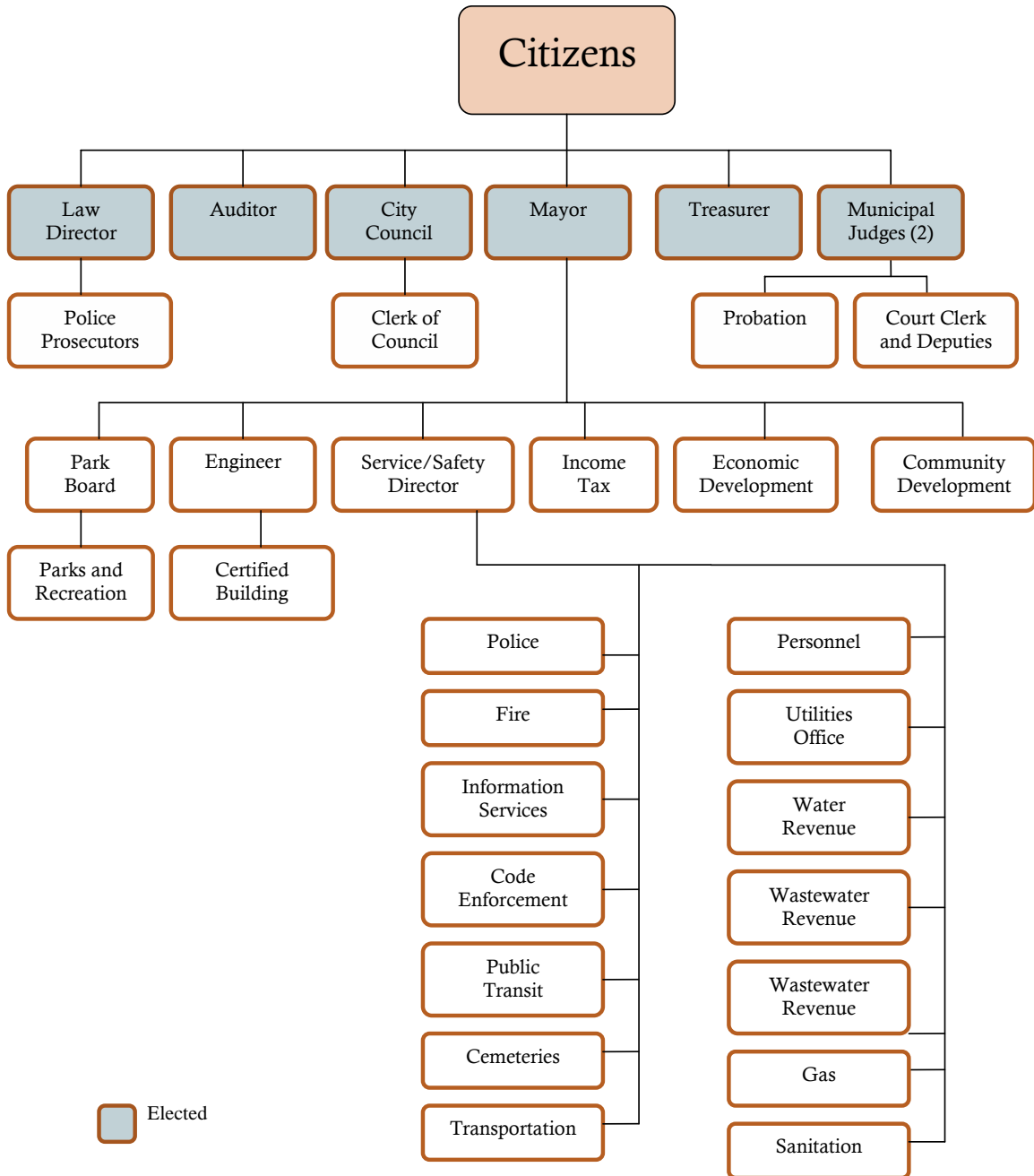
CITY OF LANCASTER, OHIO

**List of Principal Officials
For the Year Ended December 31, 2005**

<u>Name</u>	<u>Title</u>
<u>Executive Officials</u>	
David Smith	Mayor
Mary F. Green	Auditor
Terre Vandervoort	Law Director
Jack Rupe	Treasurer
<u>Legislative Officials</u>	
Carl Tatman	President of Council
Roger Morgan	Council-at-Large
Jeffrey Hoffman	Council-at-Large
Dwight Andrews	Council-at-Large
Wayne Roller	Council - 1st Ward
John Zekas	Council - 2nd Ward
Steven F. Jackson	Council - 3rd Ward
Tom Stoughton	Council - 4th Ward
Harry Hiles	Council - 5th Ward
Rudy Touvell	Council - 6th Ward
<u>Administrative Officials</u>	
Lyndel Jackson	Service/Safety Director
James Loffree	Income Tax Commissioner
Brad W. Fagrell	City Engineer

City Address:
City of Lancaster
104 East Main Street
Lancaster, Ohio 43130

**City Organizational Chart
For the Year Ended December 31, 2005**



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Lancaster,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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.

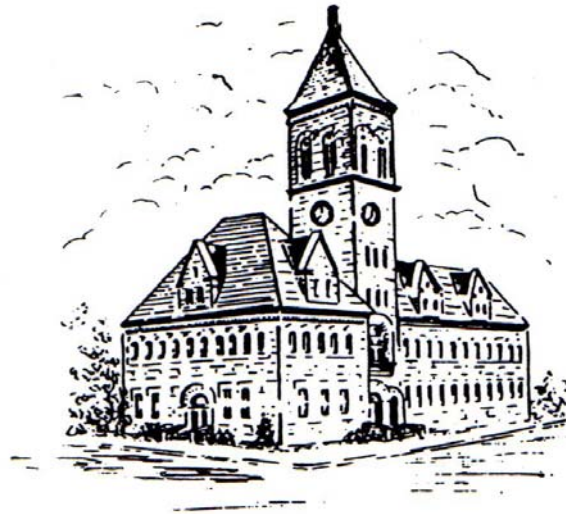


Carla E. Fudge

President

Jeffrey R. Enow

Executive Director



FINANCIAL SECTION



WOLFE, WILSON, & PHILLIPS, INC.
CERTIFIED PUBLIC ACCOUNTANTS

37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701
(740) 453-9600 • FAX - (740) 453-9763
www.wwpcpa.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of City Council
City of Lancaster
Lancaster, Ohio 43130

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 City of Lancaster as of and for the year ended December 31, 2005, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on 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 and *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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2006, on our consideration of City of Lancaster's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditors Report
Page 2

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise City of Lancaster's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not part of the basic financial statements of the City. 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, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the introductory and statistical information as listed in the table of contents, and, therefore, express no opinion thereon.

Wolfe, Wilson, & Phillips, Inc

Zanesville, Ohio
April 28, 2006

The discussion and analysis of the City of Lancaster's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2005 are as follows:

- ❑ In total, net assets increased \$9,032,961. Net assets of governmental activities increased \$2,098,664 which represents a 6.6% increase from 2004. Net assets of business-type activities increased \$6,934,297 or 13.9% from 2004.
- ❑ General revenues accounted for \$21,074,302 in revenue or 26.4% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$58,902,953, 73.6% of total revenues of \$79,977,255.
- ❑ The City had \$29,453,180 in expenses related to governmental activities; only \$10,477,542 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$21,074,302 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$21,929,540 in revenues and other financing sources and \$22,180,654 in expenditures and other financing uses. The general fund's fund balance decreased from \$4,276,092 to \$4,057,528.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis*, the *basic financial statements*, and an optional section that presents *combining and individual statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- ***Governmental Activities*** – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- ***Business-Type Activities*** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's gas, water, water pollution, storm water and sanitation services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

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

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Gas, Water, Water Pollution, Sanitation, and Storm Water funds, all of which are considered major funds.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2005 compared to 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$21,146,561	\$18,897,876	\$44,007,516	\$40,611,712	\$65,154,077	\$59,509,588
Capital assets, Net	28,761,751	27,689,473	80,746,147	78,342,965	109,507,898	106,032,438
Total assets	49,908,312	46,587,349	124,753,663	118,954,677	174,661,975	165,542,026
Long-term debt outstanding	10,360,746	9,850,023	61,366,309	64,262,333	71,727,055	74,112,356
Other liabilities	5,464,771	4,753,195	6,517,455	4,756,742	11,982,226	9,509,937
Total liabilities	15,825,517	14,603,218	67,883,764	69,019,075	83,709,281	83,622,293
Net assets						
Invested in capital assets, net of related debt	21,352,341	20,574,646	28,994,290	26,504,751	50,346,631	47,079,397
Restricted	7,689,262	6,966,940	1,018,993	978,578	8,708,255	7,945,518
Unrestricted	5,041,192	4,442,545	26,856,616	22,452,273	31,897,808	26,894,818
Total net assets	\$34,082,795	\$31,984,131	\$56,869,899	\$49,935,602	\$90,952,694	\$81,919,733

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CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2005 compared to 2004:

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services and Sales	\$5,284,824	\$4,547,119	\$45,964,165	\$42,767,616	\$51,248,989	\$47,314,735
Operating Grants and Contributions	4,087,234	4,217,797	0	0	4,087,234	4,217,797
Capital Grants and Contributions	1,105,484	1,029,423	2,461,246	2,833,839	3,566,730	3,863,262
Total Program Revenues	10,477,542	9,794,339	48,425,411	45,601,455	58,902,953	55,395,794
General Revenues:						
Property Taxes	2,099,948	2,004,335	0	0	2,099,948	2,004,335
Income Taxes	14,424,322	14,134,110	0	0	14,424,322	14,134,110
Other Local Taxes	626,179	391,507	0	0	626,179	391,507
Intergovernmental Revenues						
not Restricted to Specific Programs	2,752,068	2,855,315	0	0	2,752,068	2,855,315
Investment Earnings	644,320	356,036	0	0	644,320	356,036
Miscellaneous	527,465	409,637	0	0	527,465	409,637
Total General Revenues	21,074,302	20,150,940	0	0	21,074,302	20,150,940
Total Revenues	31,551,844	29,945,279	48,425,411	45,601,455	79,977,255	75,546,734
Program Expenses						
Security of Persons and Property	14,473,126	13,716,187	0	0	14,473,126	13,716,187
Public Health and Welfare Services	779,600	896,457	0	0	779,600	896,457
Leisure Time Activities	1,742,633	1,657,885	0	0	1,742,633	1,657,885
Community Environment	789,851	724,170	0	0	789,851	724,170
Transportation	4,378,695	4,366,390	0	0	4,378,695	4,366,390
General Government	6,949,947	6,571,065	0	0	6,949,947	6,571,065
Interest and Fiscal Charges	339,328	218,203	0	0	339,328	218,203
Gas	0	0	23,308,942	20,229,675	23,308,942	20,229,675
Water	0	0	8,014,591	7,990,566	8,014,591	7,990,566
Water Pollution	0	0	6,539,509	6,656,732	6,539,509	6,656,732
Sanitation	0	0	2,921,855	2,956,661	2,921,855	2,956,661
Storm Water	0	0	706,217	600,286	706,217	600,286
Total Expenses	29,453,180	28,150,357	41,491,114	38,433,920	70,944,294	66,584,277
Change in Net Assets before transfers	2,098,664	1,794,922	6,934,297	7,167,535	9,032,961	8,962,457
Transfers	0	218,643	0	(218,643)	0	0
Total Change in Net Assets	2,098,664	2,013,565	6,934,297	6,948,892	9,032,961	8,962,457
Beginning Net Assets, Restated	31,984,131	29,970,566	49,935,602	42,986,710	81,919,733	72,957,276
Ending Net Assets	\$34,082,795	\$31,984,131	\$56,869,899	\$49,935,602	\$90,952,694	\$81,919,733

Governmental Activities

Net assets of the City's governmental activities increased by \$2,098,664. The increase in net assets is a result of an increase in capital assets, specifically streets donated by developers and an increase in charges for services in the areas of emergency medical runs and certified building inspection fees.

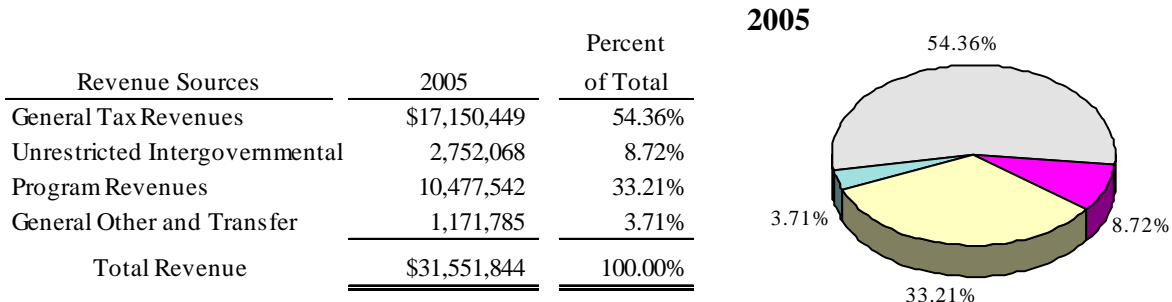
CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

The City receives an income tax, which is based on 1.75% of all salaries, wages, commissions and other compensation and on net profits earned from those working in the City.

Income taxes and property taxes made up 45.7% and 6.7% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 54.36% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business type activities increased by \$6,934,297. This increase was the result of an increase in infrastructure from developer donated water, sewer and storm water lines and an increase in revenues in the gas department from increased gas prices.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$9,407,471, which is an increase from last year's balance of \$9,313,360. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$4,057,528	\$4,276,092	(\$218,564)
Capital Improvement	(242,386)	35,792	(278,178)
Other Governmental	5,592,329	5,001,476	590,853
Total	\$9,407,471	\$9,313,360	\$94,111

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

General Fund – The City's General Fund balance decrease is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2005	2004	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$14,573,212	\$14,157,245	\$415,967
Intergovernmental Revenue	2,690,020	2,987,281	(297,261)
Charges for Services	2,756,311	2,169,730	586,581
Licenses, Permits, and Fees	20,915	10,435	10,480
Investment Earnings	551,065	312,762	238,303
Fines and Forfeitures	794,262	842,154	(47,892)
All Other Revenue	420,913	320,884	100,029
Total	<u>\$21,806,698</u>	<u>\$20,800,491</u>	<u>\$1,006,207</u>

General Fund revenues in 2005 increased approximately 4.8% compared to revenues in fiscal year 2004. The increase in tax revenues is the result of an increase of 0.15% in the income tax rate that became effective July 1, 2005. Another significant factor contributing to this increase was the increase in fees for emergency medical services and the implementation of new fees for the certified building inspection department. Intergovernmental revenue decreased due to a decrease in estate taxes received. Investment earnings increased as a result of increasing interest rates during 2005.

	2005	2004	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$13,797,229	\$12,767,092	\$1,030,137
Public Health and Welfare Services	215,835	208,000	7,835
Community Environment	139,015	144,153	(5,138)
General Government	6,446,265	5,763,681	682,584
Total	<u>\$20,598,344</u>	<u>\$18,882,926</u>	<u>\$1,715,418</u>

General Fund expenditures increased by \$1,715,418 or 9.1% compared to the prior year primarily due to increased salaries and wages and additional fire personnel and their related benefits as a result of an increase in the income tax rate earmarked for the Fire Department. In addition, the police department entered into a new capital lease for police cruisers. As new fees have been implemented in the Certified Building Inspection Department, the payments to an outside consultant have also increased proportionately.

Capital Improvement Fund – The fund balance decreased because the City issued additional notes payable for new improvement projects.

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of 2005, the City amended its General Fund budget several times. The increase in the final budget of approximately \$1.2 million and the positive variance with the final budget of \$1,848,639 was the result of expectations of hiring additional police personnel which did not materialize.

For the General Fund, final budget basis revenue of \$21,564,445 increased by approximately \$1,300,000 over the original budget estimates of \$20,235,300 as a result of an increase in the income tax rate from 1.6% to 1.75%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$109,507,898 net of accumulated depreciation invested in buildings, equipment and vehicles. Of this total, \$28,761,751 was related to governmental activities and \$80,746,147 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$13,500,945	\$12,666,640	\$834,305
Buildings	6,456,749	6,433,049	23,700
Improvements Other than Buildings	5,584,030	5,563,204	20,826
Infrastructure	13,389,909	12,487,163	902,746
Vehicles	4,804,503	4,466,284	338,219
Machinery and Equipment	4,519,631	4,497,457	22,174
Construction In Progress	131,113	34,201	96,912
Less: Accumulated Depreciation	(19,625,129)	(18,458,525)	(1,166,604)
Totals	<u>\$28,761,751</u>	<u>\$27,689,473</u>	<u>\$1,072,278</u>

The primary increases occurred in land and infrastructure, which was the result of the acquisition of land, streets donated by developers, and the completion of the Rockmill, Phase 3 street project by the City. The police department entered into a capital lease agreement for seven police cruisers and the fire department purchased a new ambulance.

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$1,928,942	\$1,706,991	\$221,951
Buildings	34,596,208	34,596,208	0
Improvements	31,893,254	31,878,305	14,949
Infrastructure	50,475,352	42,760,586	7,714,766
Vehicles	3,530,768	3,427,908	102,860
Machinery and Equipment	9,620,923	9,095,673	525,250
Construction in Progress	1,814,910	3,480,725	(1,665,815)
Less: Accumulated Depreciation	(53,114,210)	(48,603,431)	(4,510,779)
Totals	<u>\$80,746,147</u>	<u>\$78,342,965</u>	<u>\$2,403,182</u>

Business type capital assets increased by \$2,403,182. The additions to infrastructure include approximately \$2 million in water, and sanitary sewer lines and storm drainage systems donated by developers, as well as the completion of the Rockmill Phase 2 water and sanitary sewer project. The increase in machinery and equipment was primarily a new pump for the wastewater treatment plant. Additional information on the City's capital assets can be found in Note 8.

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CITY OF LANCASTER, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2005

Unaudited

Debt

At December 31, 2005, the City had \$3,965,000 in general obligation bonds outstanding, \$150,000 due within one year; \$13,168,005 in revenue bonds outstanding, \$335,000 due within one year; and \$44,400,803 in Ohio Water Development Authority Loans outstanding, \$2,577,607 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	2005	2004
Governmental Activities:		
General Obligation Bond Payable	\$3,965,000	\$0
Special Assessment Bond		
with Government Commitment	319,500	332,500
Long Term Note Payable	0	3,960,000
Housing and Urban Development Loan	1,030,000	1,120,000
Ohio Public Works Commission Loan	94,334	100,420
Compensated Absences	4,102,836	3,407,617
Capital Leases	849,076	929,486
Total Governmental Activities	<u>\$10,360,746</u>	<u>\$9,850,023</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$44,400,803	\$46,849,409
Revenue Bonds Payable	13,168,005	13,506,256
Landfill Postclosure Care Liability	1,945,873	2,057,125
Capital Leases	35,004	28,679
Compensated Absences	1,816,624	1,820,864
Total Business-Type Activities	<u>\$61,366,309</u>	<u>\$64,262,333</u>
Totals	<u><u>\$71,727,055</u></u>	<u><u>\$74,112,356</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

Lancaster is home to a diversified community of businesses. The more than 150 manufacturing operations in the area are supported by an equal number of service operations that provide a comprehensive network of support. With the completion of the \$160 million U.S. Route 33 bypass, the expansion of City utilities and Industrial grounds, and a growing workforce, Lancaster is well positioned to have successful economic retention and growth.

Retail projects in 2005 include Weldons Ice Cream Shoppe, Oakland Hill Bank, Standing Stone Bank, Hobby Lobby, TJ Maxx, Fifth Third Bank, and others. The downtown area is being re-invented with a new Special Improvement District Director. Projects include the Lancaster Olde Town Center with retail artistic vendors on the ground floor and attractive renovated upscale housing above.

Lancaster voters approved an additional 0.15% income tax in May 2005 which became effective July 1, 2005. The additional tax revenue is being used to hire additional fire personnel.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Mary F. Green, City Auditor of the City of Lancaster.

