

**CITY OF LEBANON, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Issued by:
Office of the Auditor**

**Sharee C. Dick
City Auditor**



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the City of Lebanon, Warren County, prepared by Bastin & Company, LLC, 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 Lebanon is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 2, 2006

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City of Lebanon
Comprehensive Annual Financial Report
For the Year Ended December 31, 2005

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THE CITY OF LEBANON, OHIO

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

May 24, 2006

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

We are pleased to present the eighteenth Comprehensive Annual Financial Report (CAFR) for the City of Lebanon. This report for the year ended December 31, 2005, contains the financial statements and other financial and statistical information and conforms to generally accepted accounting principles as applicable to governmental entities. It provides complete and full disclosure of all material financial aspects of the City of Lebanon ("the City").

State law requires that every general-purpose local government file with the Auditor of State and publish the availability of financial statements within five months of the close of each year. This report is published to fulfill that requirement for the year ended December 31, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accounting firm of Bastin & Company, LLC has issued an unqualified ("clean") opinion of the City of Lebanon's financial statements for the year ended December 31, 2005. The Independent Auditors' Report is located at the front of the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

This CAFR is divided into three sections as follows:

1. The Introductory Section includes a title page, the table of contents, this letter of transmittal, a GFOA Certificate of Achievement, a list of principal officials, and an organization chart of the City.
2. The Financial Section begins with the Independent Auditors' Report and Management's Discussion and Analysis and includes Basic Financial Statements and Notes to the Financial Statements which provide an overview of the City's financial position and operating results. Also included are the Combining Statements for nonmajor funds and other schedules that provide additional information relative to the Basic Financial Statements.

3. The Statistical Section presents social and economic data and financial trend information, and demonstrates the fiscal capacity of the City.

PROFILE OF THE GOVERNMENT AND REPORTING ENTITY

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

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

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

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

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

Council is required to adopt a final budget by no later than the close of the year. Council can adopt a temporary budget which will give them an extension until March 30th of the following year. Upon presentation by the City Manager of a proposed budget document to Council, Council calls and publicizes a public hearing. Council will subsequently adopt such budget, as it may have been amended, as the City's annual budget effective for the fiscal year beginning January 1.

The budget represents the City's financial plan and operations guide for the next operating year. It is a communications tool to inform Lebanon residents of how the City plans to allocate resources to address the needs of the community and improve the overall strength of the government.

MAJOR INITIATIVES

The Lebanon-Countryside YMCA Trail construction has been recently completed. This new 7-mile trail connects downtown Lebanon and several residential areas to the Little Miami Scenic Trail network.

Lebanon has continued an aggressive roadway reconstruction program to address our roadway improvement needs. In 2005, portions of Mechanic Street and Orchard Avenue were reconstructed. These roadway reconstruction projects also included the replacement of aging water, sanitary, and storm sewer systems. Additionally, the Historic South Broadway Bridge, originally constructed in 1897, was rehabilitated. This rehabilitation project was partially funded through an OPWC grant. These projects are in addition to the City's annual roadway resurfacing program.

Cincinnati Avenue (US 42) Improvements are currently under construction. This project includes the reconstruction of the roadway and utility upgrades to meet the demands of a growing community. This \$900,000 project is being partially funded through an OPWC grant.

Over the past several years, the City has implemented a water main replacement and upsizing program. This year, the existing 6" water main on Warren Street and Columbus Avenue will be replaced with a 12" water main prior to ODOT resurfacing the roadway next year.

The construction of a new IMG water storage tank was recently completed at a cost of \$1,400,000. This tank will allow the City to meet future water demands in the growing southern portion of the City. This area has experienced both residential and industrial expansion.

The Community Development Block Grant program is earmarked for alley reconstruction in the residential neighborhoods east and west of the Community Development Block. The reconstruction activities will include repair, resurfacing and realignment. The project will be completed in 2007.

LOCAL ECONOMY

Print and Broadcast Media

All of the major TV networks and several independent facilities, including several educational television channels totaling 13 stations, are available to the City from Dayton and Cincinnati as well as Miami University in Oxford. In addition, thirteen AM and seventeen FM radio stations are available in the area as well as cable television. Major daily and Sunday papers from Cincinnati and Dayton are available in the City. In addition, the City is served by *The Western Star*, a weekly newspaper.

Housing

Lebanon had an average growth rate in 2005 of 2.7% with the construction of 199 new housing units. The residential construction value for 2005 was over \$24.8 million. The City anticipates a 2.5-3% growth trend over the next five years with residential construction valuation averaging between \$22 and \$27 million.

Commercial and Industrial

There has been moderate commercial and industrial activity with additions to Trim Parts, Advics Manufacturing, and Quantum Metals. Several new development projects occurred in 2005. The Bethesda Medical Center at Arrow Springs was completed by Tri-Health and was opened in the Spring of 2006. The new 96,000 square foot ambulatory care facility along State Route 48, north of I-71, is the first of a three phase development plan for the facility.

The new Wal-Mart Supercenter was completed and opened in October of 2005. Several commercial outlots are currently being developed adjacent to the Supercenter. The Olympia Center shopping plaza was completed in 2005 and will have 100% occupancy in mid-2006. The adjacent outlots to the north will serve a new Huntington Bank and Frisch's restaurant. The vacant K-Mart building was recently purchased by Kroger and in the Fall of 2006 the grocer will relocate from its 65,000 square foot store to a 108,000 square foot store. This will be one of only three Kroger "Marketplace" stores and will introduce soft and hard line merchandise in addition to grocery and household items.

Addison-McKee is relocating to Lebanon from Wilmington, Ohio and in early 2006 began construction on a new 63,000 square foot Kingsview Industrial Park. Addison McKee employs over 120 people and has acquired enough acreage to double the size of their facility in the future. Laser Imaging and Design began construction on a new 7,000 square foot facility at 777 West Main Street.

The commercial and industrial construction valuation for 2005 was in excess of \$31,000,000, up from \$11,660,994 in 2004. The total new construction valuation for 2005 was over \$56 million. The highest it had been prior to 2005 was \$42.6 million in 1999.

FINANCIAL TRENDS

The City continues to benefit from its location within the Cincinnati – Dayton growth corridor, and has experienced sustained moderate tax base expansion. City government has renewed its focus on the delivery of core services, reduced or eliminated non-essential programs, and focused on the creation of increased General Fund reserves. Through the elimination of lower priority programs and the aggressive use of state and federal grants, the City has been able to sustain an effective capital improvement program to address the community's infrastructure improvement requirements.

FINANCIAL PLANNING AND POLICIES

It is the mission of the City to develop, maintain and implement financial accounting policies and procedures and protect and optimize the financial resources of the City. The City provides a sound accounting system for safeguarding the City's assets through the recording and reporting of financial transactions according to mandated laws and guidelines of Federal law, Ohio Revised Code, Generally Accepted Accounting Principles (GAAP), and the City of Lebanon Codified Ordinances. The departmental goals are to develop sound fiscal policies, provide sound fiscal management for the City, maintain reserves and fiscal integrity, and protect the assets of the Citizens of Lebanon.

The City has established a five year capital improvement plan which drives the City's annual operating budget; a fiscal policy on cash reserves for the General Fund, the Capital Improvement Fund and the General Obligation Bond Fund; and a conservative investment policy for the safe-guarding of investment income.

OTHER INFORMATION

Independent Audit

An audit team from Bastin & Company, LLC has performed this year's audit. The results of the audit are presented in the Independent Auditors' Report.

AWARDS AND ACKNOWLEDGEMENTS

Awards

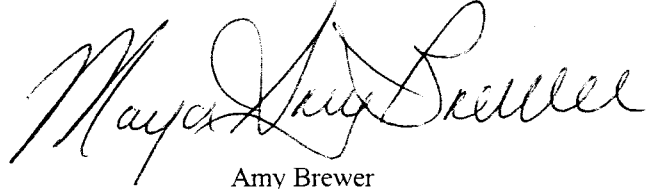
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lebanon for its comprehensive annual financial report for the year ended December 31, 2004. This was the seventeenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements; thus, we are submitting it to GFOA for review.