CITY OF LANCASTER, OHIO

**Statement of Net Assets
December 31, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 3,939,115	\$ 9,993,751	\$ 13,932,866
Investments	3,926,420	16,707,103	20,633,523
Receivables:			
Taxes	5,182,611	0	5,182,611
Accounts	175,588	6,334,962	6,510,550
Intergovernmental	3,980,443	0	3,980,443
Interest	94,199	93,575	187,774
Special Assessments	608,434	0	608,434
Loans	1,369,649	0	1,369,649
Internal Balances	(560,938)	560,938	0
Inventory of Supplies	355,427	7,867,552	8,222,979
Prepaid Items	2,068,641	40,645	2,109,286
Deferred Charge	0	280,454	280,454
Restricted Assets:			
Cash and Cash Equivalents	0	1,693,534	1,693,534
Cash and Cash Equivalents with Fiscal Agent	6,972	0	6,972
Investments	0	435,002	435,002
Capital Assets Not Being Depreciated	13,632,058	3,743,852	17,375,910
Capital Assets Being Depreciated, Net	15,129,693	77,002,295	92,131,988
Total Assets	49,908,312	124,753,663	174,661,975
Liabilities:			
Accounts Payable	643,886	3,694,093	4,337,979
Accrued Wages and Benefits	1,237,702	360,732	1,598,434
Intergovernmental Payable	43,515	16,026	59,541
Claims Payable	252,714	0	252,714
Retainage Payable	0	530,559	530,559
Due to Others	0	143,982	143,982
Unearned Revenue	2,115,000	0	2,115,000
Accrued Interest Payable	20,454	1,022,063	1,042,517
General Obligation Notes Payable	1,151,500	750,000	1,901,500
Long Term Liabilities:			
Due within one year	1,582,272	3,363,781	4,946,053
Due in more than one year	8,778,474	58,002,528	66,781,002
Total Liabilities	15,825,517	67,883,764	83,709,281
Net Assets:			
Invested in Capital Assets, Net of Related Debt	21,352,341	28,994,290	50,346,631
Restricted For:			
Streets and Highways	1,343,626	0	1,343,626
Community Development	2,774,357	0	2,774,357
Security of Persons and Property	1,197,251	0	1,197,251
Capital Projects	867,224	0	867,224
Debt Service	707,210	1,018,993	1,726,203
Perpetual Care, Nonexpendable	799,594	0	799,594
Unrestricted	5,041,192	26,856,616	31,897,808
Total Net Assets	\$ 34,082,795	\$ 56,869,899	\$ 90,952,694

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Activities
For the Year Ended December 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 14,473,126	\$ 1,932,337	\$ 256,300	\$ 0
Public Health and Welfare Services	779,600	260,032	9,092	0
Leisure Time Activities	1,742,633	360,817	348,702	0
Community Environment	789,851	105,422	839,494	0
Transportation	4,378,695	735,194	2,574,313	1,105,484
General Government	6,949,947	1,891,022	59,333	0
Interest and Fiscal Charges	339,328	0	0	0
Total Governmental Activities	29,453,180	5,284,824	4,087,234	1,105,484
Business-Type Activities:				
Gas	23,308,942	25,405,950	0	0
Water	8,014,591	8,388,041	0	459,945
Water Pollution	6,539,509	7,006,365	0	1,174,049
Sanitation	2,921,855	3,488,335	0	0
Storm Water	706,217	1,675,474	0	827,252
Total Business-Type Activities	41,491,114	45,964,165	0	2,461,246
Totals	\$ 70,944,294	\$ 51,248,989	\$ 4,087,234	\$ 3,566,730

General Revenues:

Property Taxes Levied for:

General Purposes

Special Purposes

Income Tax

Other Local Taxes

Intergovernmental Revenues not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (12,284,489)	\$ 0	\$ (12,284,489)
(510,476)	0	(510,476)
(1,033,114)	0	(1,033,114)
155,065	0	155,065
36,296	0	36,296
(4,999,592)	0	(4,999,592)
(339,328)	0	(339,328)
<u>(18,975,638)</u>	<u>0</u>	<u>(18,975,638)</u>
0	2,097,008	2,097,008
0	833,395	833,395
0	1,640,905	1,640,905
0	566,480	566,480
0	1,796,509	1,796,509
<u>0</u>	<u>6,934,297</u>	<u>6,934,297</u>
<u>(18,975,638)</u>	<u>6,934,297</u>	<u>(12,041,341)</u>
1,726,655	0	1,726,655
373,293	0	373,293
14,424,322	0	14,424,322
626,179	0	626,179
2,752,068	0	2,752,068
644,320	0	644,320
527,465	0	527,465
<u>21,074,302</u>	<u>0</u>	<u>21,074,302</u>
2,098,664	6,934,297	9,032,961
<u>31,984,131</u>	<u>49,935,602</u>	<u>81,919,733</u>
<u>\$ 34,082,795</u>	<u>\$ 56,869,899</u>	<u>\$ 90,952,694</u>

CITY OF LANCASTER, OHIO

**Balance Sheet
Governmental Funds
December 31, 2005**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 677,895	\$ 299,951	\$ 2,833,451	\$ 3,811,297
Investments	2,361,867	493,978	1,070,575	3,926,420
Receivables:				
Taxes	4,466,557	51,114	664,940	5,182,611
Accounts	134,822	0	40,616	175,438
Intergovernmental	1,409,695	204,490	2,366,258	3,980,443
Interest	85,119	0	9,080	94,199
Special Assessments	0	0	608,434	608,434
Loans	0	0	1,369,649	1,369,649
Due from Other Funds	31,737	0	0	31,737
Inventory of Supplies	168,359	0	178,519	346,878
Prepaid Items	53,409	0	13,192	66,601
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	6,972	0	0	6,972
Total Assets	\$ 9,396,432	\$ 1,049,533	\$ 9,154,714	\$ 19,600,679
Liabilities:				
Accounts Payable	\$ 202,692	\$ 240,204	\$ 197,094	\$ 639,990
Accrued Wages and Benefits Payable	1,061,937	0	161,570	1,223,507
Intergovernmental Payable	1,481	42,034	0	43,515
Deferred Revenue	4,072,794	22,358	3,033,225	7,128,377
Accrued Interest Payable	0	2,323	3,996	6,319
General Obligation Notes Payable	0	985,000	166,500	1,151,500
Total Liabilities	5,338,904	1,291,919	3,562,385	10,193,208
Fund Balances:				
Reserved for Encumbrances	110,853	0	98,121	208,974
Reserved for Prepaid Items	53,409	0	13,192	66,601
Reserved for Supplies Inventory	168,359	0	178,519	346,878
Reserved for Debt Service	0	0	112,911	112,911
Reserved for Loans Receivable	0	0	1,369,649	1,369,649
Reserved for Endowments	0	0	799,594	799,594
Unreserved, Undesignated in:				
General Fund	3,724,907	0	0	3,724,907
Special Revenue Funds	0	0	3,084,591	3,084,591
Capital Projects Funds	0	(242,386)	(64,248)	(306,634)
Total Fund Balances	4,057,528	(242,386)	5,592,329	9,407,471
Total Liabilities and Fund Balances	\$ 9,396,432	\$ 1,049,533	\$ 9,154,714	\$ 19,600,679

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2005***

Total Governmental Fund Balances		\$ 9,407,471
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		28,688,130
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		5,013,377
Internal Service Funds are used by management to charge the costs of insurance, information services and electrical services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		1,269,774
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Housing and Urban Development Loan Payable	(1,030,000)	
Special Assessment Bonds Payable	(319,500)	
Ohio Public Works Commission Loans Payable	(94,334)	
General Obligation Bonds Payable	(3,965,000)	
Capital Leases Payable	(849,076)	
Compensated Absences Payable	(4,023,912)	
Accrued Interest Payable	(14,135)	
	<u>(10,295,957)</u>	
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 34,082,795</u></u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 14,573,212	\$ 178,790	\$ 1,669,229	\$ 16,421,231
Intergovernmental Revenues	2,690,020	272,945	3,480,766	6,443,731
Charges for Services	2,756,311	0	1,376,283	4,132,594
Licenses, Permits and Fees	20,915	0	1,134	22,049
Investment Earnings	551,065	0	47,694	598,759
Special Assessments	0	0	144,634	144,634
Fines and Forfeitures	794,262	0	677,215	1,471,477
All Other Revenue	420,913	10,563	141,870	573,346
Total Revenue	21,806,698	462,298	7,538,825	29,807,821
Expenditures:				
Current:				
Security of Persons and Property	13,797,229	0	604,920	14,402,149
Public Health and Welfare	215,835	0	638,489	854,324
Leisure Time Activities	0	0	1,632,501	1,632,501
Community Environment	139,015	0	648,369	787,384
Transportation	0	0	3,672,615	3,672,615
General Government	6,446,265	0	483,551	6,929,816
Capital Outlay	0	989,387	162,360	1,151,747
Debt Service:				
Principal Retirement	0	3,960,000	294,086	4,254,086
Interest and Fiscal Charges	0	147,108	202,557	349,665
Total Expenditures	20,598,344	5,096,495	8,339,448	34,034,287
Excess (Deficiency) of Revenues Over Expenditures	1,208,354	(4,634,197)	(800,623)	(4,226,466)
Other Financing Sources (Uses):				
General Obligation Bonds Issued	0	4,150,000	0	4,150,000
Transfers In	0	206,019	1,526,290	1,732,309
Transfers Out	(1,582,310)	0	(149,999)	(1,732,309)
Other Financing Source - Capital Lease	122,842	0	19,539	142,381
Total Other Financing Sources (Uses)	(1,459,468)	4,356,019	1,395,830	4,292,381
Net Change in Fund Balances	(251,114)	(278,178)	595,207	65,915
Fund Balances at Beginning of Year	4,276,092	35,792	5,001,476	9,313,360
Increase (Decrease) in Inventory Reserve	32,550	0	(4,354)	28,196
Fund Balances End of Year	\$ 4,057,528	\$ (242,386)	\$ 5,592,329	\$ 9,407,471

See accompanying notes to the basic financial statements

CITY OF LANCASTER, 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, 2005***

Net Change in Fund Balances - Total Governmental Funds \$ 65,915

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as capital outlays. This is the amount by which depreciation exceeded depreciation expense in the current period.

Capital Outlay	1,445,474	
Depreciation Expense	(1,444,726)	748

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,105,484	
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The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	(29,996)	1,075,488
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		638,539
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The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, but has no effect on net assets.

General Obligation Bonds Issued	(4,150,000)	
Capital Leases	(142,381)	(4,292,381)

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

Housing and Urban Development Loan Payable	90,000	
Special Assessment Bonds Payable	13,000	
Ohio Public Works Commission Loans Payable	6,086	
General Obligation Bonds Payable	185,000	
Long Term Notes Payable	3,960,000	
Capital Leases Payable	222,791	4,476,877

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		10,337
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(688,702)	
Change in Inventory	28,196	(660,506)

Internal Service Funds used by management to charge the costs of insurance information services and electrical services to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.

783,647

Change in Net Assets of Governmental Activities

\$ 2,098,664

See accompanying notes to the basic financial statements



CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 13,641,410	\$ 13,786,356	\$ 14,832,084	\$ 1,045,728
Intergovernmental Revenue	2,831,537	2,840,537	2,867,697	27,160
Charges for Services	2,129,953	3,206,044	3,467,441	261,397
Licenses, Permits and Fees	23,200	23,200	20,915	(2,285)
Investment Earnings	358,000	481,108	592,717	111,609
Fines and Forfeitures	839,000	837,000	801,086	(35,914)
All Other Revenues	412,200	390,200	421,030	30,830
Total Revenues	<u>20,235,300</u>	<u>21,564,445</u>	<u>23,002,970</u>	<u>1,438,525</u>
Expenditures:				
Current:				
Security of Persons and Property	14,528,122	15,066,000	13,805,751	1,260,249
Public Health and Welfare Services	225,500	225,500	215,835	9,665
Community Environment	165,441	165,441	147,750	17,691
General Government	7,065,369	7,761,172	7,200,138	561,034
Total Expenditures	<u>21,984,432</u>	<u>23,218,113</u>	<u>21,369,474</u>	<u>1,848,639</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,749,132)	(1,653,668)	1,633,496	3,287,164
Other Financing Sources (Uses):				
Transfers In	757,000	308,125	0	(308,125)
Transfers Out	(1,304,901)	(1,582,310)	(1,582,310)	0
Advances In	600,000	600,000	85,000	(515,000)
Advances Out	0	(85,000)	(85,000)	0
Total Other Financing Sources (Uses):	<u>52,099</u>	<u>(759,185)</u>	<u>(1,582,310)</u>	<u>(823,125)</u>
Net Change in Fund Balance	(1,697,033)	(2,412,853)	51,186	2,464,039
Fund Balance at Beginning of Year	2,260,636	2,260,636	2,260,636	0
Prior Year Encumbrances	349,695	349,695	349,695	0
Fund Balance at End of Year	<u>\$ 913,298</u>	<u>\$ 197,478</u>	<u>\$ 2,661,517</u>	<u>\$ 2,464,039</u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2005**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 1,529,031	\$ 3,440,493	\$ 3,718,003	\$ 752,821
Investments	2,691,188	5,976,904	6,152,579	1,239,791
Accounts receivable	4,437,688	810,101	611,514	344,302
Interest receivable	0	38,614	41,972	12,989
Inventory of Supplies	6,921,972	844,135	33,247	31,417
Prepaid Items	11,260	15,793	10,267	2,611
Total current assets	<u>15,591,139</u>	<u>11,126,040</u>	<u>10,567,582</u>	<u>2,383,931</u>
Noncurrent assets:				
Restricted Assets:				
Cash and Cash Equivalents	105,102	1,140,092	448,340	0
Investments	0	0	0	435,002
Total restricted assets	<u>105,102</u>	<u>1,140,092</u>	<u>448,340</u>	<u>435,002</u>
Deferred Charges	0	174,134	106,320	0
Capital assets:				
Capital Assets Not Being Depreciated	310,742	2,073,928	1,065,391	105,120
Capital Assets Being Depreciated	<u>5,680,410</u>	<u>38,213,379</u>	<u>25,903,662</u>	<u>1,524,122</u>
Total capital assets (net of accumulated depreciation)	<u>5,991,152</u>	<u>40,287,307</u>	<u>26,969,053</u>	<u>1,629,242</u>
Total noncurrent assets	<u>6,096,254</u>	<u>41,601,533</u>	<u>27,523,713</u>	<u>2,064,244</u>
Total assets	<u>21,687,393</u>	<u>52,727,573</u>	<u>38,091,295</u>	<u>4,448,175</u>

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 392,651	\$ 9,832,999	\$ 288,570
646,641	16,707,103	0
131,357	6,334,962	150
0	93,575	0
0	7,830,771	45,330
0	39,931	2,002,754
<u>1,170,649</u>	<u>40,839,341</u>	<u>2,336,804</u>
0	1,693,534	0
<u>0</u>	<u>435,002</u>	<u>0</u>
<u>0</u>	<u>2,128,536</u>	<u>0</u>
0	280,454	0
188,671	3,743,852	0
<u>5,573,890</u>	<u>76,895,463</u>	<u>180,453</u>
<u>5,762,561</u>	<u>80,639,315</u>	<u>180,453</u>
<u>5,762,561</u>	<u>83,048,305</u>	<u>180,453</u>
<u>6,933,210</u>	<u>123,887,646</u>	<u>2,517,257</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2005**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
LIABILITIES				
Current liabilities:				
Accounts Payable	3,080,817	398,890	84,400	81,907
Accrued Wages and Benefits	64,409	124,911	58,214	55,186
Intergovernmental Payable	0	0	0	16,026
Claims Payable	0	0	0	0
Retainage Payable	0	492,828	37,731	0
Due to Others	105,102	19,440	19,440	0
Due to Other Funds	0	0	0	31,737
Accrued Interest Payable	0	516,152	447,857	58,054
General Obligation Notes Payable	0	0	750,000	0
Capital Leases Payable - Current	0	6,459	0	0
Revenue Bond Payable - Current	0	205,000	130,000	0
OWDA Loans Payable - Current	0	1,009,487	1,392,879	175,241
Compensated Absences Payable - Current	81,579	153,755	77,279	60,964
Total Current Liabilities	3,331,907	2,926,922	2,997,800	479,115
Noncurrent Liabilities:				
Capital Leases Payable	0	20,423	0	0
Revenue Bonds Payable	0	7,917,630	4,915,375	0
OWDA Loans Payable	0	23,265,947	15,819,057	2,738,192
Landfill Postclosure Care Liability	0	0	0	1,945,873
Compensated Absences Payable	312,355	409,155	290,637	93,021
Total noncurrent liabilities	312,355	31,613,155	21,025,069	4,777,086
Total Liabilities	3,644,262	34,540,077	24,022,869	5,256,201
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,991,152	10,099,888	5,511,447	1,629,242
Restricted for Debt Service	0	627,824	391,169	0
Unrestricted	12,051,979	7,459,784	8,165,810	(2,437,268)
Total Net Assets	\$ 18,043,131	\$ 18,187,496	\$ 14,068,426	\$ (808,026)

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Total Net Assets of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
31,505	3,677,519	20,470
7,694	310,414	64,513
0	16,026	0
0	0	252,714
0	530,559	0
0	143,982	0
0	31,737	0
0	1,022,063	0
0	750,000	0
0	6,459	1,831
0	335,000	0
0	2,577,607	0
<u>9,069</u>	<u>382,646</u>	<u>78,222</u>
<u>48,268</u>	<u>9,784,012</u>	<u>417,750</u>
0	20,423	6,291
0	12,833,005	0
0	41,823,196	0
0	1,945,873	0
<u>0</u>	<u>1,105,168</u>	<u>329,512</u>
<u>0</u>	<u>57,727,665</u>	<u>335,803</u>
<u>48,268</u>	<u>67,511,677</u>	<u>753,553</u>
5,762,561	28,994,290	172,331
0	1,018,993	0
<u>1,122,381</u>	<u>26,362,686</u>	<u>1,591,373</u>
<u>\$ 6,884,942</u>	<u>\$ 56,375,969</u>	<u>\$ 1,763,704</u>
	493,930	
	<u>\$ 56,869,899</u>	

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Operating Revenues:				
Charges for Services	\$ 23,527,056	\$ 8,202,072	\$ 6,858,508	\$ 3,479,089
Other Operating Revenues	1,878,894	18,236	5,629	601
Total Operating Revenues	25,405,950	8,220,308	6,864,137	3,479,690
Operating Expenses:				
Personal Services	1,340,304	2,762,113	1,392,054	1,386,855
Contractual Services	1,084,052	922,258	1,529,862	1,118,440
Materials and Supplies	20,477,580	1,239,885	588,891	169,894
Depreciation	461,249	1,844,258	2,060,028	181,183
Total Operating Expenses	23,363,185	6,768,514	5,570,835	2,856,372
Operating Income (Loss)	2,042,765	1,451,794	1,293,302	623,318
Non-Operating Revenue (Expenses):				
Interest Income	0	167,733	142,228	8,645
Interest and Fiscal Charges	0	(1,356,278)	(1,014,479)	(117,801)
Loss on Disposal of Capital Assets	0	0	0	0
Total Non-Operating Revenues (Expenses)	0	(1,188,545)	(872,251)	(109,156)
Income Before Contributions and Transfers	2,042,765	263,249	421,051	514,162
Capital Contributions	0	459,945	1,174,049	0
Change in Net Assets	2,042,765	723,194	1,595,100	514,162
Net Assets Beginning of Year	16,000,366	17,464,302	12,473,326	(1,322,188)
Net Assets End of Year	\$ 18,043,131	\$ 18,187,496	\$ 14,068,426	\$ (808,026)

Change in Net Assets of Business Type Activities

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

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 1,675,174	\$ 43,741,899	\$ 7,148,943
300	1,903,660	10,296
<u>1,675,474</u>	<u>45,645,559</u>	<u>7,159,239</u>
187,937	7,069,263	5,590,905
447,916	5,102,528	277,895
10,517	22,486,767	185,984
67,185	4,613,903	49,768
<u>713,555</u>	<u>39,272,461</u>	<u>6,104,552</u>
961,919	6,373,098	1,054,687
0	318,606	0
0	(2,488,558)	0
0	0	(1,135)
<u>0</u>	<u>(2,169,952)</u>	<u>(1,135)</u>
961,919	4,203,146	1,053,552
827,252	2,461,246	0
1,789,171	6,664,392	1,053,552
5,095,771	49,711,577	710,152
<u>\$ 6,884,942</u>	<u>\$ 56,375,969</u>	<u>\$ 1,763,704</u>
	\$ 6,664,392	
	269,905	
	<u>\$ 6,934,297</u>	

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-Type Activities - Enterprise Funds		
	Gas	Water	Water Pollution
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$25,098,335	\$8,519,088	\$7,161,303
Cash Payments for Goods and Services	(22,394,129)	(2,292,968)	(2,180,855)
Cash Payments to and on behalf of Employees	(1,350,804)	(2,734,849)	(1,397,800)
Customer Deposits Received	127,523	23,583	23,583
Customer Deposits Returned	(214,763)	(39,716)	(39,716)
Net Cash Provided (Used) by Operating Activities	<u>1,266,162</u>	<u>3,475,138</u>	<u>3,566,515</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Receipt of Interfund Loan Repayment	0	0	511,330
Repayment of Interfund Loan	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>511,330</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from Ohio Water Development			
Authority Loans	0	18,871	0
Proceeds from General Obligation Notes		0	750,000
Acquisition and Construction of Assets	(506,097)	(1,847,644)	(1,405,691)
Capital Lease Payments	(12,400)	(9,287)	0
Principal Paid on General Obligation Bonds	0	(205,000)	(125,000)
Principal Paid on Ohio Water			
Development Authority Loans	0	(970,854)	(1,328,153)
Interest Paid on All Debt	<u>0</u>	<u>(1,373,602)</u>	<u>(1,028,852)</u>
Net Cash Used for			
Capital and Related Financing Activities	<u>(518,497)</u>	<u>(4,387,516)</u>	<u>(3,137,696)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(1,490,722)	(2,544,298)	(3,239,912)
Receipt of Investment Earnings	<u>0</u>	<u>227,128</u>	<u>195,037</u>
Net Cash Used for Investing Activities	<u>(1,490,722)</u>	<u>(2,317,170)</u>	<u>(3,044,875)</u>
Net Decrease in Cash and Cash Equivalents	(743,057)	(3,229,548)	(2,104,726)
Cash and Cash Equivalents at Beginning of Year	<u>2,377,190</u>	<u>7,810,133</u>	<u>6,271,069</u>
Cash and Cash Equivalents at End of Year	<u>\$1,634,133</u>	<u>\$4,580,585</u>	<u>\$4,166,343</u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$1,529,031	\$3,440,493	\$3,718,003
Restricted Cash and Cash Equivalents	<u>105,102</u>	<u>1,140,092</u>	<u>448,340</u>
Cash and Cash Equivalents at End of Year	<u>\$1,634,133</u>	<u>\$4,580,585</u>	<u>\$4,166,343</u>

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Totals	Internal Service Funds
\$3,602,364	\$1,749,526	\$46,130,616	\$7,159,089
(1,394,314)	(457,224)	(28,719,490)	(470,304)
(1,370,956)	(183,124)	(7,037,533)	(6,722,560)
0	0	174,689	0
0	0	(294,195)	0
<u>837,094</u>	<u>1,109,178</u>	<u>10,254,087</u>	<u>(33,775)</u>
0	0	511,330	0
0	(511,330)	(511,330)	0
0	(511,330)	0	0
0	0	18,871	0
0	0	750,000	0
(34,251)	(473,736)	(4,267,419)	(14,433)
0	0	(21,687)	(1,629)
0	0	(330,000)	0
(168,470)	0	(2,467,477)	0
(121,154)	0	(2,523,608)	0
<u>(323,875)</u>	<u>(473,736)</u>	<u>(8,841,320)</u>	<u>(16,062)</u>
(743,387)	(339,557)	(8,357,876)	0
0	0	422,165	0
<u>(743,387)</u>	<u>(339,557)</u>	<u>(7,935,711)</u>	<u>0</u>
(230,168)	(215,445)	(6,522,944)	(49,837)
982,989	608,096	18,049,477	338,407
<u>\$752,821</u>	<u>\$392,651</u>	<u>\$11,526,533</u>	<u>\$288,570</u>
\$752,821	\$392,651	\$9,832,999	\$288,570
0	0	1,693,534	0
<u>\$752,821</u>	<u>\$392,651</u>	<u>\$11,526,533</u>	<u>\$288,570</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-Type Activities - Enterprise Funds		
	Gas	Water	Water Pollution
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income	\$2,042,765	\$1,451,794	\$1,293,302
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	461,249	1,844,258	2,060,028
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(307,615)	298,780	297,166
(Increase) Decrease in Inventory	(1,750,360)	(81,482)	3,760
(Increase) Decrease in Prepaid Items	(79)	(2,372)	(439)
Increase (Decrease) in Accounts Payable	922,461	(42,635)	(55,068)
Increase in Accrued Wages and Benefits	6,961	26,145	4,620
Decrease in Due to Other Funds	0	0	0
Increase (Decrease) in Intergovernmental Payable	(4,358)	(4,339)	(10,350)
Decrease in Customer Deposits	(87,240)	(16,133)	(16,133)
Decrease in Landfill Postclosure Care Liability	0	0	0
Increase (Decrease) in Compensated Absences	(17,622)	1,122	(10,371)
Decrease in Claims Payable	0	0	0
Total Adjustments	<u>(776,603)</u>	<u>2,023,344</u>	<u>2,273,213</u>
Net Cash Provided (Used) by Operating Activities	<u>\$1,266,162</u>	<u>\$3,475,138</u>	<u>\$3,566,515</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2005 the Water, Water Pollution, Sanitation, Storm Water, and Utilites Funds had outstanding liabilities of \$294,520, \$32,117, \$461, \$27,562, and \$3,785 respectively for certain capital assets.

During 2005 the Water, Water Pollution and Storm Water Funds received capital contributions from developers of \$459,945, \$1,174,049 and \$827,252 respectively.

The Water Fund entered into a capital lease obligation of \$29,641.

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Totals	Internal Service Funds
\$623,318	\$961,919	\$6,373,098	\$1,054,687
181,183	67,185	4,613,903	49,768
122,674	74,052	485,057	(150)
(1,684)	0	(1,829,766)	8,097
793	0	(2,097)	(1,104,232)
11,217	1,209	837,184	(15,679)
5,648	1,536	44,910	13,584
(21,374)	0	(21,374)	0
16,026	0	(3,021)	0
0	0	(119,506)	0
(111,252)	0	(111,252)	0
10,545	3,277	(13,049)	15,326
0	0	0	(55,176)
213,776	147,259	3,880,989	(1,088,462)
\$837,094	\$1,109,178	\$10,254,087	(\$33,775)

CITY OF LANCASTER, OHIO

***Statement of Net Assets
Fiduciary Funds
December 31, 2005***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 107,212
Due from Other Funds	<u>4,391</u>
Total Assets	<u>111,603</u>
Liabilities:	
Due to Other Funds	4,391
Intergovernmental Payable	4,391
Due to Others	<u>102,821</u>
Total Liabilities	<u>\$ 111,603</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lancaster, Ohio (the "City") was incorporated in 1831 under the laws of the State of Ohio. The Citizens elect Council members (six wards, three at large and a president) who serve two year terms, and the Mayor, City Auditor, City Solicitor and City Treasurer who all serve four year terms. In addition, two municipal court judges are elected to serve six year terms.

The financial statements are presented as of December 31, 2005 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, parks and recreation, cemetery department, planning, zoning, street maintenance, basic utility (water, sewer, electric, gas, and refuse) and other governmental services.

The City participates in several Jointly Governed Organizations that are further described in Note 16.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The following fund types are used by the City:

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources and use and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those 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 limitations of the City Charter.

Capital Improvement Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Gas Fund – This fund is used to account for the operation of the City's gas service.

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

Water Pollution Fund – This fund is used to account for the operation of the City's sanitary sewer service.

Sanitation Fund – This fund is used to account for the operation of the City's solid waste collection and disposal service.

Storm Water Fund – This fund is used to account for the operation of the City's storm water drainage service.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Internal Service Funds - These funds are used to account for the utilities billing services, information services, and health insurance services provided to other departments or agencies of the governmental unit or to other governmental units on a cost-reimbursement basis.

Fiduciary Funds

Agency Funds - These funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations or other governmental units. The agency funds account for deposits held from individuals who intend to excavate portions of the streets or sidewalks, municipal court collections that are distributed to the state and various local governments, and fee collections to be distributed to the law library. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Property taxes measurable as of December 31, 2005 but which are not intended to finance 2005 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

The accrual basis of accounting is utilized for reporting purposes for the government-wide, the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the general fund is required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may be made only by ordinance of the City Council. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within Council's appropriated amount.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level (the legal level of control). The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. During 2005, several supplemental appropriations were legally enacted by Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear on the " Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the general fund:

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	(\$251,114)
Increase (Decrease):	
Accrued Revenues at December 31, 2005 received during 2006	(2,121,598)
Accrued Revenues at December 31, 2004 received during 2005	2,668,311
Accrued Expenditures at December 31, 2005 paid during 2006	1,266,110
Accrued Expenditures at December 31, 2004 paid during 2005	(1,201,417)
2004 Prepays for 2005	58,777
2005 Prepays for 2006	(53,409)
Adjustment to Fair Value	10,509
Outstanding Encumbrances	(324,983)
Budget Basis	<u>\$51,186</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. See Note 3, "Cash, Cash Equivalents and Investments."

The City pools its cash, except for that held by fiscal and escrow agents and fiduciary fund cash and investments, for maximum investing efficiency. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The City has invested funds in STAR Ohio during 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005. See Note 3, "Cash, Cash Equivalents and Investments."

H. Inventory

Inventory is stated at cost in the governmental funds and at the lower of cost or market in the proprietary funds and on a government wide basis using the first-in, first-out (FIFO) method. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	40
Improvements other than Buildings	20-25
Infrastructure	10-100
Machinery, Equipment, Furniture and Fixtures	3 - 10

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

Obligation	Fund
General Obligation Bonds Payable	General Bond Retirement Fund
Revenue Bonds Payable	Water Fund Water Pollution Fund
Ohio Water Development Authority Loans	Water Fund, Water Pollution Fund Sanitation Fund
Ohio Public Works Commission Loan	General Bond Retirement Fund
Special Assessment Bond Payable	Special Assessment Retirement Fund
Capital Leases	General Fund Street Construction, Maintenance and Repair Fund General Bond Retirement Fund Gas Fund, Water Fund Utilities Collection Fund
Housing and Urban Development Loan	Community Development Block Grant Fund
Compensated Absences	General Fund, Cemetery Fund Street Construction, Maintenance and Repair Fund Parks and Recreation Fund Community Development Block Grant Fund Gas Fund, Water Fund, Water Pollution Fund Sanitation Fund, Storm Water Fund, Utilities Collection Fund, Information Services Fund

L. Compensated Absences

City employees earn vacation at varying rates based upon length of service. Vacation leave is accrued on January 1 of every year regardless of employee's anniversary date. One week of vacation time can be carried over with the department superintendent's permission. Upon separation from the City, the employee (or his estate) is paid for accumulated unused vacation leave balance.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

Sick leave is accrued by all employees at the rate of 4.615 hours every two weeks for a total of fifteen days of sick leave accrued per year. Sick leave may be accumulated without limit. Upon separation from the City, employees are paid a prorated amount of accumulated sick leave based on years of service up to a maximum of 960 hours. Employees with over 960 hours receive an additional 25% of amounts over 960 hours. The prorata amount is determined in each negotiated work agreement with the City.

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered and it is probable that the City will compensate the employees for the benefits at termination or retirement. The City uses the vesting method for determining the liability for sick leave. Compensated absences accumulated by governmental fund type and proprietary fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For proprietary funds, the entire compensated absences amount is reported as a fund liability.

M. Net Assets

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

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

N. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

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.

P. Reservations of Fund Balance

Reserves 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 prepaid items, inventories, loans receivable, debt service, endowments and encumbered amounts not accrued at year end.

Q. Restricted Assets

Customer deposits, bond reserve accounts, and cash with fiscal agent are classified as restricted assets because these funds are being held for specified purposes.

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for gas distribution, water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equities

The fund deficit at December 31, 2005 of \$54,832 in the Lancaster Public Transit Program Fund (special revenue fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficits at December 31, 2005 of \$242,386 and \$85,213 in the Capital Improvement Fund and the Fire Capital Improvement Fund (capital projects funds) are the result of recording notes payable amounts in the individual fund balance sheets. The accumulated deficit of \$808,026 in the Sanitation Fund (enterprise fund) is the result of recognizing a liability for landfill postclosure care costs and loans payable to the Ohio Water Development Authority for landfill postclosure care costs. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures over Appropriations

For the year ended December 31, 2005, expenditures exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>
Drug Enforcement Fund:	
Security of Persons and Property:	
Operations and Maintenance	\$21,034

The excess expenditures were funded from available fund balance.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. The City has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Auditor and Treasurer to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income.

Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$6,325,805 and the bank balance was \$6,571,717. Federal depository insurance covered \$400,000 of the bank balance and \$6,171,717 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$6,171,717</u>
Total Balance	<u><u>\$6,171,717</u></u>

Investment earnings of \$433,317 earned by other funds was credited to the General Fund as required by state statute.

B. Investments

The City's investments at December 31, 2005 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>			
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>	<u>more than 5</u>
Repurchase Agreements	\$18,799,106	N/A	\$18,799,106	\$0	\$0	\$0
STAR Ohio	489,223	AAA ^{m 1}	489,223	0	0	0
City of Lancaster Notes Payable	1,041,500	AAA ¹	1,041,500	0	0	0
City of Lancaster Bond Payable	319,500	AAA ¹	13,500	29,000	32,000	245,000
FHLB ^a	1,470,320	AAA ^{1,2}	0	1,470,320	0	0
FHLB ^b	6,406,875	AAA ^{1,2}	1,973,750	2,947,495	1,485,630	0
FHLMC ^b	1,956,780	AAA ^{1,2}	0	975,230	981,550	0
Total Investments	<u>\$30,483,304</u>		<u>\$22,317,079</u>	<u>\$5,422,045</u>	<u>\$2,499,180</u>	<u>\$245,000</u>

¹ Standard & Poor's

² Moody's Investor Service

^a Call Options – Callable anytime at par value.

^b Call Options – Callable quarterly at par value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 28.8% are FHLB, and 6.4% are FHLMC.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Repurchase agreements and STAR Ohio are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$15,740,584	\$21,068,525
Certificates of Deposit (with maturities of more than 3 months)	3,873,550	(3,873,550)
Investments:		
STAR Ohio	(489,223)	489,223
Repurchase Agreement (with maturities of less than 3 months)	(12,799,106)	12,799,106
Per GASB Statement No. 3	<u>\$6,325,805</u>	<u>\$30,483,304</u>

* Includes Cash with Fiscal Agent

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Lancaster. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for the City's operations for the year ended December 31, 2005 was \$3.40 per \$1,000 of assessed value. The assessed value upon which the 2005 property tax receipts were based was \$727,046,497. This amount constitutes \$633,458,120 in real property assessed value, \$77,122,177 in tangible personal property assessed value and \$16,466,200 in public utility property.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .34% (3.40 mills) of assessed value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 4 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1.75%, .75% of which is voter approved, on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. The City allows a credit of 100% of the first 1.0% unvoted tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 5 - RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, accounts, net of allowance for doubtful accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues.

NOTE 6 – INTERFUND ACCOUNTS

Interfund balances at December 31, 2005 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$31,737	\$0
Enterprise Fund:		
Sanitation	0	31,737
Agency Funds:		
Municipal Court	0	4,391
Law Library	4,391	0
Total Agency Funds	<u>4,391</u>	<u>4,391</u>
Totals	<u>\$36,128</u>	<u>\$36,128</u>

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2005 of \$560,938 which was offset in the Governmental Activities by the same amount. The Due to Other Funds is a reimbursement of expenditures made by the General Fund

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2005:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$1,582,310
Capital Improvement Fund	206,019	0
Nonmajor Governmental Funds	<u>1,526,290</u>	<u>149,999</u>
Total Transfers In	<u>\$1,732,309</u>	<u>\$1,732,309</u>

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

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Capital assets not being depreciated:				
Land	\$12,666,640	\$834,305	\$0	\$13,500,945
Construction in Progress	34,201	398,879	(301,967)	131,113
Subtotal	12,700,841	1,233,184	(301,967)	13,632,058
Capital assets being depreciated:				
Buildings	6,433,049	23,700	0	6,456,749
Improvements Other than Buildings	5,563,204	20,826	0	5,584,030
Vehicles	4,466,284	561,687	(223,468)	4,804,503
Machinery and Equipment	4,497,457	123,957	(101,783)	4,519,631
Infrastructure	12,487,163	902,746	0	13,389,909
Subtotal	33,447,157	1,632,916	(325,251)	34,754,822
Total Cost	\$46,147,998	\$2,866,100	(\$627,218)	\$48,386,880

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$2,485,893)	(\$161,273)	\$0	(\$2,647,166)
Improvements Other than Buildings	(3,024,246)	(159,938)	0	(3,184,184)
Vehicles	(3,906,442)	(316,403)	206,165	(4,016,680)
Machinery and Equipment	(3,057,478)	(336,319)	89,090	(3,304,707)
Infrastructure	(5,984,466)	(487,926)	0	(6,472,392)
Total Depreciation	(\$18,458,525)	(\$1,461,859) *	\$295,255	(\$19,625,129)
Net Value:	\$27,689,473			\$28,761,751

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$272,067)
Leisure Time Activities	(147,639)
Community Environment	(6,621)
Public Health & Welfare	(24,842)
Transportation	(771,916)
General Government	(221,641)
Internal Service Fund Capital Assets	(17,133)
Total Depreciation Expense	(\$1,461,859)

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 8 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<i>Capital assets not being depreciated:</i>				
Land	\$1,706,991	\$221,951	\$0	\$1,928,942
Construction in Progress	3,480,725	3,427,030	(5,092,845)	1,814,910
Subtotal	5,187,716	3,648,981	(5,092,845)	3,743,852
<i>Capital assets being depreciated:</i>				
Buildings	34,596,208	0	0	34,596,208
Improvements	31,878,305	14,949	0	31,893,254
Vehicles	3,427,908	233,701	(130,841)	3,530,768
Machinery and Equipment	9,095,673	531,303	(6,053)	9,620,923
Infrastructure	42,760,586	7,714,766	0	50,475,352
Subtotal	121,758,680	8,494,719	(136,894)	130,116,505
Total Cost	\$126,946,396	\$12,143,700	(\$5,229,739)	\$133,860,357

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$6,441,500)	(\$809,723)	\$0	(\$7,251,223)
Improvements	(15,622,844)	(1,505,490)	0	(17,128,334)
Vehicles	(2,559,656)	(294,000)	130,841	(2,722,815)
Machinery and Equipment	(5,605,610)	(634,281)	4,918	(6,234,973)
Infrastructure	(18,373,821)	(1,403,044)	0	(19,776,865)
Total Depreciation	(\$48,603,431)	(\$4,646,538)	\$135,759	(\$53,114,210)
<i>Net Value:</i>	\$78,342,965	\$7,497,162	(\$5,093,980)	\$80,746,147

Internal service funds serve both governmental and business-type funds. Accordingly, capital assets for them are included as part of the above totals for governmental and business-type funds. At year-end, \$73,621 and \$106,832 of internal service funds capital assets, net of depreciation are included in the respective above amounts. Also, \$17,133 and \$32,635 of depreciation expense for internal service fund are included in the respective above amounts.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2005, 2004, and 2003 were \$1,614,229, \$1,551,287 and \$1,542,139, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$476,525.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$652,137, \$632,394 and \$595,412 for police and \$1,008,125, \$885,211 and \$867,734 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2005 covered payroll that was used to fund postemployment health care benefits was \$259,183 representing 7.75% of covered payroll for police and \$325,540 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 10 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions. The City has purchased its own Notes Payables for Rising Park Improvements/Land Acquisition, Land Acquisition and the Medic Unit. These notes are recorded as investments in the General Fund.

	Maturity Date	Balance January 1, 2004	Additions	(Reductions)	Balance December 31, 2005
Capital Projects Notes Payable:					
3.00% Rising Park Improvement/ Land Acquisition	11/23/2005	\$500,000	\$0	(\$500,000)	\$0
3.53% Rising Park Improvement/ Land Acquisition	11/19/2006	0	475,000	0	475,000
3.00% Law Enforcement Building	11/10/2005	250,000	0	(250,000)	0
3.53% Law Enforcement Building	11/6/2006	0	110,000	0	110,000
3.00% Land Acquisition	12/21/2006	0	400,000	0	400,000
3.00% Medic Unit	3/17/2006	0	166,500	0	166,500
Total Capital Projects Notes Payable		<u>\$750,000</u>	<u>\$1,151,500</u>	<u>(\$750,000)</u>	<u>\$1,151,500</u>
Enterprise Funds Notes Payable:					
3.53% Upper Hocking WWTP	11/7/2006	\$0	\$750,000	\$0	\$750,000
Total Enterprise Notes Payable		<u>\$0</u>	<u>\$750,000</u>	<u>\$0</u>	<u>\$750,000</u>

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2005 were as follows:

	December 31, 2004	Additions	(Reductions)	Balance December 31, 2005	Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority Loans (OWDA):					
2003 2.00% Water Treatment Plant/Clearwells/Wellfield	\$170,276	\$18,871	(\$5,122)	\$184,025	\$5,225
2001 4.14% Water Transmission Line/Waste Force Main	5,081,510	0	(203,825)	4,877,685	212,351
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	19,975,631	0	(761,907)	19,213,724	791,911
1989 8.48% Water Pollution Control Plant	6,081,231	0	(442,634)	5,638,597	480,169
1990 7.74% Water Pollution Control Plant (Supplement)	125,749	0	(9,458)	116,291	10,190
1993 2.94% Water Pollution Control Plant (Supplement)	8,706,210	0	(646,494)	8,059,716	665,641
1996 3.16% Water Pollution Control Plant (Supplement)	3,626,899	0	(229,567)	3,397,332	236,879
1997 3.98% Landfill Postclosure Care	3,081,903	0	(168,470)	2,913,433	175,241
Total Ohio Water Development Authority Loans	<u>46,849,409</u>	<u>18,871</u>	<u>(2,467,477)</u>	<u>44,400,803</u>	<u>2,577,607</u>
Revenue Bonds Payable:					
2004 2-4.75% Water System Improvement Revenue Bond	8,205,000	0	(205,000)	8,000,000	205,000
Premium	127,740	0	(5,110)	122,630	0
2004 2-4.75% Wastewater System Improvement Revenue Bond	5,095,000	0	(125,000)	4,970,000	130,000
Premium	78,516	0	(3,141)	75,375	0
Total Revenue Bonds Payable	<u>13,506,256</u>	<u>0</u>	<u>(338,251)</u>	<u>13,168,005</u>	<u>335,000</u>
Landfill Postclosure Care Liability	2,057,125	0	(111,252)	1,945,873	0
Capital Leases	28,679	29,641	(23,316)	35,004	8,290
Compensated Absences	1,820,864	387,655	(391,895)	1,816,624	442,884
Total Business-Type Long-Term Debt	<u>\$64,262,333</u>	<u>\$436,167</u>	<u>(\$3,332,191)</u>	<u>\$61,366,309</u>	<u>\$3,363,781</u>
Governmental Activities Long-Term Debt:					
General Obligation Bond Payable	\$0	\$4,150,000	(\$185,000)	\$3,965,000	\$150,000
Special Assessment Bond Payable					
with Governmental Commitment	332,500	0	(13,000)	319,500	13,500
Long Term Notes Payable-Variou Purpose Improvement	3,960,000	0	(3,960,000)	0	0
Housing and Urban Development Loan Payable	1,120,000	0	(90,000)	1,030,000	90,000
Ohio Public Works Commission Loan Payable	100,420	0	(6,086)	94,334	6,086
Compensated Absences	3,407,617	1,668,841	(973,622)	4,102,836	1,082,316
Capital Leases	929,486	142,381	(222,791)	849,076	240,370
Total Governmental Activities	<u>\$9,850,023</u>	<u>\$5,961,222</u>	<u>(\$5,450,499)</u>	<u>\$10,360,746</u>	<u>\$1,582,272</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Internal service funds serve both governmental and business-type funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental and business-type funds. At year-end, \$78,924 and \$328,810 of internal service funds compensated absences are included in the respective above amounts. Also, \$8,122 of an internal service fund capital lease is recorded in the business-type activities amount. The \$3,960,000 is considered long-term because General Obligation Bonds were issued in 2005 to replace them.