Acknowledgments

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



Shree C. Dick
City Auditor



Amy Brewer
Mayor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lebanon,
Ohio

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

Executive Director

CITY OF LEBANON, OHIO
LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

MAYOR

Amy Brewer

VICE MAYOR

James Norris II

COUNCIL MEMBERS:

Amy Brewer
Jeffrey Monroe
J. Matthew Rodriguez
Ben Cole
Charleen Mahaffie Flick
Jeffrey Aylor
James Norris II

APPOINTED OFFICIALS

CITY MANAGER

George P. Clements

CITY AUDITOR

Sharee C. Dick

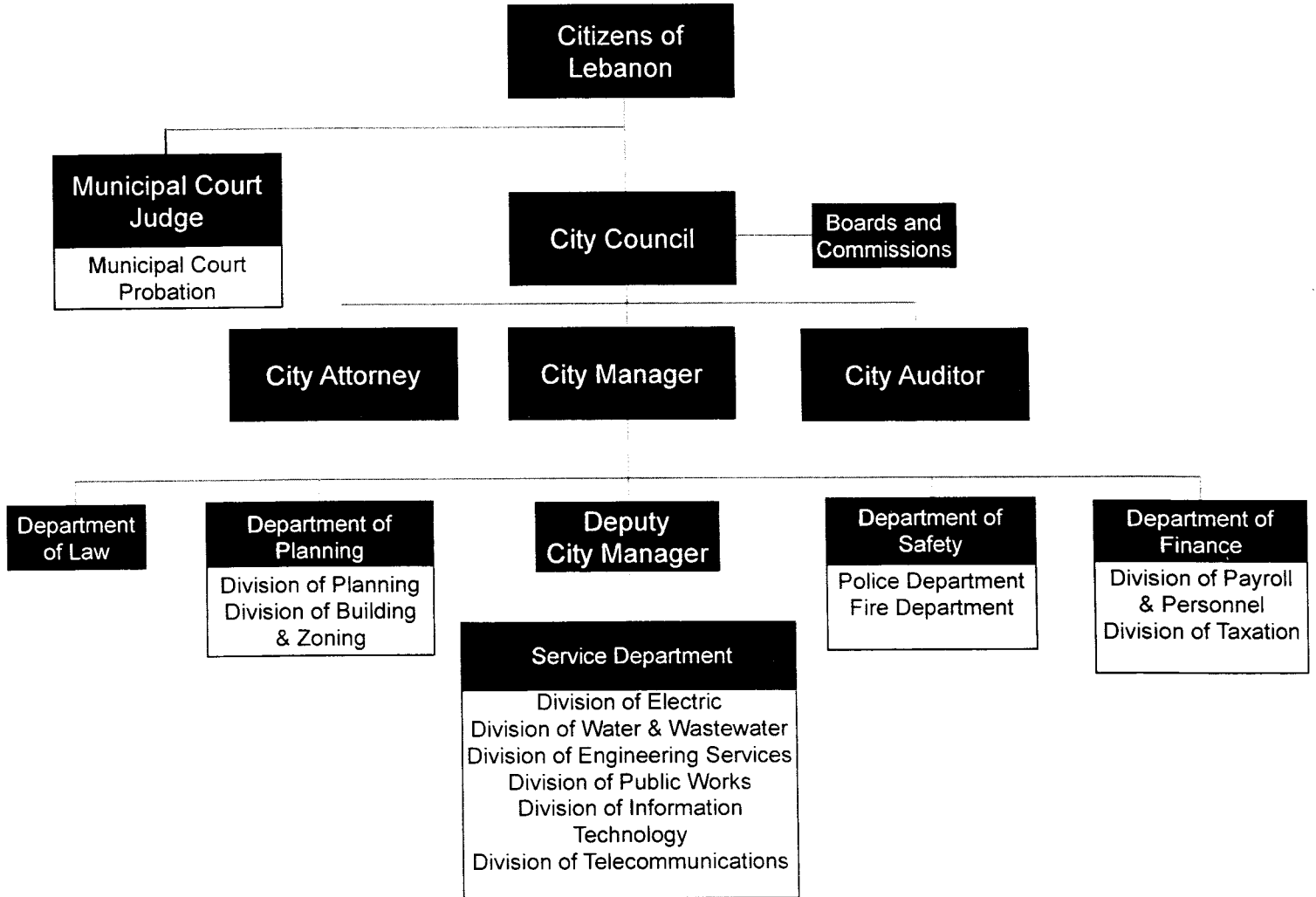
CITY ATTORNEY

Mark S. Yurick



ORGANIZATIONAL CHART

Ordinance No. 8756. Adopted June 10, 2003.



Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of City Council
City of Lebanon, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Ohio (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
May 24, 2006

City of Lebanon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) of the City of Lebanon's financial performance provides an overview of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the transmittal letter and the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

Financial Highlights

The City's total net assets increased \$15,559,181. Revenues of governmental activities exceeded expenses by \$8,348,441. As in 2004, the City continues to evaluate and increase its service fees for charges for services, which include building, engineering and plumbing inspections fees. There has also been a noticeable increase in property taxes, income taxes and interest earnings. Net assets of business-type activities increased by \$7,210,740. This is primarily due to an increase in the customer base for utilities, interest earnings and capital contributions related to Electric and Telecommunication system infrastructure improvements. The addition of the Storm Water Utility Fund continues to contribute to the net assets of business-type activities as well.

General revenues of governmental activities accounted for \$11,986,239 or 54 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$9,811,286, or 46 percent of the revenue.

The City had \$12,629,168 in expenses related to governmental activities; \$9,811,286 of these expenses were offset by program specific charges for services, grants, or contributions or interest. General revenues (primary income taxes) of \$11,986,239 were more than adequate to support these programs. The City had \$28,558,878 in expenses related to business-type activities. \$34,114,175 of program specific charges for services and sales, and operating and capital grants, contributions and interest together with \$835,527 in general revenues more than offset the expenses.

The City's Enterprise funds reflected a total operating income of \$3,087,281 as follows: Electric Fund \$996,034, Sewer Fund \$600,028, Water Fund \$1,221,895 and the Storm Water Utility Fund \$342,728. Only the Sanitation and Telecommunications Funds showed operating losses of \$29,134 and \$44,270, respectively.

USING THIS ANNUAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

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

Governmental Activities – These services include police, fire, leisure time activities, community environment, transportation, and general government.

Business-Type Activities – These services include electric, telecommunications, water, sewer, sanitation and storm water. Service fees for electric, water, sewer and sanitation operations are charged based upon the amounts of usage. The storm water utility service fee is based on a calculation of impervious area for businesses and a flat fee for residential usage which will allow the City to address the backlog of storm water infrastructure requirements to support OEPA mandates associated with storm water management. The telecommunications enterprise offers various types of services such as cable television, high speed internet, and telephone, which maintain a separate rate schedule based on the services being provided.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Information about the City's major funds begins on page 10. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants while other funds may be established by Council at the suggestion of the City Manager or City Auditor. These funds help management control, manage, and report money received for a particular purpose or to show that the City is meeting its legal obligations. The City's major funds are General, Fire and Life Squad, Capital Improvement, Electric, Sanitation, Sewer, Telecommunications, Water and Storm Water Utility.

Governmental Funds –The City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for expenditures. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be expended in the near future on services provided to our residents. The relationship (or differences) between governmental activities that is reported in the Statement of Net Assets and the Statement of Activities is explained in the reconciliations in the governmental fund financial statements on pages 19 and 22.

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

THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and Other Assets	\$21,471,615	\$20,248,728	\$27,846,957	\$28,673,801	\$49,318,572	\$48,922,529
Nondepreciable Capital Assets	14,557,686	12,107,674	12,176,930	14,625,071	26,734,616	26,732,745
Depreciable Capital Assets, Net	27,160,570	21,607,859	69,105,088	59,984,585	96,265,658	81,592,444
Total Assets	63,189,871	53,964,261	109,128,975	103,283,457	172,318,846	157,247,718
Liabilities:						
Current and Other Liabilities	7,340,492	6,088,129	10,320,700	10,456,036	17,661,192	16,544,165
Long-Term Liabilities:						
Due Within One Year	763,782	712,727	1,699,824	1,582,156	2,463,606	2,294,883
Due in More Than One Year	7,040,494	7,466,743	30,083,605	31,431,159	37,124,099	38,897,902
Total Liabilities	15,144,768	14,267,599	42,104,129	43,469,351	57,248,897	57,736,950
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	34,147,382	26,334,143	42,195,263	34,340,402	76,342,645	60,674,545
Restricted	11,137,800	10,544,147	3,962,065	3,334,324	15,099,865	13,878,471
Unrestricted	2,759,921	2,818,372	20,867,518	22,139,380	23,627,439	24,957,752
Total Net Assets	\$48,045,103	\$39,696,662	\$67,024,846	\$59,814,106	\$115,069,949	\$99,510,768

Total net assets increased \$15,559,181. Net assets of the City's governmental activities increased by \$8,348,441, while unrestricted net assets decreased by \$58,451. Invested in capital assets (net of related debt issued to acquire the assets) increased by \$7,813,239. Additions in the amount of \$10,913,770 were enough to cover depreciation of \$2,019,540. Capital assets are used to provide services to the public and do not represent assets that may be used for future spending.

The net assets of the City's business-type activities increased by \$7,210,740. The City strives to control operational expenses for business-type activities in order to maintain stability in charges for services and closely monitors the trends of the growing community in order to adjust for budgetary issues and changes in City policy where necessary. The Council and Administration are diligent in keeping the City fiscally strong. Enterprise funds are monitored closely and monies are budgeted to provide for proper maintenance of system infrastructure, equipment and facilities. Our administration has developed a strategic planning process that utilizes a five year capital improvement plan which drives our operating budget and department superintendents are all involved in the entire process. Our budget is developed from the bottom up with emphasis of good stewardship of our ratepayers' and taxpayers' money.

Table 2 shows the changes in net assets for the year ended December 31, 2005.

Table 2
Changes in Net Assets

	<i>Governmental</i>		<i>Business Type</i>		<i>Total</i>	
	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$3,111,359	\$3,456,300	\$29,437,707	\$25,708,112	\$32,549,066	\$29,164,412
Operating Grants, Contributions and Interest	1,281,441	1,052,563	0	0	1,281,441	1,052,563
Capital Grants, Contributions and Interest	5,418,486	2,848,219	4,676,468	3,570,899	10,094,954	6,419,118
Total Program Revenues	9,811,286	7,357,082	34,114,175	29,279,011	43,925,461	36,636,093
General Revenues:						
Property Taxes	3,418,309	2,428,646	0	0	3,418,309	2,428,646
Income Taxes	5,319,437	4,682,034	0	0	5,319,437	4,682,034
Other Taxes	855,499	791,589	0	0	855,499	791,589
Payments in Lieu of Taxes	872,934	848,321	0	0	872,934	848,321
Grants and Entitlements Not Restricted to Specific Programs	849,811	865,966	0	0	849,811	865,966
Unrestricted Contributions	29,500	6,654	0	0	29,500	6,654
Investment Earnings	486,315	210,049	530,302	235,160	1,016,617	445,209
Miscellaneous	154,434	194,975	305,225	467,549	459,659	662,524
Total General Revenues	11,986,239	10,028,234	835,527	702,709	12,821,766	10,730,943
Total Revenues	21,797,525	17,385,316	34,949,702	29,981,720	56,747,227	47,367,036
Program Expenses:						
General Government	3,431,266	3,524,592	0	0	3,431,266	3,524,592
Security of Persons and Property:						
Police	3,265,548	3,056,648	0	0	3,265,548	3,056,648
Fire	1,767,049	2,019,372	0	0	1,767,049	2,019,372
Public Health	213,152	255,918	0	0	213,152	255,918
Leisure Time Services	265,241	415,275	0	0	265,241	415,275
Community and Economic Development	1,192,677	1,264,165	0	0	1,192,677	1,264,165
Transportation	2,117,570	744,796	0	0	2,117,570	744,796
Interest and Fiscal Charges	376,665	375,493	0	0	376,665	375,493
Electric	0	0	15,918,475	11,619,684	15,918,475	11,619,684
Sanitation	0	0	943,265	904,097	943,265	904,097
Sewer	0	0	3,144,530	3,056,641	3,144,530	3,056,641
Telecommunications	0	0	6,040,320	5,498,498	6,040,320	5,498,498
Water	0	0	2,106,086	2,199,793	2,106,086	2,199,793
Storm Water Utility	0	0	406,202	268,757	406,202	268,757
Total Expenses	12,629,168	11,656,259	28,558,878	23,547,470	41,188,046	35,203,729
Increase in Net Assets Before Transfers	9,168,357	5,729,057	6,390,824	6,434,250	15,559,181	12,163,307
Transfers	(819,916)	(430,541)	819,916	430,541	0	0
Increase in Net Assets	8,348,441	5,298,516	7,210,740	6,864,791	15,559,181	12,163,307
Net Assets, January 1, 2005	39,696,662	34,398,146	59,814,106	52,949,315	99,510,768	87,347,461
Net Assets, December 31, 2005	\$48,045,103	\$39,696,662	\$67,024,846	\$59,814,106	\$115,069,949	\$99,510,768

Governmental Activities

The City’s income tax was established in 1970 at a rate of 1 percent. The rate has not been increased even though this rate is much lower than the state average for municipalities. The City provides tax relief in the form of a full tax credit for taxes paid to another municipality. The City’s income tax is the largest source of revenue for the City’s General Fund. Employee withholding contributed 73.46% of the revenue received in 2005 with business earnings contributing 10.04% and individuals 16.5%. The City has mandatory filing for all residents that work regardless of their age. The revenues are allocated in the following manner: 42% General Fund, 39% Capital Improvement Fund and 19% to the General Obligation Bond Fund. This allocation begins after administration costs for the Division of Taxation have been obtained for the current operating year. Income Taxes in the Governmental Activities increased by \$637,403 due to increases in employment and growth in industry in the City during the year.

Charges for Services in the Governmental Activities decreased by \$344,941. This was primarily due to a significant decrease in monies received for parks and recreation impact fees. Capital Grants, Contributions and Interest in the Governmental Activities increased by \$2,570,267. This was due primarily to contributions of infrastructure by developers and the State of Ohio for open space, reimbursements for the downtown streetscape project and State Issue II monies. Property Taxes increased in the Governmental Activities by \$989,663 due to a reassessed county valuation.

Governmental program expenses for 2005 were as follows:

Table 3
Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$3,431,266	(\$1,138,140)	\$3,524,592	(\$792,419)
Security of Persons and Property:				
Police	3,265,548	(2,785,228)	3,056,648	(2,875,959)
Fire	1,767,049	(1,341,534)	2,019,372	(1,738,581)
Public Health	213,152	(40,669)	255,918	(102,483)
Leisure Time Services	265,241	1,925,515	415,275	(250,811)
Community and Economic Development	1,192,677	(1,035,823)	1,264,165	(1,046,379)
Transportation	2,117,570	1,974,662	744,796	2,882,948
Interest and Fiscal charges	376,665	(376,665)	375,493	(375,493)
Total Expenses	\$12,629,168	(\$2,817,882)	\$11,656,259	(\$4,299,177)

When looking at the sources of income to support governmental activities, it should be noted that total program revenues are 45% of total revenues. The remaining revenues are primarily generated locally through property taxes, City income taxes, state distributions, grants and other miscellaneous income. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they have always been committed.