A special assessment general obligation bond is used to finance central business district street improvements. Debt service is financed by assessments to affected property owners. However, the City is ultimately responsible for the debt service if the assessments are not collected. There were no delinquent special assessments at year end. The City has purchased its own Special Assessment Bonds Payable for Downtown Revitalization. These are recorded as an investment in the General Fund.

In 1999 the City began a downtown revitalization project that was financed by several sources including a Housing and Development Authority Loan in the amount of \$1,570,000, and an Ohio Public Works Commission Loan for \$120,721. Both are being repaid from the General Bond Retirement Fund.

A. Ohio Water Development Authority Loans

In 1989 and 1990 the City entered into an agreement with the Ohio Water Development Authority (OWDA), as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive \$14,211,847 and \$206,522, respectively, for the Water Pollution Control Plant.

In 1993, the City entered into an agreement with the Ohio Water Development Authority (OWDA), as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive approximately \$13,751,941. The amount had been subject to change and was finalized in 2004 for the amount of \$13,502,148. Principal and interest payments were adjusted accordingly. The proceeds were used for Water Pollution Control Plant Improvements.

In 1996, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive approximately \$5,234,745. The amount had been subject to change and was finalized in 2004 for the amount of \$13,502,148. Principal and interest payments were adjusted accordingly. The proceeds were used for Water Pollution Control Plant Improvements.

In 1997, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive approximately \$3,968,355. The amount is subject to change and has not been finalized. The interest rate on this loan is 3.98% per annum. This loan is payable from sanitation charges for landfill closure and postclosure care costs and is received by the City in increments as the project is completed. As of December 31, 2005, the City had received \$3,964,480 from OWDA. The City began repaying the loan in semiannual payments beginning in 1998 based on a loan amount of \$3,968,355 to be paid through 2018. An estimate of future financing requirements has been made based on the remaining loan balance of \$2,913,433 at December 31, 2005.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Ohio Water Development Authority Loans (Continued)

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive two loans of \$5,591,825 and \$21,273,840, respectively. The amounts are subject to change and have not been finalized. The interest rates on the loans are 4.14% and 3.9%, respectively, per annum. This loans are payable from water charges and are received by the City in increments as the projects are completed. As of December 31, 2005, the City had received \$5,464,939 and \$21,091,478, respectively from OWDA. Subsequent amounts will be received in future years. The City began repaying the first loan in semiannual payments beginning in 2002 based on a loan amount of \$5,591,825 to be paid through 2022. The City began repaying the second loan in semiannual payments beginning in 2003 based on a loan amount of \$21,273,840 to be paid through 2023. An estimate of future financing requirements has been made based on the loan balances of \$4,877,685 and \$19,213,724, respectively at December 31, 2005.

In 2002, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$200,000. The amount is subject to change and has not been finalized. The interest rates on the loan is 2.00%, per annum. This loan is payable from water charges and is received by the City in increments as the project is completed. As of December 31, 2005, the City had received \$199,091 from OWDA. Subsequent amounts will be received in future years. The City began repaying the loan in semiannual payments beginning in 2003 based on a loan amount of \$200,000 to be paid through 2022. An estimate of future financing requirements has been made based on the loan balance of \$184,025 at December 31, 2005.

B. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2005 follows:

Business-Type Activities:

Years	OWDA Loans		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2006	\$2,577,607	\$1,902,112	\$335,000	\$578,510
2007	2,711,799	1,767,921	340,000	570,972
2008	2,834,745	1,644,974	350,000	562,472
2009	2,964,342	1,515,377	365,000	552,848
2010	3,101,018	1,378,701	375,000	541,898
2011-2015	16,329,609	4,602,716	2,070,000	2,504,103
2016-2020	10,122,830	1,735,771	2,580,000	1,991,375
2021-2025	3,702,329	198,682	3,290,000	1,278,625
2026-2030	40,631	3,857	3,265,000	396,863
2031-2032	15,893	377	0	0
Totals	<u>\$44,400,803</u>	<u>\$14,750,488</u>	<u>\$12,970,000</u>	<u>\$8,977,666</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

B. Future Long-Term Financing Requirements (Continued)

Governmental Activities:

Years	General Obligation Bond Payable		Special Assessment Bond Payable	
	Principal	Interest	Principal	Interest
2006	\$150,000	\$153,650	\$13,500	\$15,975
2007	155,000	149,150	14,000	15,300
2008	160,000	144,500	15,000	14,600
2009	165,000	139,300	15,500	13,850
2010	170,000	133,938	16,500	13,075
2011-2015	940,000	573,375	74,000	43,700
2016-2020	1,135,000	376,053	116,000	31,725
2021-2025	1,090,000	120,607	55,000	4,150
Totals	\$3,965,000	\$1,790,573	\$319,500	\$152,375

Years	HUD Loan		OPWC Loan	
	Principal	Interest	Principal	Interest
2006	\$90,000	\$63,522	\$6,086	\$0
2007	90,000	58,347	6,086	0
2008	90,000	53,147	6,086	0
2009	90,000	47,898	6,086	0
2010	90,000	42,534	6,086	0
2011-2015	450,000	129,159	30,430	0
2016-2020	130,000	11,259	30,430	0
2021-2025	0	0	3,044	0
Totals	\$1,030,000	\$405,866	\$94,334	\$0

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 12 - CAPITALIZED LEASES

Under capital leases the City leases twelve copiers, seven police cruisers, two street sweepers, two salt spreaders, two pickup trucks, a dump truck, a utility vehicle, and various building improvements. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or Governmental Activities Capital Assets and the related liability is included in the appropriate proprietary fund or in the Governmental Activities Long-Term Liabilities. The original cost of the assets acquired under capital lease was \$2,113,429.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2005:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2006	\$288,416	\$11,826
2007	226,927	11,825
2008	222,214	11,825
2009	215,919	7,346
2010	<u>3,840</u>	<u>0</u>
Minimum Lease Payments	957,316	42,822
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(108,240)</u>	<u>(7,818)</u>
Present value of minimum lease payments	<u>\$849,076</u>	<u>\$35,004</u>

NOTE 13 - INSURANCE AND 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 2005, the City contracted with CNA for vehicles, property, EMT and general liability insurance while police and professional liability are protected by Columbia Company.

Insurance for property holds a \$1,000 deductible, general liability holds a \$1,000 deductible. The City carries a \$25,000 deductible for both police and professional liability insurance. The City also has an umbrella policy with Mt. Hawley Insurance Company for claims in excess of \$1,000,000.

The City pays unemployment claims to the State of Ohio as incurred.

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 contracts with the Industrial Advisors Bureau to review all accidents claimed through Workers' Compensation.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 13 - INSURANCE AND RISK MANAGEMENT (Continued)

On January 1, 1998 the City established an internal service fund to provide group health, dental and prescription drug benefits to employees and their eligible dependents through the South Central Insurance Consortium, a formalized risk management program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Health Insurance Management Fund (internal service fund) are available to pay claims. A third party administrator, E. V. Benefits Management, Inc., which monitors all claim payments, administers the plan. There is an internal pool that covers claims from \$50,000 to \$150,000. An excess coverage insurance policy premium covers individual claims in excess of \$150,000. There is a lifetime maximum coverage per person of \$3,000,000 and an annual maximum coverage of \$1,000,000 per person.

The claims liability of \$307,890 reported in the fund at December 31, 2005 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims 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 the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2004	\$443,095	\$4,840,453	(\$4,869,911)	\$413,637
2005	413,637	4,705,103	(4,810,850)	307,890

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 14 - CONSTRUCTION COMMITMENTS

As of December 31, 2005, the City had the following commitments with respect to capital improvements:

Capital Projects	Remaining Construction Commitment
South Water Treatment Plant and Wellfield	\$546,821
Rockmill Mill Phase III	16,314

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 15 - SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

In 1976, the City stopped accepting waste at the City of Lancaster Landfill. In 1988, the Ohio Environmental Protection Agency filed a complaint against the City. The consent order was approved in December 1996 by all respective parties involved and filed in January of 1997. The consent order required the City to place a final cover on the landfill site as well as perform certain maintenance and monitoring functions at the site for thirty years after closure.

The City has accrued a liability for landfill closure and postclosure care costs in the Sanitation Fund of \$1,945,873. These costs are funded by a sanitation rate increase that became effective April 1, 1997. The rate will remain in effect for twenty-five years to cover annual postclosure care costs. The remaining five years of postclosure care costs will be funded by \$435,002 which has been placed in a restricted account. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Fairfield Metropolitan Housing Authority (the "Authority")

The Authority is a statutorily created entity. It has a five member board of which two are appointed by the City. The remaining three members are appointed by Fairfield County. The Authority adopts its own appropriations, is its own contracting authority, hires/fires personnel, authorizes all expenditures, and does not rely on the City or the County to finance its deficits. All monies are received directly by the Authority in their name. Although the City appoints members to the board, the City is not financially accountable for the Authority, nor is the Authority dependent on the City. The Authority has no outstanding debt.

B. Community Action Board (the "Board")

The Board is made up of fifteen members. Of these members, only one is appointed by the City Auditor. The City is not fiscally accountable for this agency. There are various Not For Profit Agencies' representatives and representatives from Fairfield County, a Village, and a School District on the Board. The City has no ongoing fiduciary responsibility, nor are they liable for the Board's debts.

C. Fairfield Regional Planning Commission (the "Commission")

The City participates in this Commission which is a statutorily created political subdivision of the State. The Commission is jointly governed by Fairfield County, municipalities, and townships. The city appoints one of the 48 members of the Commission's board. Monies are contributed to the Commission based on the population of the City which serves as a membership fee. Continued existence of the Commission is not dependent on the City's continued participation. There is no equity interest and the Commission has no outstanding debt.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Fairfield Family, Adult and Children First (the “Council”)

The Council was created under Ohio Revised Code Section 121.37. Fairfield County has established a Council made up of the following members: the Director of the Fairfield County Community Mental Health Services Recovery Board; the Health Commissioner of the Fairfield County Health Department; the Director of Fairfield County Human Services; the Director of the Children’s Services Department; the Superintendent of Fairfield County MRDD; the Fairfield County Juvenile Court Judge; the Superintendent of Lancaster City Schools and Fairfield County Board of Education; the City of Lancaster; the Chair of the Fairfield County Commissioners; the State Department of Youth Services Regional Representative; a representative from the County Head Start Agencies; a representative of the County’s early intervention collaborative established pursuant to the federal early intervention program operated under the “Education of the Handicapped Act Amendments of 1986”; and at least three individuals representing the interests of families in the county. Where possible, the number of members representing families shall be equal to twenty percent of the Council’s remaining membership. The City participates in the Council and has received a federal grant, Early Childhood Intervention Grant, with the assistance of the Council. Continued existence of the Council is not dependent on the City’s continued participation. There is no equity interest and the Council has no outstanding debt.

E. Fairfield County Multi-System Youth Committee (the “Committee”)

The Committee is a group of agencies that coordinates the provision of services to multi-need youth in the area. Members of the Committee include representatives of the Fairfield County Youth Services, the Fairfield County Board of MRDD, the Fairfield County Juvenile Court, the Fairfield County Board of Education, the Fairfield County ADAMHS Board, the Fairfield County Children Services, the Fairfield County Health Department, New Horizons, the local office of the Rehabilitation Services Commission, the Fairfield Drug and Alcohol Recovery Center, and the Lancaster City Board of Education. Operations are paid out of a balance of remaining state and federal grants. Continued existence of the Committee is not dependent on the City’s continued participation. There is no equity interest and the Committee has no outstanding debt.

F. Community Corrections Board (the “Board”)

The Board is created by Ohio Revised Code Section 5149.30 and other related sections. The Board is made up of fifteen members that are appointed in accordance with the by-laws of the Board. Three of the members are City officials and include the Law Director, the City Police Chief, and the Municipal Court Judge. The Board prepares and administers the Community Corrections Planning Grant. This Board was a joint effort of the City and Fairfield County. The County acts as fiscal agent for this Board since the original grant was in the County’s name. Continued existence of the Board is not dependent on the City’s continued participation. There is no equity interest and the Board has no outstanding debt.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

G. Fairfield –Hocking Major Crimes Investigations Unit (the “Unit”)

The Unit is a regional council of governments, created in 2001 under Ohio Revised Code Section 167.01. Their purpose is to provide additional police protection to the citizens of Fairfield County and Hocking County to reduce the influence and affects of illegal drug trafficking activities and other major crimes. The Unit has a five member Governing Board which consists of one County Commissioner or designee from each county, and the Mayor, City Manager, or designee from each of the following cities: City of Lancaster, City of Pickerington, and City of Logan. The Unit also has a seven member Operating Board which handles the daily operations and reports to the Governing Board. The Operating Board consists of the following: the Fairfield and Hocking County Sheriffs and Prosecuting Attorneys, and the Chiefs of Police from the three cities listed above. The Unit’s revenues will consist of an annual grant applied for by the Fairfield County Commissioners that is given to the Unit to maintain and local matches from the involved entities. Continued existence of the Board is not dependent upon the City’s continued participation, no equity interest exists, and no debt is outstanding.

H. FairCATS

This organization was created in March 2001 as a legally separate organization under Chapter 1702 of the Ohio Revised Code. This organization coordinates transportation services within Fairfield County.

The Board of Trustees is the governing body. The Board consists of twelve trustees which serve for three years each. The City appoints one Board member. Not more than one third of the members can be from for profit entities. All members pay an annual membership fee of \$500.

The Fairfield County MRDD is the Lead Agency and administers the organization. The project is contingent upon the continued availability of state and local funds. The City has no equity interest and no debt obligations, nor is the existence of this organization dependent upon members from the City.

NOTE 17 - CONTINGENCIES

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

For the period January 1, 2005 to December 31, 2005, the City received federal and state grants for specific purposes that are subject to reviews 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 18 - SUBSEQUENT EVENTS

On February 27, 2006 and March 17, 2006, the City authorized and issued \$400,000 and \$9,400,000 of general obligation notes for land acquisition and the Lake Allen sewer separation project, respectively.

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*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, INTERNAL
SERVICE FUNDS AND FIDUCIARY FUNDS.*

Nonmajor Governmental Funds

Special Revenue Funds

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

Cemetery Fund

To account for the operation and maintenance of the public cemetery.

Street Construction, Maintenance and Repair Fund

To account for state levied and controlled gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

Parks and Recreation Fund

To account for the operation and maintenance of public recreational facilities.

Special Improvement District Fund

To account for fees assessed to all downtown business owners for the up-keep of the grounds surrounding their properties. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Lancaster Public Transit Program Fund

To account for monies from the Rural Transit and Grant Program and the Ohio Elderly and Disabled Transit Fare Assistance Program.

Family Violence Grant Fund

To account for grant funds for family drug abuse assistance and domestic violence assistance.

Law Director Victim Assistance Fund

To account for grant funds received to provide assistance to victims of domestic violence.

Lancaster Community Development Fund

To account for grant monies received to provide for redevelopment projects in the City.

Law Enforcement Block Grant Fund

To account for grant monies to be used specifically for the improvement of public safety and the reduction of crime.

Police and Fire Pension Fund

To accumulate property taxes for the partial payment of the current and accrued liability for police and fire disability and pension benefits.

(Continued)

Special Revenue Funds (Continued)

Fairfield County Court Surveillance Fund

To account for grant money from the Ohio Department of Rehabilitation and Corrections directed toward jail diversion of non-violent misdemeanants. Monies cover operating costs, equipment and salary. Jail population reduction is the overall goal of the program.

Indigent Drivers Alcohol Treatment Fund

To account for monies received from OMVI fines and costs collected to pay for alcohol treatment for repeat offenders of the OMVI laws.

Law Enforcement and Education Fund

To account for monies received from OMVI fines from convictions to be used to pay for security of persons and property.

Municipal Court Judicial Computer Fund

To account for monies received from the Municipal Court to be used for computer systems for the Municipal Judges.

Municipal Court Probation Fund

To account for fees assessed to criminal and traffic offenders who are placed by the Municipal Court on probation or other control sanctions to cover the cost of Probation department services and related expenditures.

Municipal Court Computerization Fund

To account for monies received from the Municipal Court to be used for a computer system.

Municipal Court Special Projects Fund

To account for an extra three dollar fee charged by the municipal court on all cases to be used for projects within the municipal court.

Municipal Court Family Violence Fund

To account for fees for family drug abuse and domestic violence programs.

Drug Enforcement Fund

To account for monies received from fines to be used for drug enforcement activities.

Community Development Block Grant Fund

To account for monies received from the federal government under the Community Development Block Grant Program and The Community Housing Improvement Program.

State Highway Fund

To account for that portion of the state gasoline tax and motor vehicle registration fees designated for street maintenance and repair of state highways within the City.

Cemetery Interment Fund

Established to hold cemetery interment costs that have been received in advance.

Debt Service Fund

The Debt Service Funds are used to account for retirement of the City's general obligation and special assessment bonds.

General Bond Retirement Fund

To account for the accumulation of resources for the payment of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

Special Assessment Debt Retirement Fund

To accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of assessment debt.

Capital Projects Fund

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

Fire Capital Improvement Fund

To account for financial resources to be used for the purchase of a new medic unit.

Fire Impact - District One Fund

To account for new construction impact fees to be use capital projects for the Fire Department.

Permanent Fund

The Permanent Fund is used to account for the financial resources that are legally restricted in that only the earnings, not the principal, may be used to support the City's programs.

Cemetery Trust Fund

Established to hold trust monies received for the maintenance of the cemetery grounds.

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 2,533,784	\$ 112,911	\$ 106,248	\$ 80,508	\$ 2,833,451
Investments	356,446	0	0	714,129	1,070,575
Receivables (net of allowance for doubtful accounts):					
Taxes	664,940	0	0	0	664,940
Accounts	35,659	0	0	4,957	40,616
Intergovernmental	2,366,258	0	0	0	2,366,258
Interest	9,080	0	0	0	9,080
Special Assessments	0	608,434	0	0	608,434
Loans	1,369,649	0	0	0	1,369,649
Inventory of Supplies	178,519	0	0	0	178,519
Prepaid Items	13,192	0	0	0	13,192
Total Assets	\$ 7,527,527	\$ 721,345	\$ 106,248	\$ 799,594	\$ 9,154,714
Liabilities:					
Accounts Payable	\$ 197,094	\$ 0	\$ 0	\$ 0	\$ 197,094
Accrued Wages and Benefits Payable	161,570	0	0	0	161,570
Deferred Revenue	2,424,791	608,434	0	0	3,033,225
Accrued Interest Payable	0	0	3,996	0	3,996
General Obligation Notes Payable	0	0	166,500	0	166,500
Total Liabilities	2,783,455	608,434	170,496	0	3,562,385
Fund Balances:					
Reserved for Encumbrances	98,121	0	0	0	98,121
Reserved for Prepaid Items	13,192	0	0	0	13,192
Reserved for Supplies Inventory	178,519	0	0	0	178,519
Reserved for Debt Service	0	112,911	0	0	112,911
Reserved for Loans Receivable	1,369,649	0	0	0	1,369,649
Reserved for Endowments	0	0	0	799,594	799,594
Unreserved, Undesignated in:					
Special Revenue Funds	3,084,591	0	0	0	3,084,591
Capital Projects Funds	0	0	(64,248)	0	(64,248)
Total Fund Balances	4,744,072	112,911	(64,248)	799,594	5,592,329
Total Liabilities and Fund Balances	\$ 7,527,527	\$ 721,345	\$ 106,248	\$ 799,594	\$ 9,154,714

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 1,669,229	\$ 0	\$ 0	\$ 0	\$ 1,669,229
Intergovernmental Revenues	3,480,766	0	0	0	3,480,766
Charges for Services	1,320,775	0	26,058	29,450	1,376,283
Licenses, Permits and Fees	1,134	0	0	0	1,134
Investment Earnings	47,694	0	0	0	47,694
Special Assessments	105,422	39,212	0	0	144,634
Fines and Forfeitures	677,215	0	0	0	677,215
All Other Revenue	137,686	4,184	0	0	141,870
Total Revenue	7,439,921	43,396	26,058	29,450	7,538,825
Expenditures:					
Current:					
Security of Persons and Property	599,827	0	5,093	0	604,920
Public Health and Welfare Services	638,489	0	0	0	638,489
Leisure Time Activities	1,632,501	0	0	0	1,632,501
Community Environment	648,369	0	0	0	648,369
Transportation	3,672,615	0	0	0	3,672,615
General Government	463,520	20,031	0	0	483,551
Capital Outlay	0	0	162,360	0	162,360
Debt Service:					
Principal Retirement	90,000	204,086	0	0	294,086
Interest and Fiscal Charges	66,074	132,487	3,996	0	202,557
Total Expenditures	7,811,395	356,604	171,449	0	8,339,448
Excess (Deficiency) of Revenues					
Over Expenditures	(371,474)	(313,208)	(145,391)	29,450	(800,623)
Other Financing Sources (Uses):					
Transfers In	1,179,270	347,020	0	0	1,526,290
Transfers Out	(149,999)	0	0	0	(149,999)
Other Financing Source - Capital Lease	19,539	0	0	0	19,539
Total Other Financing Sources (Uses)	1,048,810	347,020	0	0	1,395,830
Net Change in Fund Balances	677,336	33,812	(145,391)	29,450	595,207
Fund Balances at Beginning of Year	4,071,090	79,099	81,143	770,144	5,001,476
Increase (Decrease) in Inventory Reserve	(4,354)	0	0	0	(4,354)
Fund Balances End of Year	\$ 4,744,072	\$ 112,911	\$ (64,248)	\$ 799,594	\$ 5,592,329

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Lancaster Public Transit Program Fund	Family Violence Grant Fund
Assets:					
Cash and Cash Equivalents	\$ 69,603	\$ 559,497	\$ 383,787	\$ 28,496	\$ 10,459
Investments	0	0	0	0	0
Receivables (net of allowance for doubtful accounts):					
Taxes	17,038	0	255,571	0	0
Accounts	28,251	1,832	2,122	0	0
Intergovernmental	0	880,614	130,000	0	0
Interest	3,563	0	0	0	0
Loans	0	0	0	0	0
Inventory of Supplies	1,858	170,180	5,564	0	0
Prepaid Items	1,263	8,045	3,884	0	0
Total Assets	\$ 121,576	\$ 1,620,168	\$ 780,928	\$ 28,496	\$ 10,459
Liabilities:					
Accounts Payable	\$ 7,038	\$ 60,130	\$ 25,272	\$ 80,618	\$ 0
Accrued Wages and Benefits Payable	25,315	72,895	37,735	2,710	197
Deferred Revenue	7,691	583,000	241,791	0	0
Total Liabilities	40,044	716,025	304,798	83,328	197
Fund Balances:					
Reserved for Encumbrances	1,088	2,584	243	127	0
Reserved for Prepaid Items	1,263	8,045	3,884	0	0
Reserved for Supplies Inventory	1,858	170,180	5,564	0	0
Reserved for Loans Receivable	0	0	0	0	0
Undesignated/Unreserved	77,323	723,334	466,439	(54,959)	10,262
Total Fund Balances	81,532	904,143	476,130	(54,832)	10,262
Total Liabilities and Fund Balances	\$ 121,576	\$ 1,620,168	\$ 780,928	\$ 28,496	\$ 10,459

CITY OF LANCASTER, OHIO

Law Director Victim Assistance Fund	Lancaster Community Development Fund	Law Enforcement Block Grant Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund
\$ 33,733 0	\$ 9,730 0	\$ 29,774 0	\$ 0 0	\$ 5,648 0	\$ 159,409 0
0	0	0	392,331	0	0
0	0	0	0	0	0
14,405	0	0	23,000	34,768	0
0	0	0	0	0	0
0	0	0	0	0	0
0	917	0	0	0	0
0	0	0	0	0	0
<u>\$ 48,138</u>	<u>\$ 10,647</u>	<u>\$ 29,774</u>	<u>\$ 415,331</u>	<u>\$ 40,416</u>	<u>\$ 159,409</u>
\$ 0	\$ 0	\$ 646	\$ 0	\$ 0	\$ 0
1,694	7,539	0	0	3,497	0
0	0	0	415,331	17,384	0
<u>1,694</u>	<u>7,539</u>	<u>646</u>	<u>415,331</u>	<u>20,881</u>	<u>0</u>
0	0	13,085	0	0	75,000
0	0	0	0	0	0
0	917	0	0	0	0
0	0	0	0	0	0
46,444	2,191	16,043	0	19,535	84,409
<u>46,444</u>	<u>3,108</u>	<u>29,128</u>	<u>0</u>	<u>19,535</u>	<u>159,409</u>
<u>\$ 48,138</u>	<u>\$ 10,647</u>	<u>\$ 29,774</u>	<u>\$ 415,331</u>	<u>\$ 40,416</u>	<u>\$ 159,409</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Law Enforcement and Education Fund	Municipal Court Judicial Computer Fund	Municipal Court Probation Fund	Municipal Court Computer ization Fund	Municipal Court Special Projects Fund
Assets:					
Cash and Cash Equivalents	\$ 62,802	\$ 30,946	\$ 79,803	\$ 205,265	\$ 386,760
Investments	0	0	0	0	0
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	0
Accounts	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Interest	0	0	0	0	0
Loans	0	0	0	0	0
Inventory of Supplies	0	0	0	0	0
Prepaid Items	0	0	0	0	0
Total Assets	<u>\$ 62,802</u>	<u>\$ 30,946</u>	<u>\$ 79,803</u>	<u>\$ 205,265</u>	<u>\$ 386,760</u>
Liabilities:					
Accounts Payable	\$ 0	\$ 1,060	\$ 0	\$ 15,193	\$ 7,137
Accrued Wages and Benefits Payable	0	0	4,158	3,026	0
Deferred Revenue	0	0	0	0	0
Total Liabilities	<u>0</u>	<u>1,060</u>	<u>4,158</u>	<u>18,219</u>	<u>7,137</u>
Fund Balances:					
Reserved for Encumbrances	0	0	0	0	5,994
Reserved for Prepaid Items	0	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0	0
Reserved for Loans Receivable	0	0	0	0	0
Undesignated/Unreserved	62,802	29,886	75,645	187,046	373,629
Total Fund Balances	<u>62,802</u>	<u>29,886</u>	<u>75,645</u>	<u>187,046</u>	<u>379,623</u>
Total Liabilities and Fund Balances	<u>\$ 62,802</u>	<u>\$ 30,946</u>	<u>\$ 79,803</u>	<u>\$ 205,265</u>	<u>\$ 386,760</u>

CITY OF LANCASTER, OHIO

Municipal Court Family Violence Fund	Drug Enforcement Fund	CDBG Fund	State Highway Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 26,609	\$ 133,282	\$ 190,337	\$ 81,010	\$ 46,834	\$ 2,533,784
0	0	0	132,027	224,419	356,446
0	0	0	0	0	664,940
0	0	0	0	3,454	35,659
0	0	1,240,505	42,966	0	2,366,258
0	0	0	2,182	3,335	9,080
0	0	1,369,649	0	0	1,369,649
0	0	0	0	0	178,519
0	0	0	0	0	13,192
<u>\$ 26,609</u>	<u>\$ 133,282</u>	<u>\$ 2,800,491</u>	<u>\$ 258,185</u>	<u>\$ 278,042</u>	<u>\$ 7,527,527</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 197,094
2,804	0	0	0	0	161,570
0	0	1,128,471	27,669	3,454	2,424,791
<u>2,804</u>	<u>0</u>	<u>1,128,471</u>	<u>27,669</u>	<u>3,454</u>	<u>2,783,455</u>
0	0	0	0	0	98,121
0	0	0	0	0	13,192
0	0	0	0	0	178,519
0	0	1,369,649	0	0	1,369,649
<u>23,805</u>	<u>133,282</u>	<u>302,371</u>	<u>230,516</u>	<u>274,588</u>	<u>3,084,591</u>
<u>23,805</u>	<u>133,282</u>	<u>1,672,020</u>	<u>230,516</u>	<u>274,588</u>	<u>4,744,072</u>
<u>\$ 26,609</u>	<u>\$ 133,282</u>	<u>\$ 2,800,491</u>	<u>\$ 258,185</u>	<u>\$ 278,042</u>	<u>\$ 7,527,527</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Special Improvement District Fund	Lancaster Public Transit Program Fund
Revenues:					
Taxes	\$ 78,428	\$ 0	\$ 1,216,442	\$ 0	\$ 0
Intergovernmental Revenues	0	1,826,353	105,767	0	486,120
Charges for Services	194,864	385,864	313,802	0	278,697
Licenses, Permits and Fees	0	0	1,134	0	0
Investment Earnings	19,335	0	0	0	0
Special Assessments	0	0	0	105,422	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	4,491	86,753	46,442	0	0
Total Revenue	297,118	2,298,970	1,683,587	105,422	764,817
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Public Health and Welfare Services	611,279	0	0	0	0
Leisure Time Activities	0	0	1,632,501	0	0
Community Environment	0	0	0	105,422	0
Transportation	0	2,857,114	0	0	815,501
General Government	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
Total Expenditures	611,279	2,857,114	1,632,501	105,422	815,501
Excess (Deficiency) of Revenues Over Expenditures	(314,161)	(558,144)	51,086	0	(50,684)
Other Financing Sources (Uses):					
Transfers In	341,437	756,999	0	0	56,000
Transfers Out	0	0	0	0	0
Other Financing Source - Capital Lease	0	0	16,252	0	3,287
Total Other Financing Sources (Uses)	341,437	756,999	16,252	0	59,287
Net Change in Fund Balances	27,276	198,855	67,338	0	8,603
Fund Balances (Deficit) at Beginning of Year	55,118	710,014	407,750	0	(63,435)
Increase (Decrease) in Inventory Reserve	(862)	(4,726)	1,042	0	0
Fund Balances End of Year	\$ 81,532	\$ 904,143	\$ 476,130	\$ 0	\$ (54,832)

CITY OF LANCASTER, OHIO

Family Violence Grant Fund	Law Director Victim Assistance Fund	Lancaster Community Development Fund	Law Enforcement Block Grant Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund
\$ 0	\$ 0	\$ 0	\$ 0	\$ 374,359	\$ 0	\$ 0
10,459	48,874	138,079	11,486	46,604	69,537	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	33,562
0	0	0	0	0	0	0
<u>10,459</u>	<u>48,874</u>	<u>138,079</u>	<u>11,486</u>	<u>420,963</u>	<u>69,537</u>	<u>33,562</u>
14,142	39,452	0	14,373	420,963	89,863	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	175,097	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>14,142</u>	<u>39,452</u>	<u>175,097</u>	<u>14,373</u>	<u>420,963</u>	<u>89,863</u>	<u>0</u>
(3,683)	9,422	(37,018)	(2,887)	0	(20,326)	33,562
13,945	3,546	0	6,941	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>13,945</u>	<u>3,546</u>	<u>0</u>	<u>6,941</u>	<u>0</u>	<u>0</u>	<u>0</u>
10,262	12,968	(37,018)	4,054	0	(20,326)	33,562
0	33,476	39,934	25,074	0	39,861	125,847
0	0	192	0	0	0	0
<u>\$ 10,262</u>	<u>\$ 46,444</u>	<u>\$ 3,108</u>	<u>\$ 29,128</u>	<u>\$ 0</u>	<u>\$ 19,535</u>	<u>\$ 159,409</u>

(Continued)

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	Law Enforcement and Education Fund	Municipal Court Judicial Computer Fund	Municipal Court Probation Fund	Municipal Court Computer ization Fund	Municipal Court Special Projects Fund
Revenues:					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0	0
Charges for Services	0	0	0	0	0
Licenses, Permits and Fees	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Special Assessments	0	0	0	0	0
Fines and Forfeitures	3,798	44,737	157,639	185,573	242,216
All Other Revenue	0	0	0	0	0
Total Revenue	3,798	44,737	157,639	185,573	242,216
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Environment	0	0	0	0	0
Transportation	0	0	0	0	0
General Government	0	14,851	81,994	169,953	93,417
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
Total Expenditures	0	14,851	81,994	169,953	93,417
Excess (Deficiency) of Revenues Over Expenditures	3,798	29,886	75,645	15,620	148,799
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	402
Transfers Out	0	0	0	0	0
Other Financing Source - Capital Lease	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	402
Net Change in Fund Balances	3,798	29,886	75,645	15,620	149,201
Fund Balances (Deficit) at Beginning of Year	59,004	0	0	171,426	230,422
Increase (Decrease) in Inventory Reserve	0	0	0	0	0
Fund Balances End of Year	\$ 62,802	\$ 29,886	\$ 75,645	\$ 187,046	\$ 379,623

CITY OF LANCASTER, OHIO

Municipal Court Family Violence Fund	Drug Enforcement Fund	CDBG Fund	State Highway Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,669,229
0	0	645,446	92,041	0	3,480,766
112,054	0	0	0	35,494	1,320,775
0	0	0	0	0	1,134
0	1,608	4,610	13,049	9,092	47,694
0	0	0	0	0	105,422
0	9,690	0	0	0	677,215
0	0	0	0	0	137,686
<u>112,054</u>	<u>11,298</u>	<u>650,056</u>	<u>105,090</u>	<u>44,586</u>	<u>7,439,921</u>
0	21,034	0	0	0	599,827
0	0	0	0	27,210	638,489
0	0	0	0	0	1,632,501
0	0	367,850	0	0	648,369
0	0	0	0	0	3,672,615
103,305	0	0	0	0	463,520
0	0	90,000	0	0	90,000
0	0	66,074	0	0	66,074
<u>103,305</u>	<u>21,034</u>	<u>523,924</u>	<u>0</u>	<u>27,210</u>	<u>7,811,395</u>
8,749	(9,736)	126,132	105,090	17,376	(371,474)
0	0	0	0	0	1,179,270
0	0	0	(149,999)	0	(149,999)
0	0	0	0	0	19,539
0	0	0	(149,999)	0	1,048,810
8,749	(9,736)	126,132	(44,909)	17,376	677,336
15,056	143,018	1,545,888	275,425	257,212	4,071,090
0	0	0	0	0	(4,354)
<u>\$ 23,805</u>	<u>\$ 133,282</u>	<u>\$ 1,672,020</u>	<u>\$ 230,516</u>	<u>\$ 274,588</u>	<u>\$ 4,744,072</u>

CITY OF LANCASTER, OHIO

***Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2005***

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 97,729	\$ 15,182	\$ 112,911
Receivables (net of allowance for doubtful accounts):			
Special Assessments	0	608,434	608,434
Total Assets	<u>\$ 97,729</u>	<u>\$ 623,616</u>	<u>\$ 721,345</u>
Liabilities:			
Deferred Revenue	\$ 0	\$ 608,434	\$ 608,434
Total Liabilities	<u>0</u>	<u>608,434</u>	<u>608,434</u>
Fund Balances:			
Reserved for Debt Service	97,729	15,182	112,911
Total Fund Balances	<u>97,729</u>	<u>15,182</u>	<u>112,911</u>
Total Liabilities and Fund Balances	<u>\$ 97,729</u>	<u>\$ 623,616</u>	<u>\$ 721,345</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005***

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$ 0	\$ 39,212	\$ 39,212
All Other Revenue	4,184	0	4,184
Total Revenue	<u>4,184</u>	<u>39,212</u>	<u>43,396</u>
Expenditures:			
General Government	0	20,031	20,031
Debt Service:			
Principal Retirement	191,086	13,000	204,086
Interest and Fiscal Charges	115,862	16,625	132,487
Total Expenditures	<u>306,948</u>	<u>49,656</u>	<u>356,604</u>
Excess (Deficiency) of Revenues Over Expenditures	(302,764)	(10,444)	(313,208)
Other Financing Sources (Uses):			
Transfers In	347,020	0	347,020
Total Other Financing Sources (Uses)	<u>347,020</u>	<u>0</u>	<u>347,020</u>
Net Change in Fund Balances	44,256	(10,444)	33,812
Fund Balances at Beginning of Year	<u>53,473</u>	<u>25,626</u>	<u>79,099</u>
Fund Balances End of Year	<u><u>\$ 97,729</u></u>	<u><u>\$ 15,182</u></u>	<u><u>\$ 112,911</u></u>

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005**

	Fire Capital Improvement Fund	Fire Impact - District One Fund	Total Nonmajor Capital Projects Funds
Assets:			
Cash and Cash Equivalents	\$ 85,283	\$ 20,965	\$ 106,248
Total Assets	<u>\$ 85,283</u>	<u>\$ 20,965</u>	<u>\$ 106,248</u>
Liabilities:			
Accrued Interest Payable	3,996	0	3,996
General Obligation Notes Payable	166,500	0	166,500
Total Liabilities	<u>170,496</u>	<u>0</u>	<u>170,496</u>
Fund Balances:			
Undesignated/Unreserved	(85,213)	20,965	(64,248)
Total Fund Balances	<u>(85,213)</u>	<u>20,965</u>	<u>(64,248)</u>
Total Liabilities and Fund Balances	<u>\$ 85,283</u>	<u>\$ 20,965</u>	<u>\$ 106,248</u>

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	Fire Capital Improvement Fund	Fire Impact - District One Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Charges for Services	\$ 0	\$ 26,058	\$ 26,058
Total Revenue	<u>0</u>	<u>26,058</u>	<u>26,058</u>
Expenditures:			
Current:			
Security of Persons and Property	0	5,093	5,093
Capital Outlay	162,360	0	162,360
Debt Service:			
Interest and Fiscal Charges	3,996	0	3,996
Total Expenditures	<u>166,356</u>	<u>5,093</u>	<u>171,449</u>
Excess (Deficiency) of Revenues Over Expenditures	(166,356)	20,965	(145,391)
Fund Balances at Beginning of Year	<u>81,143</u>	<u>0</u>	<u>81,143</u>
Fund Balances End of Year	<u>\$ (85,213)</u>	<u>\$ 20,965</u>	<u>\$ (64,248)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 13,641,410	\$ 13,786,356	\$ 14,832,084	\$ 1,045,728
Intergovernmental Revenues	2,831,537	2,840,537	2,867,697	27,160
Charges for Services	2,129,953	3,206,044	3,467,441	261,397
License, Permits and Fees	23,200	23,200	20,915	(2,285)
Investment Earnings	358,000	481,108	592,717	111,609
Fines and Forfeitures	839,000	837,000	801,086	(35,914)
All Other Revenues	412,200	390,200	421,030	30,830
Total Revenues	20,235,300	21,564,445	23,002,970	1,438,525
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	6,655,326	6,664,169	5,949,526	714,643
Operations and Maintenance	652,021	640,021	503,588	136,433
Capital Outlay	277,376	294,376	287,614	6,762
Total Police	7,584,723	7,598,566	6,740,728	857,838
Fire:				
Personal Services	6,217,235	6,565,670	6,247,061	318,609
Operations and Maintenance	417,933	443,633	371,524	72,109
Capital Outlay	103,141	253,041	249,206	3,835
Total Fire	6,738,309	7,262,344	6,867,791	394,553
Street Lighting:				
Operations and Maintenance	205,090	205,090	197,232	7,858
Total Street Lighting	205,090	205,090	197,232	7,858
Total Security of Persons and Property	14,528,122	15,066,000	13,805,751	1,260,249
Public Health and Welfare Services:				
Health:				
Operations and Maintenance	225,000	225,000	215,835	9,165
Total Health	225,000	225,000	215,835	9,165
Assistance to Needy:				
Operations and Maintenance	500	500	0	500
Total Assistance to Needy	500	500	0	500
Total Public Health and Welfare Services	225,500	225,500	215,835	9,665