Transportation expenses increased by \$1,372,774. The City phased in governmental infrastructure assets that were acquired between 1980 and 2002 that were mainly related to transportation activities. The recognition of depreciation on these assets in 2005 caused the increase in expenses in this function of the City.

Business-Type Activities

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

Electric operations generate fees associated with the sale and delivery of electricity within Lebanon. Various electric service charges, not associated with the sale and delivery of electricity, are also generated by these operations. The fees collected are then used to purchase power, maintain and operate the electric generation, transmission, and distribution systems of the City, fund capital improvements projects and pay off debt service. Electric revenues increased 24 percent over 2004, due to a variety of factors including above normal growth in electric sales, an increase in charges for wholesale power and an increase in electric rates. The above normal electric sales growth rate of 8.9 percent in 2005 can be attributed to the addition of several large retail and commercial customers. The City's wholesale power cost increased under a new three year power contract that went into effect in July. The power cost recovery method, the fuel adjustment charge, was increased in 2005 to pay for the increased expenses. Annual legislation increased electric rates by 1 percent.

Sanitation operations generate fees from citizens for the collection of residential garbage. The City out sources the actual collection by bidding the contract for services every three years. The City shifted street sweeping personnel from the governmental activities in to the business-type activities for work in the Sanitation operation in 2005, which resulted in increased expenses in the business-type activities over 2004.

Sewer operations provide the City's wastewater collection and treatment system; this includes the Regional Wastewater Treatment Facility. Money that is collected from the fees which are billed, based upon number of gallons of water used, are used in the maintenance of the collection system, improvements to the Treatment Plant and the payment of the debt incurred for the expansion of the facility. An important aspect of this fund's mission is to maintain the quality of the environment. As such, it is the policy of the City Council, carried out by this operation, that all OEPA standards be met or exceeded. Sewer revenues increased by \$1,728,844 due to continued growth and annual legislation that increased sewer rates by 3 percent, combined with contributions of assets from outside developers and other governments.

Telecommunications operations provided various telecommunications services to citizens. These operations generate fees for cable, high-speed internet, and various telephone services that the City of Lebanon Telecommunications provides. That revenue is then used to maintain and upgrade the system and its various services. Those fees also assist in paying for new construction as well as to repay the debt incurred from the addition of these services. Telecommunications revenue increased by \$110,191 due to sustained cable, internet and telephone subscriber counts which indicate that the utility has achieved about its 40% saturation rate in the community.

Water operations generate the fees charged for the sale of water within Lebanon and in several subdivisions in Turtlecreek and Union Townships. Those fees are then used to maintain lines for delivery and to treat water for further consumption. The City of Lebanon draws its water supplies from four well fields; one at the water treatment plant on Main Street, the second is on the western edge of the community between S.R. 63 and McClure Road, the third is located along I-71 Kingsview Industrial Park and the fourth is just south of Mason-Morrow Road. The fifth water tower on Deerfield was brought on-line at the end of 2005. This fund's mission from the City Council is to maintain a high level of service while meeting all applicable OEPA standards. Steady growth and annual legislation that increases the water rates by 5 percent reflects the 3.5 percent increase in revenues.

Storm Water Utility operations manage the backlog of storm water infrastructure requirements as well as to provide a funding mechanism to support unfunded OEPA mandates associated with storm water management. Each residential dwelling unit is billed at a flat fee of \$3.50 per month. For all other nonresidential properties the rate is computed based on total impervious area of property divided by the average impervious area of an equivalent residential unit. In conjunction with the implementation of the Storm Water Utility, the City is programmed to take over responsibility for the repair and replacement of defective curbs and gutters along public streets. Currently, the City's ordinances place the responsibility for curb and gutter repairs on the adjacent property owners. By taking over responsibility for curbs and gutters, the City can simplify the planning and execution of road replacement projects and eliminate the need to assess individual property owners for curbs and gutter replacement.

THE CITY'S FUNDS

Information about the City's governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$17,392,405 and expenditures of \$17,680,547. The General Fund balance increased by \$664,574.

The City has decreased its General Fund current operating expenditures by 15% since 2002. The budget adequately resources the City's key services while increasing expenditures in the General Fund by an inflationary factor of 3.5% from the previous year. Even with this increase in expenditures, the General Fund balance increased by 19.4 percent. The increase in fund balance is due largely to increased tax revenues and investment income. Economic development trends continue to be promising due to the rapid growth of Warren County and the City's success in attracting new businesses, including a Super Wal-Mart, the new Bethesda Self Health Inc. facility on Cook Road and Addison McKee in the Kingsview Industrial Park. The City's Columbia Business Park continues to thrive with the addition of Ohio Environmental Engineering.

The Fire and Life Squad Fund balance increased \$144,469 due to the renewal of a 5.5 mill operating levy. Monies from this new levy allowed the Fire Department to expand its current operations to another facility on Lebanon Road. Lebanon Fire Division now hosts two stations, one on Silver Street in Lebanon's central business district while station 42 is located near St. Rt. 48 close to Interstate I-71 and the surrounding industrial parks.

The Capital Improvement Fund balance decreased by \$1,660,013 due to expenditures exceeding revenues on the near completion of the South Broadway Bridge project (\$747,000), the Kingsview bike trail realignment project (\$755,000), the Mechanic Street reconstruction project (\$481,000) the Downtown Streetscape project (\$668,000) and the Orchard Avenue reconstruction project (\$222,000).

General Fund Budgeting Highlights

The City's budget is prepared according to the provision of the City Charter and state law, and is based on accounting for certain transactions on a basis of receipts, disbursements, and encumbrances. The City's budget is adopted on an object level basis by City Council in the form of an Appropriation Ordinance. It is the mission of this City to enhance the quality of life in our community by providing high quality and cost effective services, while maintaining the public trust through sound stewardship of our resources.

Original General Fund budgeted revenues were \$7,848,520. Final General Fund budgeted revenues were \$7,848,020. Original appropriations were \$7,596,032 and final appropriations were \$7,790,754. Variances between original and final budgeted revenues and appropriations were very minimal due to the City's diligent monitoring of budget limits throughout the year. Final actual revenues were \$235,729 over final budgeted revenues. The increase in actual revenues is attributed to an increase in property taxes, income taxes, intergovernmental and interest income. Actual expenditures were \$392,095 less than final appropriations. This is mainly attributed to a 3% overall decrease in actual expenditures.

CAPITAL ASSETS

Table 4 presents the net book value of the City's capital assets for governmental and business-type activities for 2005, compared to 2004:

*Table 4
Capital Assets*

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$11,133,839	\$10,759,839	\$5,243,384	\$5,243,384	\$16,377,223	\$16,003,223
Construction in Progress	3,423,847	1,347,835	6,933,546	9,381,687	10,357,393	10,729,522
Land Improvements	595,686	630,952	0	0	595,686	630,952
Buildings and Improvements	3,402,392	2,689,524	19,534,562	16,185,092	22,936,954	18,874,616
Equipment	658,744	741,578	1,040,706	611,957	1,699,450	1,353,535
Vehicles	994,716	1,033,067	590,223	526,855	1,584,939	1,559,922
Infrastructure	21,509,032	16,512,738	47,939,597	42,660,681	69,448,629	59,173,419
Totals	<u>\$41,718,256</u>	<u>\$33,715,533</u>	<u>\$81,282,018</u>	<u>\$74,609,656</u>	<u>\$123,000,274</u>	<u>\$108,325,189</u>

Administration and Council have a quality of life commitment to the citizens and businesses located in Lebanon. With this in mind, the City Council appropriated \$2,345,000 in 2005 for roadway improvements projects. Projects included: the Mulberry Street and North Broadway Streetscape project, and the Cincinnati Avenue Improvement project, for which the City anticipates receiving construction grants, the Mechanic Street project (from Main Street to Sliver Street) and the first phase of the Orchard Avenue reconstruction project. Due to the significant cost and complexity of the roadway reconstruction projects programmed for 2005, the annual street resurfacing program was not funded. \$550,000 was allocated in 2005 for the Phase II realignment of the bike trail route along Kingsview Drive. \$214,000 was allocated for fleet replacement.

The Storm Water system improvements were allocated \$575,000 to support the City's storm water management programs. Sewer system improvements were programmed \$300,000 for collection improvements and \$100,000 for the estimated City share of the possible sanitary sewer extension to support the Joint Economic Development District. Expansion of the wastewater treatment facility sludge digesters was programmed at \$400,000. The Water System Master Plan adopted by the City in early 2002 serves as the primary planning tool to guide the City's water system improvement efforts. Water main upsizing for 2005 was budgeted at \$600,000.

The Electric Department will continue to focus on meeting the needs of an expanding service area while maintaining and improving existing generation, transmission, and distribution systems. In 2005, \$50,000 was budgeted for generation system improvements, \$2,130,000 was budgeted for transmission system improvements, and \$1,049,000 was budgeted for distribution improvements. An OEPA mandated Spill Prevention, Control and Countermeasure (SPCC) plan was executed in 2004. The SPCC plan identified potential oil pollution sources to navigable waters and recommended solutions for prevention. \$200,000 was programmed to support this program.

The primary focus of the telecommunications department is the continued development of the telephone system and \$450,000 was programmed for 2005. \$100,000 is budgeted for Video on Demand (VOD) a system that allows for real-time ordering and viewing of entertainment. \$260,000 was programmed for 2005 to support extensions of the Hybrid Fiber Coax (HFC) system to serve new neighborhoods and service areas.

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

DEBT

Table 5 summarizes bonds and notes outstanding at December 31, 2005 and 2004:

*Table 5
Outstanding Debt at Year-End*

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Special Assessment Bonds	\$584,449	\$665,723	\$0	\$0	\$584,449	\$665,723
General Obligation Bonds	6,257,240	6,638,372	0	0	6,257,240	6,638,372
Mortgage Revenue Bonds	0	0	31,321,070	32,817,309	31,321,070	32,817,309
Bond Anticipation Notes	1,120,000	1,400,000	8,000,000	8,000,000	9,120,000	9,400,000
	<u>\$7,961,689</u>	<u>\$8,704,095</u>	<u>\$39,321,070</u>	<u>\$40,817,309</u>	<u>\$47,282,759</u>	<u>\$49,521,404</u>

Special assessment bonds will be paid with special assessment revenue. All general obligation bond issues will be paid through the Debt Service Fund with income tax and property tax revenues while mortgage revenue bonds will be paid from their respective enterprise funds.

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF LEBANON, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$13,296,793	\$17,869,564	\$31,166,357
Accounts Receivable	0	4,848,892	4,848,892
Intergovernmental Receivable	1,078,835	47,763	1,126,598
Prepaid Items	133,497	83,449	216,946
Internal Balances	42,783	(42,783)	0
Materials and Supplies Inventory	279,418	1,354,960	1,634,378
Income Taxes Receivable	1,066,468	0	1,066,468
Property and Other Local Taxes Receivable	3,351,859	0	3,351,859
Revenue in Lieu of Taxes Receivable	1,180,624	0	1,180,624
Capital Leases Receivable	50,083	0	50,083
Notes Receivable	10,399	0	10,399
Special Assessments Receivable	746,799	35,563	782,362
Cash and Cash Equivalents with Fiscal Agents	183,462	3,162,123	3,345,585
Deferred Charges	50,595	487,426	538,021
Nondepreciable Capital Assets	14,557,686	12,176,930	26,734,616
Depreciable Capital Assets, Net	27,160,570	69,105,088	96,265,658
Total Assets	<u>63,189,871</u>	<u>109,128,975</u>	<u>172,318,846</u>
LIABILITIES			
Accounts Payable	140,038	554,681	694,719
Accrued Wages	174,056	70,262	244,318
Intergovernmental Payable	1,318,486	865,611	2,184,097
Contracts Payable	0	52,290	52,290
Retainage Payable	76,976	127,191	204,167
Deferred Revenue	4,134,775	0	4,134,775
Accrued Interest Payable	44,401	226,767	271,168
Claims Payable	331,655	0	331,655
Notes Payable	1,120,000	8,000,000	9,120,000
Matured Interest Payable	105	0	105
Refundable Deposits	0	423,898	423,898
Long-Term Liabilities:			
Due Within One Year	763,782	1,699,824	2,463,606
Due in More Than One Year	7,040,494	30,083,605	37,124,099
Total Liabilities	<u>15,144,768</u>	<u>42,104,129</u>	<u>57,248,897</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	34,147,382	42,195,263	76,342,645
Restricted for:			
Debt Service	5,281,347	0	5,281,347
Security of Persons and Property	1,532,411	0	1,532,411
Leisure Time Services	1,196,004	0	1,196,004
Community and Economic Development	818,787	0	818,787
Transportation	1,397,403	0	1,397,403
Other Purposes	911,848	0	911,848
Revenue Bonds Replacement and Improvement	0	932,500	932,500
Revenue Bonds Current Debt Service	0	3,029,565	3,029,565
Unrestricted	2,759,921	20,867,518	23,627,439
Total Net Assets	<u>\$48,045,103</u>	<u>\$67,024,846</u>	<u>\$115,069,949</u>

See accompanying notes to the basic financial statements

**CITY OF LEBANON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants Contributions and Interest
Governmental Activities				
General Government	\$3,431,266	\$2,286,061	\$7,065	\$0
Security of Persons and Property:				
Police	3,265,548	480,320	0	0
Fire	1,767,049	180,894	244,621	0
Public Health	213,152	96,059	76,424	0
Leisure Time Services	265,241	39,450	0	2,151,306
Community and Economic Development	1,192,677	28,575	128,279	0
Transportation	2,117,570	0	825,052	3,267,180
Interest and Fiscal Charges	376,665	0	0	0
Total Governmental Activities	<u>12,629,168</u>	<u>3,111,359</u>	<u>1,281,441</u>	<u>5,418,486</u>
Business-Type Activities				
Electric	15,918,475	16,216,563	0	0
Sanitation	943,265	908,611	0	0
Sewer	3,144,530	3,184,630	0	2,147,795
Telecommunications	6,040,320	5,520,109	0	0
Water	2,106,086	2,858,864	0	948,226
Storm Water Utility	406,202	748,930	0	1,580,447
Total Business-Type Activities	<u>28,558,878</u>	<u>29,437,707</u>	<u>0</u>	<u>4,676,468</u>
Total Activities	<u>\$41,188,046</u>	<u>\$32,549,066</u>	<u>\$1,281,441</u>	<u>\$10,094,954</u>

General Revenues:

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

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense)Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,138,140)	\$0	(\$1,138,140)
(2,785,228)	0	(2,785,228)
(1,341,534)	0	(1,341,534)
(40,669)	0	(40,669)
1,925,515	0	1,925,515
(1,035,823)	0	(1,035,823)
1,974,662	0	1,974,662
(376,665)	0	(376,665)
<u>(2,817,882)</u>	<u>0</u>	<u>(2,817,882)</u>
0	298,088	298,088
0	(34,654)	(34,654)
0	2,187,895	2,187,895
0	(520,211)	(520,211)
0	1,701,004	1,701,004
0	<u>1,923,175</u>	<u>1,923,175</u>
<u>0</u>	<u>5,555,297</u>	<u>5,555,297</u>
<u>(2,817,882)</u>	<u>5,555,297</u>	<u>2,737,415</u>
3,418,309	0	3,418,309
5,319,437	0	5,319,437
855,499	0	855,499
872,934	0	872,934
849,811	0	849,811
29,500	0	29,500
486,315	530,302	1,016,617
154,434	305,225	459,659
(819,916)	819,916	0
<u>11,166,323</u>	<u>1,655,443</u>	<u>12,821,766</u>
8,348,441	7,210,740	15,559,181
<u>39,696,662</u>	<u>59,814,106</u>	<u>99,510,768</u>
<u>\$48,045,103</u>	<u>\$67,024,846</u>	<u>\$115,069,949</u>