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Community Environment:				
Zoning, Planning, Tree Commissions:				
Operations and Maintenance	89,600	89,600	84,765	4,835
Total Zoning, Planning, Tree Commission	89,600	89,600	84,765	4,835
Economic Development:				
Personal Services	13,125	13,141	12,981	160
Operations and Maintenance	62,716	62,700	50,004	12,696
Total Economic Development	75,841	75,841	62,985	12,856
Total Community Environment	165,441	165,441	147,750	17,691
General Government:				
Council:				
Personal Services	82,500	82,500	82,016	484
Operations and Maintenance	12,974	12,974	8,576	4,398
Total Council	95,474	95,474	90,592	4,882
Mayor:				
Personal Services	142,035	142,035	141,977	58
Operations and Maintenance	7,055	7,055	4,208	2,847
Capital Outlay	2,000	2,000	1,257	743
Total Mayor	151,090	151,090	147,442	3,648
Personnel:				
Personal Services	46,724	46,724	27,547	19,177
Operations and Maintenance	17,678	17,678	16,591	1,087
Capital Outlay	1,699	1,699	1,434	265
Total Personnel	66,101	66,101	45,572	20,529
Auditor:				
Personal Services	343,334	345,544	308,225	37,319
Operations and Maintenance	42,762	40,552	34,943	5,609
Capital Outlay	11,675	11,675	6,531	5,144
Total Auditor	397,771	397,771	349,699	48,072

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Treasurer:				
Personal Services	17,400	17,400	17,172	228
Operations and Maintenance	7,350	12,350	8,670	3,680
Capital Outlay	1,500	1,500	150	1,350
Total Treasurer	26,250	31,250	25,992	5,258
Law Director:				
Personal Services	425,569	421,933	379,433	42,500
Operations and Maintenance	72,401	87,009	72,914	14,095
Capital Outlay	4,960	4,960	4,960	0
Total Law Director	502,930	513,902	457,307	56,595
Law Director-Prosecution Contract:				
Personal Services	39,130	33,380	32,247	1,133
Operations and Maintenance	20,027	21,461	20,928	533
Capital Outlay	1,500	66	66	0
Total Law Director-Prosecution Contract	60,657	54,907	53,241	1,666
Law Director-Code Enforcement:				
Personal Services	58,565	58,584	58,547	37
Operations and Maintenance	10,917	10,898	10,463	435
Total Law Director-Code Enforcement	69,482	69,482	69,010	472
Municipal Court:				
Personal Services	631,123	646,183	630,426	15,757
Operations and Maintenance	62,909	69,309	67,413	1,896
Capital Outlay	0	600	600	0
Total Municipal Court	694,032	716,092	698,439	17,653
Judicial:				
Personal Services	562,295	552,295	517,558	34,737
Operations and Maintenance	100,394	90,494	49,662	40,832
Capital Outlay	4,000	24,000	19,819	4,181
Total Judicial	666,689	666,789	587,039	79,750
Civil Service:				
Personal Services	6,578	6,578	6,072	506
Operations and Maintenance	45,400	45,400	43,130	2,270
Total Civil Service	51,978	51,978	49,202	2,776

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive Negative
City Hall Maintenance:				
Personal Services	116,533	116,533	115,460	1,073
Operations and Maintenance	72,020	72,020	66,513	5,507
Capital Outlay	3,820	3,820	3,820	0
Total City Hall Maintenance	192,373	192,373	185,793	6,580
City Hall Maintenance-Annex:				
Operations and Maintenance	30,968	33,113	32,075	1,038
Total City Hall Maintenance-Annex	30,968	33,113	32,075	1,038
Maple Street Facilities:				
Operations and Maintenance	10,880	12,080	6,903	5,177
Total Maple Street Facilities	10,880	12,080	6,903	5,177
Service Safety Director:				
Personal Services	153,440	153,466	153,193	273
Operations and Maintenance	7,440	7,414	6,691	723
Total Service Safety Director	160,880	160,880	159,884	996
Engineer:				
Personal Services	679,910	679,910	629,336	50,574
Operations and Maintenance	90,614	90,614	53,353	37,261
Capital Outlay	29,600	29,600	16,699	12,901
Total Engineer	800,124	800,124	699,388	100,736
Certified Building Inspection:				
Personal Services	420,300	423,060	397,245	25,815
Operations and Maintenance	154,971	224,461	209,469	14,992
Capital Outlay	13,435	20,935	19,288	1,647
Total Certified Building Inspection	588,706	668,456	626,002	42,454
Administration Support:				
Personal Services	45,397	60,397	52,743	7,654
Operations and Maintenance	314,259	408,119	350,176	57,943
Total Administration Support	359,656	468,516	402,919	65,597

(Continued)

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Personal Services	380,000	384,058	379,058	5,000
Operations and Maintenance	928,351	1,075,759	1,012,187	63,572
Capital Outlay	0	5,000	5,000	0
Total Miscellaneous	<u>1,308,351</u>	<u>1,464,817</u>	<u>1,396,245</u>	<u>68,572</u>
Income Tax:				
Personal Services	385,043	381,048	379,336	1,712
Operations and Maintenance	428,571	761,346	734,475	26,871
Capital Outlay	17,363	3,583	3,583	0
Total Income Tax	<u>830,977</u>	<u>1,145,977</u>	<u>1,117,394</u>	<u>28,583</u>
Total General Government	<u>7,065,369</u>	<u>7,761,172</u>	<u>7,200,138</u>	<u>561,034</u>
Total Expenditures	<u>21,984,432</u>	<u>23,218,113</u>	<u>21,369,474</u>	<u>1,848,639</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,749,132)	(1,653,668)	1,633,496	3,287,164
Other Financing Sources (Uses):				
Transfers In	757,000	308,125	0	(308,125)
Transfers Out	(1,304,901)	(1,582,310)	(1,582,310)	0
Advances In	600,000	600,000	85,000	(515,000)
Advances Out	0	(85,000)	(85,000)	0
Total Other Financing Sources (Uses)	<u>52,099</u>	<u>(759,185)</u>	<u>(1,582,310)</u>	<u>(823,125)</u>
Net Change in Fund Balance	(1,697,033)	(2,412,853)	51,186	2,464,039
Fund Balance at Beginning of Year	2,260,636	2,260,636	2,260,636	0
Prior Year Encumbrances	349,695	349,695	349,695	0
Fund Balance at End of Year	<u>\$ 913,298</u>	<u>\$ 197,478</u>	<u>\$ 2,661,517</u>	<u>\$ 2,464,039</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund – Capital Improvement Fund
For the Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 0	\$ 164,903	\$ 187,168	\$ 22,265
Intergovernmental Revenues	0	38,445	68,455	30,010
All Other Revenues	0	10,562	10,563	1
Total Revenues	<u>0</u>	<u>213,910</u>	<u>266,186</u>	<u>52,276</u>
Expenditures:				
Capital Outlay	692,745	1,561,130	831,003	730,127
Debt Service:				
Principal Retirement	0	4,875,500	4,710,000	165,500
Interest and Fiscal Charges	0	155,636	147,436	8,200
Total Expenditures	<u>692,745</u>	<u>6,592,266</u>	<u>5,688,439</u>	<u>903,827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(692,745)	(6,378,356)	(5,422,253)	956,103
Other Financing Sources (Uses):				
General Obligation Bonds Issued	0	4,150,000	4,150,000	0
General Obligation Notes Issued	19,424,324	995,746	985,000	(10,746)
Transfers In	7,000,000	7,439,357	439,357	(7,000,000)
Transfers Out	0	(233,338)	(233,338)	0
Total Other Financing Sources (Uses)	<u>26,424,324</u>	<u>12,351,765</u>	<u>5,341,019</u>	<u>(7,010,746)</u>
Net Change in Fund Balance	25,731,579	5,973,409	(81,234)	(6,054,643)
Fund Balance at Beginning of Year	720,439	720,439	720,439	0
Prior Year Encumbrances	154,724	154,724	154,724	0
Fund Balance at End of Year	<u>\$ 26,606,742</u>	<u>\$ 6,848,572</u>	<u>\$ 793,929</u>	<u>\$ (6,054,643)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

CEMETERY FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 78,039	\$ 78,039	\$ 81,221	\$ 3,182
Charges for Services	218,650	218,650	207,588	(11,062)
Investment Earnings	36,000	36,000	18,480	(17,520)
All Other Revenues	1,000	1,000	4,491	3,491
Total Revenues	<u>333,689</u>	<u>333,689</u>	<u>311,780</u>	<u>(21,909)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	576,159	469,658	427,483	42,175
Operations and Maintenance	93,356	169,257	147,532	21,725
Capital Outlay	30,600	30,700	30,600	100
Total Expenditures	<u>700,115</u>	<u>669,615</u>	<u>605,615</u>	<u>64,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(366,426)	(335,926)	(293,835)	42,091
Other Financing Sources (Uses):				
Transfers In	<u>288,437</u>	<u>341,437</u>	<u>341,437</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>288,437</u>	<u>341,437</u>	<u>341,437</u>	<u>0</u>
Net Change in Fund Balance	(77,989)	5,511	47,602	42,091
Fund Balance at Beginning of Year	14,618	14,618	14,618	0
Prior Year Encumbrances	1,012	1,012	1,012	0
Fund Balance at End of Year	<u>\$ (62,359)</u>	<u>\$ 21,141</u>	<u>\$ 63,232</u>	<u>\$ 42,091</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive Negative
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND				
Revenues:				
Intergovernmental Revenues	\$ 1,931,000	\$ 1,931,000	\$ 1,754,405	\$ (176,595)
Charges for Services	578,100	578,100	385,864	(192,236)
All Other Revenues	11,000	55,926	84,921	28,995
Total Revenues	<u>2,520,100</u>	<u>2,565,026</u>	<u>2,225,190</u>	<u>(339,836)</u>
Expenditures:				
Transportation:				
Personal Services	1,927,529	1,888,529	1,758,714	129,815
Operations and Maintenance	829,942	1,045,062	984,916	60,146
Capital Outlay	135,135	177,015	175,410	1,605
Total Expenditures	<u>2,892,606</u>	<u>3,110,606</u>	<u>2,919,040</u>	<u>191,566</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(372,506)	(545,580)	(693,850)	(148,270)
Other Financing Sources (Uses):				
Transfers In	540,000	647,000	756,999	109,999
Total Other Financing Sources (Uses)	<u>540,000</u>	<u>647,000</u>	<u>756,999</u>	<u>109,999</u>
Net Change in Fund Balance	167,494	101,420	63,149	(38,271)
Fund Balance at Beginning of Year	348,472	348,472	348,472	0
Prior Year Encumbrances	132,466	132,466	132,466	0
Fund Balance at End of Year	<u>\$ 648,432</u>	<u>\$ 582,358</u>	<u>\$ 544,087</u>	<u>\$ (38,271)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

PARKS AND RECREATION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,170,601	\$ 1,210,601	\$ 1,258,332	\$ 47,731
Intergovernmental Revenues	200,000	200,000	105,767	(94,233)
Charges for Services	487,389	487,389	322,728	(164,661)
Licenses, Permits and Fees	2,000	2,000	1,134	(866)
All Other Revenues	100,000	100,000	48,585	(51,415)
Total Revenues	<u>1,959,990</u>	<u>1,999,990</u>	<u>1,736,546</u>	<u>(263,444)</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	1,115,740	1,111,849	1,020,001	91,848
Operations and Maintenance	578,762	847,653	582,945	264,708
Capital Outlay	35,050	35,050	27,639	7,411
Total Expenditures	<u>1,729,552</u>	<u>1,994,552</u>	<u>1,630,585</u>	<u>363,967</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	230,438	5,438	105,961	100,523
Fund Balance at Beginning of Year	248,096	248,096	248,096	0
Prior Year Encumbrances	19,562	19,562	19,562	0
Fund Balance at End of Year	<u>\$ 498,096</u>	<u>\$ 273,096</u>	<u>\$ 373,619</u>	<u>\$ 100,523</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

SPECIAL IMPROVEMENT DISTRICT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 0	\$ 114,696	\$ 105,422	\$ (9,274)
Total Revenues	<u>0</u>	<u>114,696</u>	<u>105,422</u>	<u>(9,274)</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	<u>0</u>	<u>105,422</u>	<u>105,422</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>105,422</u>	<u>105,422</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	9,274	0	(9,274)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 9,274</u>	<u>\$ 0</u>	<u>\$ (9,274)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

LANCASTER PUBLIC TRANSIT PROGRAM FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 475,115	\$ 475,115	\$ 486,120	\$ 11,005
Charges for Services	312,000	312,000	281,103	(30,897)
All Other Revenues	18,000	18,000	0	(18,000)
Total Revenues	<u>805,115</u>	<u>805,115</u>	<u>767,223</u>	<u>(37,892)</u>
Expenditures:				
Transportation:				
Personal Services	61,160	61,160	59,876	1,284
Operations and Maintenance	690,638	636,437	614,548	21,889
Capital Outlay	136,857	144,058	140,720	3,338
Total Expenditures	<u>888,655</u>	<u>841,655</u>	<u>815,144</u>	<u>26,511</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(83,540)	(36,540)	(47,921)	(11,381)
Other Financing Sources (Uses):				
Transfers In	40,000	56,000	56,000	0
Advances In	90,000	175,000	85,000	(90,000)
Advances Out	0	(85,000)	(85,000)	0
Total Other Financing Sources (Uses)	<u>130,000</u>	<u>146,000</u>	<u>56,000</u>	<u>(90,000)</u>
Net Change in Fund Balance	46,460	109,460	8,079	(101,381)
Fund Balance at Beginning of Year	19,685	19,685	19,685	0
Prior Year Encumbrances	288	288	288	0
Fund Balance at End of Year	<u>\$ 66,433</u>	<u>\$ 129,433</u>	<u>\$ 28,052</u>	<u>\$ (101,381)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

FAMILY VIOLENCE GRANT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 7,849	\$ 10,459	\$ 2,610
Total Revenues	<u>0</u>	<u>7,849</u>	<u>10,459</u>	<u>2,610</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	0	10,705	10,705	0
Operations and Maintenance	<u>0</u>	<u>3,240</u>	<u>3,240</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>13,945</u>	<u>13,945</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(6,096)	(3,486)	2,610
Other Financing Sources (Uses):				
Transfers In	0	13,945	13,945	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>13,945</u>	<u>13,945</u>	<u>0</u>
Net Change in Fund Balance	0	7,849	10,459	2,610
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 7,849</u>	<u>\$ 10,459</u>	<u>\$ 2,610</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

LAW DIRECTOR VICTIM ASSISTANCE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 41,454	\$ 45,001	\$ 38,543	\$ (6,458)
Total Revenues	<u>41,454</u>	<u>45,001</u>	<u>38,543</u>	<u>(6,458)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	42,636	42,770	32,274	10,496
Operations and Maintenance	0	3,547	3,547	0
Capital Outlay	0	3,547	3,546	1
Total Expenditures	<u>42,636</u>	<u>49,864</u>	<u>39,367</u>	<u>10,497</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,182)	(4,863)	(824)	4,039
Other Financing Sources (Uses):				
Transfers In	3,546	3,546	3,546	0
Total Other Financing Sources (Uses)	<u>3,546</u>	<u>3,546</u>	<u>3,546</u>	<u>0</u>
Net Change in Fund Balance	2,364	(1,317)	2,722	4,039
Fund Balance at Beginning of Year	31,011	31,011	31,011	0
Fund Balance at End of Year	<u>\$ 33,375</u>	<u>\$ 29,694</u>	<u>\$ 33,733</u>	<u>\$ 4,039</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

LANCASTER COMMUNITY DEVELOPMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 210,000	\$ 210,000	\$ 138,079	\$ (71,921)
Total Revenues	<u>210,000</u>	<u>210,000</u>	<u>138,079</u>	<u>(71,921)</u>
Expenditures:				
Community Environment:				
Personal Services	186,515	177,515	172,874	4,641
Operations and Maintenance	<u>6,500</u>	<u>6,500</u>	<u>1,838</u>	<u>4,662</u>
Total Expenditures	<u>193,015</u>	<u>184,015</u>	<u>174,712</u>	<u>9,303</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,985	25,985	(36,633)	(62,618)
Fund Balance at Beginning of Year	46,363	46,363	46,363	0
Fund Balance at End of Year	<u>\$ 63,348</u>	<u>\$ 72,348</u>	<u>\$ 9,730</u>	<u>\$ (62,618)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

LAW ENFORCEMENT BLOCK GRANT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 11,486	\$ 11,486
Total Revenues	<u>0</u>	<u>0</u>	<u>11,486</u>	<u>11,486</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	25,074	43,225	27,458	15,767
Total Expenditures	<u>25,074</u>	<u>43,225</u>	<u>27,458</u>	<u>15,767</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,074)	(43,225)	(15,972)	27,253
Other Financing Sources (Uses):				
Transfers In	0	6,941	6,941	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>6,941</u>	<u>6,941</u>	<u>0</u>
Net Change in Fund Balance	(25,074)	(36,284)	(9,031)	27,253
Fund Balance at Beginning of Year	25,074	25,074	25,074	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ (11,210)</u>	<u>\$ 16,043</u>	<u>\$ 27,253</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

POLICE AND FIRE PENSION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 360,000	\$ 360,000	\$ 374,359	\$ 14,359
Intergovernmental Revenues	60,963	60,963	46,604	(14,359)
Total Revenues	<u>420,963</u>	<u>420,963</u>	<u>420,963</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>420,963</u>	<u>420,963</u>	<u>420,963</u>	<u>0</u>
Total Expenditures	<u>420,963</u>	<u>420,963</u>	<u>420,963</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

FAIRFIELD COUNTY COURT SURVEILLANCE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 67,000	\$ 67,000	\$ 69,537	\$ 2,537
Total Revenues	<u>67,000</u>	<u>67,000</u>	<u>69,537</u>	<u>2,537</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	64,235	64,347	63,232	1,115
Operations and Maintenance	2,885	22,288	20,481	1,807
Capital Outlay	<u>0</u>	<u>5,586</u>	<u>5,577</u>	<u>9</u>
Total Expenditures	<u>67,120</u>	<u>92,221</u>	<u>89,290</u>	<u>2,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(120)	(25,221)	(19,753)	5,468
Fund Balance at Beginning of Year	25,281	25,281	25,281	0
Prior Year Encumbrances	<u>120</u>	<u>120</u>	<u>120</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 25,281</u>	<u>\$ 180</u>	<u>\$ 5,648</u>	<u>\$ 5,468</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

INDIGENT DRIVERS ALCOHOL TREATMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 35,000	\$ 35,000	\$ 34,102	\$ (898)
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>34,102</u>	<u>(898)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>0</u>	<u>75,000</u>	<u>75,000</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>75,000</u>	<u>75,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,000	(40,000)	(40,898)	(898)
Fund Balance at Beginning of Year	<u>124,440</u>	<u>124,440</u>	<u>124,440</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 159,440</u>	<u>\$ 84,440</u>	<u>\$ 83,542</u>	<u>\$ (898)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

LAW ENFORCEMENT AND EDUCATION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 3,500	\$ 3,500	\$ 3,676	\$ 176
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>3,676</u>	<u>176</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,500	3,500	3,676	176
Fund Balance at Beginning of Year	<u>58,848</u>	<u>58,848</u>	<u>58,848</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 62,348</u>	<u>\$ 62,348</u>	<u>\$ 62,524</u>	<u>\$ 176</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

MUNICIPAL COURT JUDICIAL COMPUTER FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 0	\$ 40,000	\$ 40,521	\$ 521
Total Revenues	<u>0</u>	<u>40,000</u>	<u>40,521</u>	<u>521</u>
Expenditures:				
General Government:				
Operations and Maintenance	17,000	17,000	9,154	7,846
Capital Outlay	<u>25,000</u>	<u>22,500</u>	<u>4,637</u>	<u>17,863</u>
Total Expenditures	<u>42,000</u>	<u>39,500</u>	<u>13,791</u>	<u>25,709</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,000)	500	26,730	26,230
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (42,000)</u>	<u>\$ 500</u>	<u>\$ 26,730</u>	<u>\$ 26,230</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

MUNICIPAL COURT PROBATION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 0	\$ 140,000	\$ 138,672	\$ (1,328)
Total Revenues	<u>0</u>	<u>140,000</u>	<u>138,672</u>	<u>(1,328)</u>
Expenditures:				
General Government:				
Personal Services	103,220	103,220	77,836	25,384
Operations and Maintenance	<u>8,000</u>	<u>8,000</u>	<u>0</u>	<u>8,000</u>
Total Expenditures	<u>111,220</u>	<u>111,220</u>	<u>77,836</u>	<u>33,384</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(111,220)	28,780	60,836	32,056
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (111,220)</u>	<u>\$ 28,780</u>	<u>\$ 60,836</u>	<u>\$ 32,056</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

MUNICIPAL COURT COMPUTERIZATION FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 135,000	\$ 175,000	\$ 180,806	\$ 5,806
Total Revenues	<u>135,000</u>	<u>175,000</u>	<u>180,806</u>	<u>5,806</u>
Expenditures:				
General Government:				
Personal Services	89,636	89,636	44,435	45,201
Operations and Maintenance	76,959	76,959	53,687	23,272
Capital Outlay	<u>100,000</u>	<u>100,000</u>	<u>55,304</u>	<u>44,696</u>
Total Expenditures	<u>266,595</u>	<u>266,595</u>	<u>153,426</u>	<u>113,169</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(131,595)	(91,595)	27,380	118,975
Fund Balance at Beginning of Year	160,008	160,008	160,008	0
Prior Year Encumbrances	<u>1,595</u>	<u>1,595</u>	<u>1,595</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 30,008</u>	<u>\$ 70,008</u>	<u>\$ 188,983</u>	<u>\$ 118,975</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