**CITY OF LEBANON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	GENERAL	FIRE AND LIFE SQUAD
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$2,355,659	\$1,328,077
Cash and Cash Equivalents with Fiscal Agent	0	0
Materials and Supplies Inventory	35,128	70,809
Intergovernmental Receivable	369,669	150,277
Prepaid Items	85,881	26,839
Income Taxes Receivable	821,765	0
Property and Other Local Taxes Receivable	1,087,771	2,136,105
Revenue in Lieu of Taxes Receivable	0	0
Notes Receivable	0	0
Interfund Receivable	0	0
Special Assessments Receivable	0	0
Capital Lease Receivable	0	0
Advances to Other Funds	1,580,811	0
Total Assets	\$6,336,684	\$3,712,107
LIABILITIES:		
Accounts Payable	\$76,387	\$32,349
Accrued Wages	129,869	26,539
Intergovernmental Payable	244,107	39,964
Matured Interest Payable	0	0
Accrued Interest Payable	0	20,767
Interfund Payable	877	42
Retainage Payable	0	0
Deferred Revenue	1,795,914	2,286,382
Notes Payable	0	1,120,000
Advances From Other Funds	0	0
Total Liabilities	2,247,154	3,526,043
FUND BALANCES:		
Reserved:		
Reserved for Encumbrances	116,062	292,061
Reserved for Advances	1,580,811	0
Reserved for Notes Receivable	0	0
Unreserved, Undesignated, Reported in:		
General Fund	2,392,657	0
Special Revenue Funds (Deficit)	0	(105,997)
Debt Service Fund.	0	0
Capital Projects Funds (Deficit)	0	0
Total Fund Balances	4,089,530	186,064
Total Liabilities and Fund Balances	\$6,336,684	\$3,712,107

See accompanying notes to the basic financial statements

CAPITAL IMPROVEMENT	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$1,948,016	\$7,558,752	\$13,190,504
0	183,462	183,462
0	171,882	277,819
0	558,889	1,078,835
0	19,631	132,351
163,135	81,568	1,066,468
0	127,983	3,351,859
0	1,180,624	1,180,624
0	10,399	10,399
0	800,000	800,000
73,591	673,208	746,799
0	50,083	50,083
0	0	1,580,811
<u>\$2,184,742</u>	<u>\$11,416,481</u>	<u>\$23,650,014</u>
\$10,490	\$20,240	\$139,466
0	15,291	171,699
769,517	261,490	1,315,078
0	105	105
0	0	20,767
800,000	727	801,646
71,900	5,076	76,976
73,591	2,318,490	6,474,377
0	0	1,120,000
0	1,580,811	1,580,811
<u>1,725,498</u>	<u>4,202,230</u>	<u>11,700,925</u>
290,557	64,001	762,681
0	0	1,580,811
0	9,949	9,949
0	0	2,392,657
0	3,844,633	3,738,636
0	4,617,027	4,617,027
168,687	(1,321,359)	(1,152,672)
<u>459,244</u>	<u>7,214,251</u>	<u>11,949,089</u>
<u>\$2,184,742</u>	<u>\$11,416,481</u>	<u>\$23,650,014</u>

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CITY OF LEBANON, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

Total Governmental Fund Balances \$11,949,089

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	11,069,173	
Infrastructure	31,447,878	
Construction in progress	3,423,847	
Other capital assets	10,947,091	
Accumulated depreciation	<u>(15,234,399)</u>	
Total capital assets		41,653,590

Internal service funds are used by management to charge the costs of insurance and automotive maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. (186,506)

Adjustment of reflect the consolidation of internal service fund activities related to enterprise activity. 41,985

Some of the City's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:

Property Taxes	206,866	
Special Assessments	746,799	
Due From Other Governments		
Shared Taxes and Local Government Revenue Assistance	949,591	
Income Taxes	386,263	
Capital Leases	<u>50,083</u>	
		2,339,602

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis 50,595

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest on bonds	(23,634)	
Discount on bonds	15,092	
Capital leases	(31,562)	
Bonds	(6,856,781)	
Police Pension	(21,148)	
Compensated absences	<u>(885,219)</u>	
Total liabilities		<u>(7,803,252)</u>

Net Assets of Governmental Activities \$48,045,103

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>GENERAL</u>	<u>FIRE AND LIFE SQUAD</u>
REVENUES:		
Property Taxes	\$1,075,409	\$2,118,581
Income Taxes	2,338,929	0
Other Local Taxes	800,036	0
Payments in Lieu of Taxes	0	0
Special Assessments	0	0
Charges for Services	1,794,904	180,894
Fines, Licenses and Permits	967,427	0
Intergovernmental	834,446	163,351
Interest	356,658	0
Contributions and Donations	29,500	0
Other	55,967	31,540
	<u>8,253,276</u>	<u>2,494,366</u>
Total Revenues		
EXPENDITURES:		
Current:		
General Government	3,298,187	0
Security of Persons and Property:		
Police	3,145,107	0
Fire	0	2,316,185
Public Health Services	0	0
Leisure Time Services	105,211	0
Community and Economic Development	774,911	0
Transportation	0	0
Capital Outlay	7,936	0
Debt Service:		
Principal Retirement	355	0
Interest and Fiscal Charges	910	33,712
	<u>7,332,617</u>	<u>2,349,897</u>
Total Expenditures		
Excess of Revenues Over (Under)		
Expenditures	<u>920,659</u>	<u>144,469</u>
OTHER FINANCING SOURCES (USES):		
Proceeds from Sale of Capital Assets	0	0
Transfers In	49,281	0
Transfers Out	<u>(305,366)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(256,085)</u>	<u>0</u>
Net Change in Fund Balances	664,574	144,469
Fund Balances at Beginning of Year	<u>3,424,956</u>	<u>41,595</u>
Fund Balances at End of Year	<u><u>\$4,089,530</u></u>	<u><u>\$186,064</u></u>

See accompanying notes to the basic financial statements

<u>CAPITAL IMPROVEMENT</u>	<u>ALL OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$0	\$120,617	\$3,314,607
1,951,135	954,517	5,244,581
0	55,463	855,499
0	910,839	910,839
0	151,277	151,277
0	135,398	2,111,196
0	141,483	1,108,910
1,028,832	990,534	3,017,163
0	127,332	483,990
0	0	29,500
31,820	45,516	164,843
<u>3,011,787</u>	<u>3,632,976</u>	<u>17,392,405</u>
0	126,303	3,424,490
0	43,608	3,188,715
0	0	2,316,185
0	167,028	167,028
0	96,431	201,642
0	1,240,025	2,014,936
0	739,947	739,947
4,554,841	211,815	4,774,592
14,675	495,000	510,030
2,284	306,076	342,982
<u>4,571,800</u>	<u>3,426,233</u>	<u>17,680,547</u>
<u>(1,560,013)</u>	<u>206,743</u>	<u>(288,142)</u>
0	174,400	174,400
70,000	768,465	887,746
<u>(170,000)</u>	<u>(356,603)</u>	<u>(831,969)</u>
<u>(100,000)</u>	<u>586,262</u>	<u>230,177</u>
(1,660,013)	793,005	(57,965)
<u>2,119,257</u>	<u>6,421,246</u>	<u>12,007,054</u>
<u>\$459,244</u>	<u>\$7,214,251</u>	<u>\$11,949,089</u>

**CITY OF LEBANON, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net Change in Fund Balances - Total Governmental Funds (\$57,965)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Additions	6,691,147	
Current Year Depreciation	<u>(2,015,982)</u>	4,675,165

Donations of capital assets are not reported in the governmental funds. However, in the statement of activities, their value at the time of donation is reported as revenue.

	<u>4,389,654</u>	4,389,654
--	------------------	-----------

When capital assets are disposed of, the cost of the capital assets is removed from the capital asset account in the statement of net assets resulting in a loss on sale of capital assets in the statement of activities.

Proceeds from Sale of Capital Assets	(174,400)	
Loss on Disposal of Capital Assets	<u>(8,445)</u>	(182,845)

Assets transferred from enterprise funds during the year to governmental activities
Capital Assets

	<u>12,969</u>	12,969
--	---------------	--------

Assets transferred from governmental activities during the year to enterprise funds
Capital Assets

	<u>(888,662)</u>	(888,662)
--	------------------	-----------

Because some revenues will not be collected for several months after the City's year end, they are not considered "available" revenues and are deferred in the governmental funds.

Property Taxes	103,702	
Special Assessments	(151,277)	
Due From Other Governments		
Charges for Services	(108,747)	
Shared Taxes and Local Government Revenue Assistance	142,186	
Income Taxes	74,856	
Revenue in Lieu of Taxes	(37,905)	
Other Revenue	<u>(10,409)</u>	12,406

CITY OF LEBANON, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Bond principal retirement	413,726	
Special assessment principal retirement	81,274	
Police pension principal retirement	355	
Capital lease payments	14,675	
Total long-term debt repayment	<u>510,030</u>	510,030

Governmental funds report premiums, discounts and bond issuance costs as
expenditures, whereas these amounts are deferred and amortized in the statement of activities

Accretion on Library Bonds	(31,756)	
Amortization of bond issuance costs	(2,811)	
Amortization of bond discount	(838)	
	<u>(35,405)</u>	(35,405)

Some items reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in governmental funds. These activities consist of:

Compensated Absences	(100,554)	
Accrued Interest	1,722	
Total additional expenditures	<u>(98,832)</u>	(98,832)

Internal service funds used by management to charge the costs of insurance
and automative maintenance to individual funds are not reported in the entity-wide
statement of activities. The net loss of the internal service funds is reported with
governmental activities, net of the adjustment to reflect the consolidation of
internal service fund activities related to business type activities.

11,926

Change in Net Assets of Governmental Activities

\$8,348,441

See accompanying notes to the basic financial statements

**CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$1,035,050	\$1,035,050	\$1,075,409	\$40,359
Income Taxes	2,130,000	2,130,000	2,303,946	173,946
Other Local Taxes	880,000	880,000	801,704	(78,296)
Charges for Services	1,858,420	1,858,420	1,794,911	(63,509)
Licenses and Permits	1,046,550	1,046,550	963,427	(83,123)
Intergovernmental	740,000	740,000	834,445	94,445
Interest	81,000	81,000	224,440	143,440
Contributions and Donations	1,000	1,000	29,500	28,500
Other	76,500	76,000	55,967	(20,033)
Total Revenues	7,848,520	7,848,020	8,083,749	235,729
Expenditures:				
Current:				
General Government	3,466,150	3,605,777	3,310,536	295,241
Security of Persons and Property:				
Police	3,167,143	3,162,532	3,134,922	27,610
Leisure Time Services	114,838	118,015	105,646	12,369
Community and Economic Development	847,901	896,430	839,619	56,811
Capital Outlay	0	8,000	7,936	64
Total Expenditures	7,596,032	7,790,754	7,398,659	392,095
Excess of Revenues Over Expenditures	252,488	57,266	685,090	627,824
Other Financing Sources(Uses):				
Transfers In	47,495	47,495	49,281	1,786
Advances In	121,408	121,408	121,408	0
Transfers Out	(318,600)	(318,600)	(305,366)	13,234
Total Other Financing Sources (Uses)	(149,697)	(149,697)	(134,677)	15,020
Net Change in Fund Balance	102,791	(92,431)	550,413	642,844
Fund Balance at Beginning of Year	1,295,423	1,295,423	1,295,423	0
Prior Year Encumbrances Appropriated	133,526	133,526	133,526	0
Fund Balance at End of Year	\$1,531,740	\$1,336,518	\$1,979,362	\$642,844

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE AND LIFE SQUAD SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$2,106,344	\$2,106,344	\$2,118,581	\$12,237
Charges for Services	90,000	90,000	180,894	90,894
Intergovernmental	125,000	125,000	163,351	38,351
Other	2,000	2,000	31,540	29,540
Total Revenues	<u>2,323,344</u>	<u>2,323,344</u>	<u>2,494,366</u>	<u>171,022</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>2,093,448</u>	<u>3,444,301</u>	<u>3,112,376</u>	<u>331,925</u>
Debt Service:				
Principal Retirement	1,400,000	1,400,000	1,400,000	0
Interest and Fiscal Charges	<u>33,600</u>	<u>33,600</u>	<u>33,600</u>	<u>0</u>
Total Debt Service	<u>1,433,600</u>	<u>1,433,600</u>	<u>1,433,600</u>	<u>0</u>
Total Expenditures	<u>3,527,048</u>	<u>4,877,901</u>	<u>4,545,976</u>	<u>331,925</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,203,704)</u>	<u>(2,554,557)</u>	<u>(2,051,610)</u>	<u>502,947</u>
Other Financing Sources:				
Notes Issued	1,120,000	1,120,000	1,120,000	0
Premium on Debt Issued	<u>0</u>	<u>0</u>	<u>4,135</u>	<u>4,135</u>
Total Other Financing Sources	<u>1,120,000</u>	<u>1,120,000</u>	<u>1,124,135</u>	<u>4,135</u>
Net Change in Fund Balance	(83,704)	(1,434,557)	(927,475)	507,082
Fund Balance at Beginning of Year	707,918	707,918	707,918	0
Prior Year Encumbrances Appropriated	<u>1,227,822</u>	<u>1,227,822</u>	<u>1,227,822</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$1,852,036</u>	<u>\$501,183</u>	<u>\$1,008,265</u>	<u>\$507,082</u>