MUNICIPAL COURT SPECIAL PROJECTS FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 120,000	\$ 215,000	\$ 231,764	\$ 16,764
Total Revenues	<u>120,000</u>	<u>215,000</u>	<u>231,764</u>	<u>16,764</u>
Expenditures:				
General Government:				
Operations and Maintenance	143,817	166,119	100,018	66,101
Capital Outlay	121,950	100,050	14,192	85,858
Total Expenditures	<u>265,767</u>	<u>266,169</u>	<u>114,210</u>	<u>151,959</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(145,767)	(51,169)	117,554	168,723
Other Financing Sources (Uses):				
Transfers In	0	402	402	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>402</u>	<u>402</u>	<u>0</u>
Net Change in Fund Balance	(145,767)	(50,767)	117,956	168,723
Fund Balance at Beginning of Year	199,524	199,524	199,524	0
Prior Year Encumbrances	35,767	35,767	35,767	0
Fund Balance at End of Year	<u>\$ 89,524</u>	<u>\$ 184,524</u>	<u>\$ 353,247</u>	<u>\$ 168,723</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

MUNICIPAL COURT FAMILY VIOLENCE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 101,000	\$ 101,000	\$ 112,154	\$ 11,154
Total Revenues	<u>101,000</u>	<u>101,000</u>	<u>112,154</u>	<u>11,154</u>
Expenditures:				
General Government:				
Personal Services	86,977	94,743	90,274	4,469
Operations and Maintenance	12,874	12,874	12,874	0
Capital Outlay	680	680	617	63
Total Expenditures	<u>100,531</u>	<u>108,297</u>	<u>103,765</u>	<u>4,532</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	469	(7,297)	8,389	15,686
Fund Balance at Beginning of Year	8,131	8,131	8,131	0
Prior Year Encumbrances	680	680	680	0
Fund Balance at End of Year	<u>\$ 9,280</u>	<u>\$ 1,514</u>	<u>\$ 17,200</u>	<u>\$ 15,686</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

DRUG ENFORCEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 1,608	\$ 1,608
Fines and Forfeitures	0	0	9,690	9,690
Total Revenues	<u>0</u>	<u>0</u>	<u>11,298</u>	<u>11,298</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>0</u>	<u>0</u>	<u>21,034</u>	<u>(21,034)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>21,034</u>	<u>(21,034)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	(9,736)	(9,736)
Fund Balance at Beginning of Year	<u>143,018</u>	<u>143,018</u>	<u>143,018</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 143,018</u>	<u>\$ 143,018</u>	<u>\$ 133,282</u>	<u>\$ (9,736)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
Revenues:				
Intergovernmental Revenues	\$ 675,000	\$ 675,000	\$ 647,177	\$ (27,823)
Investment Earnings	4,000	4,000	3,177	(823)
All Other Revenues	11,000	11,000	7,521	(3,479)
Total Revenues	<u>690,000</u>	<u>690,000</u>	<u>657,875</u>	<u>(32,125)</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	3,552	3,552	2,240	1,312
Capital Outlay	1,261,901	1,955,627	505,031	1,450,596
Total Community Environment	<u>1,265,453</u>	<u>1,959,179</u>	<u>507,271</u>	<u>1,451,908</u>
Debt Service:				
Principal Retirement	90,000	90,000	90,000	0
Interest and Fiscal Charges	66,074	66,074	66,074	0
Total Debt Service	<u>156,074</u>	<u>156,074</u>	<u>156,074</u>	<u>0</u>
Total Expenditures	<u>1,421,527</u>	<u>2,115,253</u>	<u>663,345</u>	<u>1,451,908</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(731,527)	(1,425,253)	(5,470)	1,419,783
Fund Balance at Beginning of Year	193,949	193,949	193,949	0
Prior Year Encumbrances	1,858	1,858	1,858	0
Fund Balance at End of Year	<u>\$ (535,720)</u>	<u>\$ (1,229,446)</u>	<u>\$ 190,337</u>	<u>\$ 1,419,783</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	STATE HIGHWAY FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 75,000	\$ 75,000	\$ 84,933	\$ 9,933
Investment Earnings	8,000	8,000	15,235	7,235
Total Revenues	<u>83,000</u>	<u>83,000</u>	<u>100,168</u>	<u>17,168</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	83,000	83,000	100,168	17,168
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(264,254)</u>	<u>(149,999)</u>	<u>114,255</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(264,254)</u>	<u>(149,999)</u>	<u>114,255</u>
Net Change in Fund Balance	83,000	(181,254)	(49,831)	131,423
Fund Balance at Beginning of Year	<u>264,254</u>	<u>264,254</u>	<u>264,254</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 347,254</u>	<u>\$ 83,000</u>	<u>\$ 214,423</u>	<u>\$ 131,423</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 26,000	\$ 29,000	\$ 35,494	\$ 6,494
Investment Earnings	4,000	6,800	6,907	107
Total Revenues	<u>30,000</u>	<u>35,800</u>	<u>42,401</u>	<u>6,601</u>
Expenditures:				
Public Health and Welfare Services:				
Operations and Maintenance	<u>28,000</u>	<u>28,000</u>	<u>27,210</u>	<u>790</u>
Total Expenditures	<u>28,000</u>	<u>28,000</u>	<u>27,210</u>	<u>790</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,000	7,800	15,191	7,391
Fund Balance at Beginning of Year	<u>256,062</u>	<u>256,062</u>	<u>256,062</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 258,062</u>	<u>\$ 263,862</u>	<u>\$ 271,253</u>	<u>\$ 7,391</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005**

GENERAL BOND RETIREMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 0	\$ 0	\$ 4,184	\$ 4,184
Total Revenues	<u>0</u>	<u>0</u>	<u>4,184</u>	<u>4,184</u>
Expenditures:				
Debt Service:				
Principal Retirement	0	191,086	191,086	0
Interest and Fiscal Charges	<u>0</u>	<u>115,862</u>	<u>115,862</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>306,948</u>	<u>306,948</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(306,948)	(302,764)	4,184
Other Financing Sources (Uses):				
Transfers In	0	337,200	347,020	9,820
Total Other Financing Sources (Uses)	<u>0</u>	<u>337,200</u>	<u>347,020</u>	<u>9,820</u>
Net Change in Fund Balance	0	30,252	44,256	14,004
Fund Balance at Beginning of Year	53,473	53,473	53,473	0
Fund Balance at End of Year	<u>\$ 53,473</u>	<u>\$ 83,725</u>	<u>\$ 97,729</u>	<u>\$ 14,004</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005***

SPECIAL ASSESSMENT DEBT RETIREMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 104,000	\$ 104,000	\$ 0	\$ (104,000)
Special Assessments	37,000	39,212	39,212	0
Total Revenues	<u>141,000</u>	<u>143,212</u>	<u>39,212</u>	<u>(104,000)</u>
Expenditures:				
General Government:				
Operations and Maintenance	0	18,383	18,383	0
Debt Service:				
Principal Retirement	0	13,000	13,000	0
Interest and Fiscal Charges	29,626	37,938	16,625	21,313
Total Expenditures	<u>29,626</u>	<u>69,321</u>	<u>48,008</u>	<u>21,313</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	111,374	73,891	(8,796)	(82,687)
Fund Balance at Beginning of Year	25,626	25,626	25,626	0
Fund Balance at End of Year	<u>\$ 137,000</u>	<u>\$ 99,517</u>	<u>\$ 16,830</u>	<u>\$ (82,687)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Capital Outlay	<u>0</u>	<u>166,500</u>	<u>162,360</u>	<u>4,140</u>
Total Expenditures	<u>0</u>	<u>166,500</u>	<u>162,360</u>	<u>4,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(166,500)	(162,360)	4,140
Other Financing Sources (Uses):				
General Obligation Notes Issued	<u>0</u>	<u>166,500</u>	<u>166,500</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>166,500</u>	<u>166,500</u>	<u>0</u>
Net Change in Fund Balance	0	0	4,140	4,140
Fund Balance at Beginning of Year	<u>81,143</u>	<u>81,143</u>	<u>81,143</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 81,143</u>	<u>\$ 81,143</u>	<u>\$ 85,283</u>	<u>\$ 4,140</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005***

FIRE IMPACT-DISTRICT ONE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 0	\$ 50,000	\$ 26,058	\$ (23,942)
Total Revenues	<u>0</u>	<u>50,000</u>	<u>26,058</u>	<u>(23,942)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	0	5,093	5,093	0
Total Expenditures	<u>0</u>	<u>5,093</u>	<u>5,093</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	44,907	20,965	(23,942)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 44,907</u>	<u>\$ 20,965</u>	<u>\$ (23,942)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2005***

CEMETERY TRUST FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for Services	\$ 22,720	\$ 25,720	\$ 32,311	\$ 6,591
Total Revenues	<u>22,720</u>	<u>25,720</u>	<u>32,311</u>	<u>6,591</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,720	25,720	32,311	6,591
Fund Balance at Beginning of Year	<u>762,326</u>	<u>762,326</u>	<u>762,326</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 785,046</u>	<u>\$ 788,046</u>	<u>\$ 794,637</u>	<u>\$ 6,591</u>

Internal Service Funds

These funds are used to account for the financing of goods or services provided by one department to other departments of the City, on a cost-reimbursement basis.

Utilities Collection Fund

To account for the operation of the utility collections department for services provided to the gas, water, water pollution and sanitation departments. The funds using the utility billing services are charged for the cost of operation.

Information Services Fund

To account for the operation of the information services department for services provided for all departments within the City.

Health Insurance Management Fund

To account for the accumulation and allocation of costs associated with providing health care benefits to employees.

CITY OF LANCASTER, OHIO

***Combining Statement of Net Assets
Internal Service Funds
December 31, 2005***

	Utilities Collection	Information Services	Health Insurance Management	Total
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 160,752	\$ 38,819	\$ 88,999	\$ 288,570
Receivables:				
Accounts	0	150	0	150
Inventory of Supplies at Cost	36,781	8,549	0	45,330
Prepaid Items	714	0	2,002,040	2,002,754
<i>Total Current Assets</i>	<u>198,247</u>	<u>47,518</u>	<u>2,091,039</u>	<u>2,336,804</u>
<i>Non Current Assets:</i>				
Capital Assets Being Depreciated, Net	106,832	73,621	0	180,453
Total Assets	<u>305,079</u>	<u>121,139</u>	<u>2,091,039</u>	<u>2,517,257</u>
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	16,574	3,896	0	20,470
Accrued Wages and Benefits	50,318	14,195	0	64,513
Claims Payable	0	0	252,714	252,714
Capital Lease Payable-Current	1,831	0	0	1,831
Compensated Absences Payable - Current	60,238	17,984	0	78,222
<i>Total Current Liabilities</i>	<u>128,961</u>	<u>36,075</u>	<u>252,714</u>	<u>417,750</u>
<i>Long Term Liabilities:</i>				
Capital Leases Payable	6,291	0	0	6,291
Compensated Absences Payable	268,572	60,940	0	329,512
Total Liabilities	<u>403,824</u>	<u>97,015</u>	<u>252,714</u>	<u>753,553</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	98,710	73,621	0	172,331
Unrestricted	(197,455)	(49,497)	1,838,325	1,591,373
Total Net Assets	<u>\$ (98,745)</u>	<u>\$ 24,124</u>	<u>\$ 1,838,325</u>	<u>\$ 1,763,704</u>

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2005**

	Utilities Collection	Information Services	Health Insurance Management	Total
Operating Revenues:				
Charges for Services	\$ 1,500,587	\$ 452,521	\$ 5,195,835	\$ 7,148,943
Other Operating Revenue	8,373	1,923	0	10,296
Total Operating Revenues	1,508,960	454,444	5,195,835	7,159,239
Operating Expenses:				
Personal Services	1,241,770	292,974	4,056,161	5,590,905
Contractual Services	208,085	69,810	0	277,895
Materials and Supplies	128,167	57,817	0	185,984
Depreciation	32,635	17,133	0	49,768
Total Operating Expenses	1,610,657	437,734	4,056,161	6,104,552
Operating Income (Loss)	(101,697)	16,710	1,139,674	1,054,687
Nonoperating Revenue (Expenses):				
Loss on Disposal of Capital Assets	(1,135)	0	0	(1,135)
Total Nonoperating Revenues (Expenses)	(1,135)	0	0	(1,135)
Change in Net Assets	(102,832)	16,710	1,139,674	1,053,552
Net Assets Beginning of Year	4,087	7,414	698,651	710,152
Net Assets End of Year	\$ (98,745)	\$ 24,124	\$ 1,838,325	\$ 1,763,704

CITY OF LANCASTER, OHIO

***Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2005***

	Utilities Collection	Information Services	Health Insurance Management	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,508,960	\$454,294	\$5,195,835	\$7,159,089
Cash Payments for Goods and Services	(338,221)	(132,083)	0	(470,304)
Cash Payments to and on behalf of Employees	(1,224,409)	(281,989)	(5,216,162)	(6,722,560)
Net Cash Provided (Used) by Operating Activities	(53,670)	40,222	(20,327)	(33,775)
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(1,258)	(13,175)	0	(14,433)
Capital Lease Payments	(1,629)	0	0	(1,629)
Net Cash Used for Capital and Related Financing Activities	(2,887)	(13,175)	0	(16,062)
Net Increase (Decrease) in Cash and Cash Equivalents	(56,557)	27,047	(20,327)	(49,837)
Cash and Cash Equivalents at Beginning of Year	217,309	11,772	109,326	338,407
Cash and Cash Equivalents at End of Year	\$160,752	\$38,819	\$88,999	\$288,570
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	(\$101,697)	\$16,710	\$1,139,674	\$1,054,687
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	32,635	17,133	0	49,768
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	0	(150)	0	(150)
(Increase) Decrease in Inventory	8,377	(280)	0	8,097
Increase in Prepaid Items	(134)	0	(1,104,098)	(1,104,232)
Decrease in Accounts Payable	(10,769)	(4,183)	(727)	(15,679)
Increase in Accrued Wages and Benefits	9,109	4,475	0	13,584
Increase in Compensated Absences	8,809	6,517	0	15,326
Decrease in Claims Payable	0	0	(55,176)	(55,176)
Total Adjustments	48,027	23,512	(1,160,001)	(1,088,462)
Net Cash Provided (Used) by Operating Activities	(\$53,670)	\$40,222	(\$20,327)	(\$33,775)

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2005 the Utilities Fund had outstanding liabilities of \$3,785 for certain capital assets.



Fiduciary Funds

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

Agency Funds

Street Deposit Fund

Established to account for monies deposited with the City by individuals who intend to excavate portions of the City streets or sidewalks.

Municipal Court Fund

Established to account for monies that flow through the Clerk of Courts Office.

Law Library Fund

Established to account for accumulation and distribution of resources for the law library.

CITY OF LANCASTER, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2005***

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
<u>Street Deposit Fund</u>				
Assets:				
Cash and Cash Equivalents	\$1,900	\$800	(\$100)	\$2,600
Total Assets	<u>\$1,900</u>	<u>\$800</u>	<u>(\$100)</u>	<u>\$2,600</u>
Liabilities:				
Due to Others	\$1,900	\$800	(\$100)	\$2,600
Total Liabilities	<u>\$1,900</u>	<u>\$800</u>	<u>(\$100)</u>	<u>\$2,600</u>
<u>Municipal Court Fund</u>				
Assets:				
Cash with Fiscal Agent	\$126,670	\$3,731,732	(\$3,753,790)	\$104,612
Total Assets	<u>\$126,670</u>	<u>\$3,731,732</u>	<u>(\$3,753,790)</u>	<u>\$104,612</u>
Liabilities:				
Due to Other Funds	\$4,747	\$1,601,422	(\$1,601,778)	\$4,391
Intergovernmental Payable	0	925,978	(925,978)	0
Due to Others	121,923	1,204,332	(1,226,034)	100,221
Total Liabilities	<u>\$126,670</u>	<u>\$3,731,732</u>	<u>(\$3,753,790)</u>	<u>\$104,612</u>
<u>Law Library Fund</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$51,384	(\$51,384)	\$0
Due from Other Funds	4,747	4,391	(4,747)	4,391
Total Assets	<u>\$4,747</u>	<u>\$55,775</u>	<u>(\$56,131)</u>	<u>\$4,391</u>
Liabilities:				
Intergovernmental Payable	\$4,747	\$55,775	(\$56,131)	\$4,391
Total Liabilities	<u>\$4,747</u>	<u>\$55,775</u>	<u>(\$56,131)</u>	<u>\$4,391</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$128,570	\$3,783,916	(\$3,805,274)	\$107,212
Due from Other Funds	4,747	4,391	(4,747)	4,391
Total Assets	<u>\$133,317</u>	<u>\$3,788,307</u>	<u>(\$3,810,021)</u>	<u>\$111,603</u>
Liabilities:				
Due to Other Funds	\$4,747	\$1,601,422	(\$1,601,778)	\$4,391
Intergovernmental Payables	4,747	981,753	(982,109)	4,391
Due to Others	123,823	1,205,132	(1,226,134)	102,821
Total Liabilities	<u>\$133,317</u>	<u>\$3,788,307</u>	<u>(\$3,810,021)</u>	<u>\$111,603</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2005***

Capital Assets:

Land	\$13,500,945
Construction in Progress	131,113
Buildings	6,456,749
Improvements Other Than Buildings	5,584,030
Vehicles	4,804,503
Equipment	4,519,631
Infrastructure	<u>13,389,909</u>
Total Net Capital Assets	<u>\$48,386,880</u>

Net Investment in Capital Assets from:

General Fund	\$12,017,119
Special Revenue Funds	32,890,594
Proprietary Funds (Gas)	7,202
Internal Services	232,964
Donated	<u>3,239,001</u>
Total Net Investment in Capital Assets	<u>\$48,386,880</u>

CITY OF LANCASTER, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2005**

Function and Activity	Land	Construction in Progress	Buildings
<u>General Government:</u>			
Council	\$0	\$0	\$0
Mayor	0	0	0
Personnel	0	0	0
City Hall	395,083	0	772,500
Auditor	0	0	0
Income Tax	0	0	0
Treasurer	0	0	0
Safety Director	1,000	0	103,600
Engineer	0	0	0
Certified Building Inspection	0	0	0
Prosecutor	0	0	0
Court-Clerk	0	0	0
Court-Judicial	0	0	7,925
Court Electronic Surveillance	0	0	0
Information Services - Internal Service	0	0	0
Total	396,083	0	884,025
<u>Security of Persons and Property:</u>			
Police	141,962	0	2,010,264
Fire	25,600	54,201	234,473
Total	167,562	54,201	2,244,737
<u>Public Health and Welfare Services:</u>			
Public Health	0	0	0
Cemetery	14,897	0	64,430
Total	14,897	0	64,430
<u>Transportation:</u>			
Public Transit	0	0	0
Street Construction	11,184,503	76,912	494,411
Total	11,184,503	76,912	494,411
<u>Community Environment:</u>			
Community Development	0	0	0
Economic Development	0	0	0
Total	0	0	0
<u>Leisure Time Activities:</u>			
Park	1,737,900	0	2,769,146
Mumaugh	0	0	0
Total	1,737,900	0	2,769,146
Total Capital Assets	\$13,500,945	\$131,113	\$6,456,749

CITY OF LANCASTER, OHIO

Improvements Other Than Buildings	Vehicles	Equipment	Infrastructure	Total
\$0	\$0	\$2,422	\$0	\$2,422
0	0	4,150	0	4,150
0	0	7,118	0	7,118
2,504,292	0	130,288	0	3,802,163
0	0	53,402	0	53,402
3,630	0	51,996	0	55,626
0	0	3,404	0	3,404
17,275	13,655	63,990	0	199,520
0	32,974	105,652	0	138,626
0	65,185	5,153	0	70,338
10,750	0	73,429	0	84,179
23,692	0	442,004	0	465,696
55,387	0	130,840	0	194,152
0	0	14,172	0	14,172
0	39,096	193,868	0	232,964
<u>2,615,026</u>	<u>150,910</u>	<u>1,281,888</u>	<u>0</u>	<u>5,327,932</u>
128,897	618,991	774,725	0	3,674,839
489,788	1,718,799	738,623	0	3,261,484
<u>618,685</u>	<u>2,337,790</u>	<u>1,513,348</u>	<u>0</u>	<u>6,936,323</u>
0	31,191	93,483	0	124,674
99,059	104,351	187,676	0	470,413
<u>99,059</u>	<u>135,542</u>	<u>281,159</u>	<u>0</u>	<u>595,087</u>
0	601,859	4,235	0	606,094
14,896	1,190,394	973,035	13,389,909	27,324,060
<u>14,896</u>	<u>1,792,253</u>	<u>977,270</u>	<u>13,389,909</u>	<u>27,930,154</u>
0	0	54,733	0	54,733
0	0	10,476	0	10,476
0	0	65,209	0	65,209
2,230,624	388,008	397,873	0	7,523,551
5,740	0	2,884	0	8,624
<u>2,236,364</u>	<u>388,008</u>	<u>400,757</u>	<u>0</u>	<u>7,532,175</u>
<u>\$5,584,030</u>	<u>\$4,804,503</u>	<u>\$4,519,631</u>	<u>\$13,389,909</u>	<u>\$48,386,880</u>

CITY OF LANCASTER, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2005**

Function and Activity	December 31, 2004	Transfers	Additions	Deletions	December 31, 2005
<u>General Government:</u>					
Council	\$2,422	\$0	\$0	\$0	\$2,422
Mayor	4,150	0	0	0	4,150
Personnel	7,118	0	0	0	7,118
City Hall	3,487,407	0	314,756	0	3,802,163
Auditor	56,897	0	5,825	(9,320)	53,402
Income Tax	55,626	0	0	0	55,626
Treasurer	3,404	0	0	0	3,404
Safety Director	77,645	121,875	0	0	199,520
Engineer	244,612	(37,367)	1,585	(70,204)	138,626
Certified Building Inspection	37,415	32,923	0	0	70,338
Prosecutor	76,759	0	10,295	(2,875)	84,179
Court-Clerk	463,280	0	2,416	0	465,696
Court-Judicial	208,038	0	8,351	(22,237)	194,152
Court-Electronic Surveillance	14,172	0	0	0	14,172
Information Services - Internal Service	219,789	0	13,175	0	232,964
Total	4,958,734	117,431	356,403	(104,636)	5,327,932
<u>Security of Persons and Property:</u>					
Police	3,663,141	0	163,294	(151,596)	3,674,839
Fire	3,052,343	0	209,141	0	3,261,484
Total	6,715,484	0	372,435	(151,596)	6,936,323
<u>Public Health and Welfare Services:</u>					
Public Health	124,674	0	0	0	124,674
Cemetery	489,712	(38,187)	49,765	(30,877)	470,413
Total	614,386	(38,187)	49,765	(30,877)	595,087
<u>Transportation:</u>					
Public Transit	433,948	0	172,146	0	606,094
Street Construction	25,828,062	(79,244)	1,915,351	(340,109)	27,324,060
Total	26,262,010	(79,244)	2,087,497	(340,109)	27,930,154
<u>Community Environment:</u>					
Community Development	54,733	0	0	0	54,733
Economic Development	10,476	0	0	0	10,476
Total	65,209	0	0	0	65,209
<u>Leisure Time Activities:</u>					
Park	7,523,551	0	0	0	7,523,551
Mumaugh	8,624	0	0	0	8,624
Total	7,532,175	0	0	0	7,532,175
Total Capital Assets	\$46,147,998	\$0	\$2,866,100	(\$627,218)	\$48,386,880

STATISTICAL SECTION



STATISTICAL TABLES

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

CITY OF LANCASTER, OHIO

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN YEARS**
(Amounts in Thousands)

Year	Security of Persons and Property	Public Health and Welfare	Leisure Time Activities	Community Environment	Transportation	General Government	(1) Miscellaneous	Total
1996	\$9,650	\$1,359	\$1,066	\$488	\$2,171	\$3,828	\$14	\$18,576
1997	9,460	1,293	1,140	781	2,330	3,606	8	18,618
1998	10,292	1,369	1,253	1,055	2,337	3,783	6	20,095
1999	10,824	1,545	1,277	2,541	3,205	4,318	121	23,831
2000	11,299	1,674	1,394	811	3,278	4,445	292	23,193
2001	11,601	1,656	1,853	606	3,273	5,113	243	24,345
2002	12,690	1,140	1,474	958	3,062	5,247	291	24,862
2003	13,040	825	1,598	818	3,604	5,791	228	25,904
2004	13,477	846	1,464	714	4,002	6,121	233	26,857
2005	14,397	854	1,632	787	3,673	6,930	493	28,766

Includes General Fund, Special Revenue Funds, and Debt Service Funds.

(1) Includes Debt Retirement.

CITY OF LANCASTER, OHIO

**GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN YEARS**
(Amounts in Thousands)

<u>Year</u>	<u>Taxes</u>	<u>Inter-Governmental Revenues</u>	<u>Charges for Services</u>	<u>Licenses, Permits and Fees</u>	<u>Investment Earnings</u>	<u>Special Assessments</u>	<u>Fines and Forfeitures</u>	<u>All Other Revenue</u>	<u>Total</u>
1996	\$10,095	\$4,458	\$1,192	\$70	\$749	\$0	\$843	\$714	\$18,121
1997	10,975	5,306	1,253	77	837	0	810	773	20,031
1998	12,174	5,735	1,665	132	961	0	827	918	22,412
1999	12,797	6,125	2,043	22	1,070	0	839	359	23,255
2000	13,173	6,212	2,205	31	1,357	0	903	618	24,499
2001	13,680	6,267	2,124	17	981	216	1,085	270	24,640
2002	14,285	6,359	2,141	19	459	37	1,214	296	24,810
2003	15,089	5,809	2,335	25	364	41	1,310	210	25,183
2004	15,841	6,107	3,559	11	348	37	1,176	470	27,549
2005	16,242	6,171	4,078	22	599	145	1,471	562	29,290

Includes General Fund, Special Revenue Funds, and Debt Service Funds.

CITY OF LANCASTER, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1996	\$1,473,231	\$1,371,964	\$27,110	\$1,399,074	94.97%	\$88,397	6.00%
1997	1,479,239	1,408,609	71,076	1,479,685	100.03%	63,577	4.30%
1998	1,236,332	1,204,481	25,408	1,229,889	99.48%	59,679	4.83%
1999	1,394,840	1,343,887	35,544	1,379,431	98.90%	59,076	4.24%
2000	1,516,709	1,363,847	55,930	1,419,777	93.61%	86,148	5.68%
2001	1,525,473	1,405,848	50,283	1,456,131	95.45%	88,297	5.79%
2002	1,788,684	1,628,147	52,238	1,680,385	93.95%	81,285	4.54%
2003	1,997,454	1,884,789	66,643	1,951,432	97.70%	101,531	5.08%
2004	2,205,642	2,141,996	80,256	2,222,252	100.75%	39,768	1.80%
2005	2,200,079	2,088,585	61,560	2,150,145	97.73%	178,187	8.10%

Source: Fairfield County Auditor

CITY OF LANCASTER, OHIO

**ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS**

Collection Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1996	\$379,220,150	\$1,083,486,143	\$19,775,910	\$58,164,441	\$85,842,560	\$343,370,240	\$484,838,620	\$1,485,020,824	32.65%
1997	387,768,000	1,107,908,571	19,583,870	57,599,618	87,668,105	350,672,420	495,019,975	1,516,180,609	32.65%
1998	397,922,750	1,136,922,143	19,806,210	58,253,559	89,086,789	356,347,156	506,815,749	1,551,522,858	32.67%
1999	449,827,490	1,285,221,400	17,820,400	52,412,941	87,390,191	349,560,764	555,038,081	1,687,195,105	32.90%
2000	462,361,180	1,321,031,943	17,820,400	52,412,941	87,390,191	349,560,764	567,571,771	1,723,005,648	32.94%
2001	470,130,350	1,343,229,571	17,387,580	49,678,800	92,941,903	371,767,612	580,459,833	1,764,675,983	32.89%
2002	553,938,230	1,582,680,657	15,746,060	44,988,743	91,377,351	365,509,404	661,061,641	1,993,178,804	33.17%
2003	562,148,300	1,606,138,000	16,280,240	46,514,971	91,021,282	364,085,128	669,449,822	2,016,738,099	33.19%
2004	572,493,700	1,635,696,286	16,375,620	46,787,486	83,596,629	334,386,516	672,465,949	2,016,870,287	33.34%
2005	633,458,120	1,809,880,343	16,466,200	47,046,286	77,122,177	308,488,708	727,046,497	2,165,415,337	33.58%

Source: Fairfield County Auditor

CITY OF LANCASTER, OHIO

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

Collection Year	City of Lancaster		Total City	Lancaster City School District	Fairfield County	Fairfield County Library	Total
	General Fund	Police and Fire Pension Fund					
1996	2.80	0.60	3.40	56.70	7.05	0.00	67.15
1997	2.80	0.60	3.40	56.70	7.05	0.00	67.15
1998	2.80	0.60	3.40	64.60	7.05	0.00	75.05
1999	2.80	0.60	3.40	64.60	7.05	0.00	75.05
2000	2.80	0.60	3.40	64.60	7.05	0.00	75.05
2001	2.80	0.60	3.40	64.60	7.05	0.00	75.05
2002	2.80	0.60	3.40	64.60	7.05	0.00	75.05
2003	2.80	0.60	3.40	64.60	7.05	0.00	75.05
2004	2.80	0.60	3.40	64.60	7.05	0.00	75.05
2005	2.80	0.60	3.40	68.40	7.55	0.50	79.85

Source: Fairfield County Auditor
Fairfield County Treasurer

CITY OF LANCASTER, OHIO

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

<u>Collection Year</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>Percent Collected</u>
1996	\$2,897	\$0	0.00%
1997	0	0	0.00%
1998	0	0	0.00%
1999	0	0	0.00%
2000	0	0	0.00%
2001 (1)	0	215,585	0.00%
2002	38,170	37,480	98.19%
2003	38,170	37,214	97.50%
2004	38,170	36,872	96.60%
2005	38,170	39,212	102.73%

Source: Fairfield County Auditor

(1) These are amounts paid in full, in advance before the County places the Assessment on the Tax Bill.

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2005**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$727,046,497	\$727,046,497
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	76,339,882	39,987,557
Applicable City Debt Outstanding (2)	5,116,500	5,116,500
Less: Applicable Debt Service Fund Amounts	<u>(97,729)</u>	<u>(97,729)</u>
Net Indebtedness Subject to Limitation	<u>5,018,771</u>	<u>5,018,771</u>
Legal Debt Margin	<u><u>\$71,321,111</u></u>	<u><u>\$34,968,786</u></u>

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

(2) City Debt Outstanding Includes Non Self-Supporting General Obligation Bonds and Notes.
Enterprise Debt is Not Considered in the Computation of the Legal Debt Margin.

CITY OF LANCASTER, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS**

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1996	36,535	\$484,838,620	\$0	\$4,812	\$0	0.00%	\$0
1997	37,826	495,019,975	0	7,919	0	0.00%	0.00
1998	38,254	506,815,749	0	7,919	0	0.00%	0.00
1999	38,983	555,038,081	0	7,919	0	0.00%	0.00
2000	a) 35,335	567,571,771	0	8,575	0	0.00%	0.00
2001	35,600	580,459,833	0	8,575	0	0.00%	0.00
2002	35,860	661,061,641	0	12,532	0	0.00%	0.00
2003	36,120	669,449,822	0	59,559	0	0.00%	0.00
2004	36,380	672,465,949	0	53,559	0	0.00%	0.00
2005	36,380	727,046,497	3,965,000	97,729	3,867,271	0.53%	106.30

(1) Source: Lancaster Community Development Department estimates.

a) U.S. Bureau of Census, Federal 2000 Census.

(2) Source: Fairfield County Auditor

(3) Includes all general obligation bonded debt supported by property taxes.

CITY OF LANCASTER, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS**

Fiscal Year	Debt Principal	Debt Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Tax Debt Service to General Governmental Expenditures
1996	\$0	\$0	\$0	\$18,576,144	0.00%
1997	0	0	0	18,618,394	0.00%
1998	0	0	0	20,095,376	0.00%
1999	0	0	0	23,831,408	0.00%
2000	0	0	0	23,192,902	0.00%
2001	0	0	0	24,344,852	0.00%
2002	0	0	0	24,862,125	0.00%
2003	0	0	0	25,904,390	0.00%
2004	0	0	0	27,548,935	0.00%
2005	185,000	115,862	300,862	28,766,343	1.05%

Includes General Fund, Special Revenue Funds and Debt Service Funds.

Source: Lancaster City Auditor

CITY OF LANCASTER, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
DECEMBER 31, 2005**

<u>Jurisdiction</u>		<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Lancaster (2)</u>	<u>Amount Applicable to City of Lancaster</u>
Direct				
City of Lancaster (1)	(a)	\$5,018,771	100.00%	\$5,018,771
Overlapping Subdivisions				
Lancaster City School District	(b)	0	81.24%	0
Fairfield County	(b)	12,580,000	25.16%	3,165,128
				<u>3,165,128</u>
				<u>\$8,183,899</u>
Total				

(1) Includes general obligation notes.

(2) Overlapping percentage was calculated by dividing each overlapping subdivisions assessed valuation within the City by the subdivision's total assessed valuation.

Source:

(a) City of Lancaster Auditor's Office.

(b) Fairfield County Auditor. Amount of debt does not include balances in debt service funds.

CITY OF LANCASTER, OHIO

**REVENUE BOND COVERAGE - WATER MORTGAGE BONDS
LAST TEN YEARS**

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirement</u>	<u>Coverage</u>
1996	\$4,087,721	\$3,023,730	\$1,063,991	\$0	0.00
1997	4,167,866	3,006,192	1,161,674	0	0.00
1998	4,438,947	2,942,331	1,496,616	0	0.00
1999	4,622,468	3,461,560	1,160,908	0	0.00
2000	5,180,962	3,187,048	1,993,914	0	0.00
2001	5,776,886	3,761,913	2,014,973	0	0.00
2002	6,638,113	4,252,663	2,385,450	0	0.00
2003	6,854,809	4,300,565	2,554,244	0	0.00
2004	8,286,110	5,236,639	3,049,471	82,221	37.09
2005	8,388,041	4,924,256	3,463,785	565,969	6.12

(1) Gross revenues include total operating revenues plus investment earnings.

(2) Direct operating expenses include total operating expenses less depreciation.

CITY OF LANCASTER, OHIO

**REVENUE BOND COVERAGE - WATER POLLUTION MORTGAGE BONDS
LAST TEN YEARS**

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirement	Coverage
1996	\$5,302,185	\$3,128,786	\$2,173,399	\$0	0.00
1997	5,449,829	2,896,980	2,552,849	0	0.00
1998	5,346,551	2,819,346	2,527,205	0	0.00
1999	5,409,066	2,530,025	2,879,041	0	0.00
2000	5,829,627	2,819,329	3,010,298	0	0.00
2001	5,776,979	3,052,172	2,724,807	0	0.00
2002	6,373,850	3,277,736	3,096,114	0	0.00
2003	6,433,722	3,528,703	2,905,019	0	0.00
2004	7,174,132	3,752,201	3,421,931	51,054	67.03
2005	7,006,365	3,510,807	3,495,558	349,141	10.01

(1) Gross revenues include total operating revenues plus investment earnings.

(2) Direct operating expenses include total operating expenses less depreciation.

CITY OF LANCASTER, OHIO

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>	<u>Population (1)</u>		<u>Housing Statistics (1)</u>			
	<u>City of Lancaster</u>	<u>Fairfield County</u>	<u>City of Lancaster</u>	<u>1990</u>	<u>2000 (a)</u>	<u>2005</u>
1996	36,535	119,182				
1997	37,826	131,809	Total Housing Units	15,186	15,891	16,361
1998	38,254	136,351				
1999	38,983	126,723	Owner Occupied	60%	59%	60%
2000	a) 35,335	122,759				
2001	35,600	124,950	Vacancy Rate	5.2%	5.1%	6.5%
2002	35,860	127,150				
2003	36,120	132,500				
2004	36,380	136,100				
2005	36,380	138,423				

Source: (1) Lancaster Community Development Department estimates.
a) U.S. Bureau of Census, Federal 2000 Census.

CITY OF LANCASTER, OHIO

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Year	Labor Force (1)		Employment (1)		Unemployment Rate			
	City of Lancaster	Fairfield County	City of Lancaster	Fairfield County	City of Lancaster	Fairfield County	State of Ohio	United States
1996	19,500	60,800	18,600	59,300	4.07%	3.71%	4.86%	5.42%
1997	20,000	62,600	19,100	60,600	4.20%	3.20%	4.55%	4.95%
1998	20,400	63,500	19,600	61,600	3.09%	3.00%	4.30%	4.50%
1999	20,800	65,400	20,000	65,500	3.80%	2.90%	4.20%	4.20%
2000	21,600	68,700	20,900	66,600	4.50%	3.40%	4.30%	4.60%
2001	22,300	69,800	21,400	67,900	3.70%	2.80%	4.20%	4.80%
2002	22,600	70,500	21,300	67,500	5.50%	4.20%	5.00%	5.00%
2003	22,000	67,600	20,500	63,800	6.70%	6.00%	5.70%	5.70%
2004	18,300	67,700	17,000	64,600	7.00%	4.60%	5.90%	5.40%
2005	18,400	71,500	17,400	67,600	5.50%	5.20%	5.30%	5.10%

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(1) Estimates

Source: Labor Market Information, Ohio Department of Job and Family Services

CITY OF LANCASTER, OHIO

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN YEARS**

Year	Residential (1)		Commercial (1)		Bank Deposits (2) (in Thousands)
	Number of Permits	Property Value	Number of Permits	Property Value	
1996	117	\$14,114,049	47	\$18,869,600	\$163,183
1997	165	20,187,790	54	6,004,000	172,771
1998	176	23,901,412	3	1,290,000	190,113
1999	134	18,635,408	63	25,723,471	247,807
2000	125	17,619,415	100	11,044,336	286,562
2001	122	14,375,874	57	1,753,961	329,912
2002	127	18,108,013	42	17,445,500	370,588
2003	150	22,961,571	11	31,040,000	387,312
2004	140	24,427,373	21	10,835,000	399,572
2005	587	21,716,328	227	25,968,229	416,689

(1) Source: City of Lancaster Engineering Department.

(2) Source: Federal Reserve Bank of Cleveland - amounts are for Fairfield County.
www.clevelandfed.org

CITY OF LANCASTER, OHIO

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)
DECEMBER 31, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Collection Year Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Anchor Hocking Glass Consumer	Glass	\$7,250,250	9.40%
2. Ralcorp Holdings, Inc.	Food	6,885,830	8.93%
3. McDermott Inc.	Electronics	5,968,740	7.74%
4. Crown Cork and Seal Company	Glass Closures	2,621,210	3.40%
5. Lancaster Glass	Glass	2,562,930	3.32%
6. Taylor Chevrolet	Retail Automobile	1,972,150	2.56%
7. International Paper	Paper	1,844,820	2.39%
8. Lowe's Home Centers	Retail Home Improvement	1,479,400	1.92%
9. Time Warner Cable	Cable Franchise	1,407,500	1.83%
10. Sonoco Products	Gasoline	1,389,010	1.80%
	Subtotal	33,381,840	43.29%
	All Others	43,740,337	56.71%
	Total	\$77,122,177	100.00%

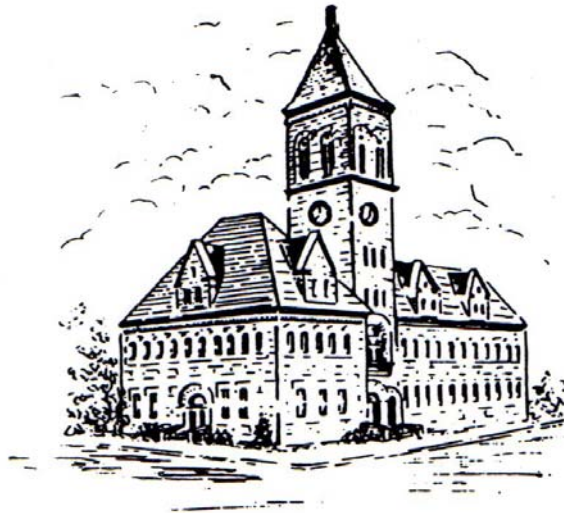
Based on valuation of property taxes collected in 2005.
Source: Fairfield County Auditor - Land and Buildings.

CITY OF LANCASTER, OHIO

**PRINCIPAL TAXPAYERS (REAL PROPERTY AND PUBLIC UTILITY PERSONAL PROPERTY TAX)
DECEMBER 31, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Collection Year Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Glimcher Holdings	Property	\$20,792,840	3.20%
2. Ohio Power Company	Utility-Electric	13,375,880	2.06%
3. Ohio Bell Telephone Company	Utility-Telephone	5,607,090	0.86%
4. Anchor Hocking Glass Corporation	Glass	5,289,400	0.81%
5. Lancaster Phase One Group	Property	4,381,100	0.67%
6. Plaza Inc A New York Group	Property	3,373,790	0.52%
7. Lowes Home Centers Inc	Retail Home Improvement	3,000,980	0.46%
8. RP River Valley LLC	Property	2,859,850	0.44%
9. Riverview Medical Office	Health	2,781,950	0.43%
10. Hocking Valley Mall LLC	Retail	2,590,000	0.40%
	Subtotal	64,052,880	9.85%
	All Others	585,871,440	90.15%
	Total	<u>\$649,924,320</u>	<u>100.00%</u>

Based on valuation of property taxes collected in 2005.
Source: Fairfield County Auditor - Land and Buildings.





**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF LANCASTER

FAIRFIELD 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
JULY 27, 2006**