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005

	BUSINESS -TYPE ACTIVITIES				ENTERPRISE
	ELECTRIC	SANITATION	SEWER	TELECOMMUNICATIONS	WATER
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$6,079,603	\$660,246	\$2,724,377	\$593,885	\$5,965,645
Materials and Supplies Inventory	1,024,589	0	17,766	204,710	107,895
Accounts Receivable	3,280,435	113,228	385,504	646,893	349,444
Interfund Receivable	0	0	0	0	0
Intergovernmental Receivable	0	0	47,763	0	0
Prepaid Items	29,416	1,354	16,990	16,361	18,288
Special Assessments Receivable	0	0	35,563	0	0
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agents	564,640	0	469,224	225,494	448,200
Total Current Assets	10,978,683	774,828	3,697,187	1,687,343	6,889,472
Noncurrent Assets:					
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents with Fiscal Agents	891,673	0	240,000	0	224,725
Deferred Charges	332,468	0	283,798	446,423	391,876
Advances to Other Funds	250,864	0	19,874	133,961	82,727
Nondepreciable Capital Assets	3,654,083	0	0	0	0
Depreciable Capital Assets, Net	4,722,846	54,000	1,599,942	0	5,673,468
Total Noncurrent Assets	20,611,239	87,334	29,888,583	5,988,260	22,982,861
Total Assets	31,589,922	862,162	33,585,770	7,675,603	29,872,333
LIABILITIES:					
Current Liabilities:					
Accounts Payable	71,650	70,846	29,963	346,842	33,874
Accrued Wages	31,353	810	12,026	16,439	7,234
Contracts Payable	0	0	0	0	52,290
Intergovernmental Payable	332,518	267,501	16,922	23,000	165,436
Accrued Interest Payable	31,167	0	39,667	23,375	0
Retainage Payable	9,501	0	11,220	0	93,882
Interfund Payable	102	16	322	251	101
Claims Payable	0	0	0	0	0
Capital Leases Payable	0	0	0	50,340	0
Notes Payable	2,750,000	0	3,500,000	1,750,000	0
Compensated Absences Payable	34,390	808	9,728	7,051	19,659
Mortgage Revenue Bonds Payable	520,000	0	435,000	205,000	415,000
Accrued Interest Payable	44,640	0	34,224	20,494	33,200
Total Current Liabilities	3,825,321	339,981	4,089,072	2,442,792	820,676
Long-term Liabilities:					
Refundable Deposits	399,173	0	0	0	24,725
Advances from Other Funds	0	0	0	3,654,083	0
Compensated Absences Payable	77,765	1,123	22,581	7,365	13,640
Mortgage Revenue Bonds Payable	9,873,702	0	7,602,456	4,689,380	7,580,532
Capital Leases Payable	0	0	0	202,771	0
Total Long-term Liabilities	10,350,640	1,123	7,625,037	8,553,599	7,618,897
Total Liabilities	14,175,961	341,104	11,714,109	10,996,391	8,439,573
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt (Deficit)	2,589,313	87,334	17,827,329	(1,355,654)	14,370,728
Restricted for:					
Revenue Bonds Replacement and Improvement	492,500	0	240,000	0	200,000
Revenue Bonds Current Debt Service	852,468	0	718,798	651,423	806,876
Unrestricted (Deficit)	13,479,680	699,981	2,819,277	(2,616,557)	6,055,156
Total Net Assets (Deficit)	\$17,413,961	\$787,315	\$21,605,404	(\$3,320,788)	\$21,432,760

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

See accompanying notes to the basic financial statements

FUNDS		GOVERNMENTAL
STORM WATER	TOTALS	ACTIVITIES
UTILITY		INTERNAL
		SERVICE FUNDS
\$489,410	\$16,513,166	\$106,289
0	1,354,960	1,599
73,388	4,848,892	0
0	0	2,444
0	47,763	0
1,040	83,449	1,146
0	35,563	0
<u>0</u>	<u>1,707,558</u>	<u>0</u>
<u>563,838</u>	<u>24,591,351</u>	<u>111,478</u>
0	1,356,398	0
0	1,454,565	0
0	487,426	0
0	3,654,083	0
126,674	12,176,930	64,666
<u>8,549,539</u>	<u>69,105,088</u>	<u>0</u>
<u>8,676,213</u>	<u>88,234,490</u>	<u>64,666</u>
<u>9,240,051</u>	<u>112,825,841</u>	<u>176,144</u>
1,506	554,681	572
2,400	70,262	2,357
0	52,290	0
60,234	865,611	3,408
0	94,209	0
12,588	127,191	0
6	798	0
0	0	331,655
0	50,340	0
0	8,000,000	0
2,848	74,484	4,872
0	1,575,000	0
<u>0</u>	<u>132,558</u>	<u>0</u>
<u>79,582</u>	<u>11,597,424</u>	<u>342,864</u>
0	423,898	0
0	3,654,083	0
12,290	134,764	19,786
0	29,746,070	0
<u>0</u>	<u>202,771</u>	<u>0</u>
<u>12,290</u>	<u>34,161,586</u>	<u>19,786</u>
<u>91,872</u>	<u>45,759,010</u>	<u>362,650</u>
8,676,213	42,195,263	64,666
0	932,500	0
0	3,029,565	0
<u>471,966</u>	<u>20,909,503</u>	<u>(251,172)</u>
<u>\$9,148,179</u>	<u>67,066,831</u>	<u>(\$186,506)</u>
	<u>(41,985)</u>	
	<u>\$67,024,846</u>	

CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	BUSINESS - TYPE ACTIVITIES		
	ELECTRIC	SANITATION	SEWER
OPERATING REVENUES:			
Charges for Services	\$16,216,563	\$908,611	\$3,184,630
Other	52,819	5,520	7,337
Total Operating Revenues	<u>16,269,382</u>	<u>914,131</u>	<u>3,191,967</u>
OPERATING EXPENSES:			
Personal Services	1,343,513	46,087	549,515
Contractual Services	1,073,423	822,553	916,209
Purchased Power	11,634,105	0	0
Supplies and Materials	139,549	70,986	117,065
Claims	0	0	0
Depreciation	1,075,794	3,333	1,008,626
Other	6,964	306	524
Total Operating Expenses	<u>15,273,348</u>	<u>943,265</u>	<u>2,591,939</u>
Operating Income (Loss)	<u>996,034</u>	<u>(29,134)</u>	<u>600,028</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	228,741	0	90,191
Other Non-Operating Revenues	0	0	0
Loss on Sale of Capital Assets	(1,380)	0	0
Interest and Fiscal Charges	(645,588)	0	(552,995)
Total Non-Operating Revenues (Expenses)	<u>(418,227)</u>	<u>0</u>	<u>(462,804)</u>
Income (Loss) Before Contributions and Transfers	577,807	(29,134)	137,224
Capital Contributions	208,593	0	2,566,805
Transfers In	106,928	0	40,624
Transfers Out	<u>(25,050)</u>	<u>0</u>	<u>(23,776)</u>
Change in Net Assets	868,278	(29,134)	2,720,877
Net Assets (Deficit) at Beginning of Year - Restated (See Note 3)	<u>16,545,683</u>	<u>816,449</u>	<u>18,884,527</u>
Net Assets (Deficit) at End of Year	<u><u>\$17,413,961</u></u>	<u><u>\$787,315</u></u>	<u><u>\$21,605,404</u></u>

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

TELECOMMUNICATIONS	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	WATER	STORM WATER UTILITY	TOTAL	
\$5,520,109	\$2,858,864	\$748,930	\$29,437,707	\$1,737,870
168,491	11,961	0	246,128	146,947
<u>5,688,600</u>	<u>2,870,825</u>	<u>748,930</u>	<u>29,683,835</u>	<u>1,884,817</u>
763,256	377,646	127,423	3,207,440	115,215
3,578,948	579,483	80,548	7,051,164	393,913
0	0	0	11,634,105	0
366,395	67,029	6,670	767,694	15,725
0	0	0	0	1,343,801
996,882	624,188	191,510	3,900,333	3,558
27,389	584	51	35,818	0
<u>5,732,870</u>	<u>1,648,930</u>	<u>406,202</u>	<u>26,596,554</u>	<u>1,872,212</u>
<u>(44,270)</u>	<u>1,221,895</u>	<u>342,728</u>	<u>3,087,281</u>	<u>12,605</u>
16,501	194,869	0	530,302	3,060
59,097	0	0	59,097	0
0	(8,667)	0	(10,047)	0
<u>(308,268)</u>	<u>(449,165)</u>	<u>0</u>	<u>(1,956,016)</u>	<u>0</u>
<u>(232,670)</u>	<u>(262,963)</u>	<u>0</u>	<u>(1,376,664)</u>	<u>3,060</u>
(276,940)	958,932	342,728	1,710,617	15,665
0	1,010,721	1,779,011	5,565,130	0
0	49,279	28,032	224,863	0
<u>0</u>	<u>(181,564)</u>	<u>(63,219)</u>	<u>(293,609)</u>	<u>0</u>
(276,940)	1,837,368	2,086,552	7,207,001	15,665
<u>(3,043,848)</u>	<u>19,595,392</u>	<u>7,061,627</u>		<u>(202,171)</u>
<u>(\$3,320,788)</u>	<u>\$21,432,760</u>	<u>\$9,148,179</u>		<u>(\$186,506)</u>
			<u>3,739</u>	
			<u>\$7,210,740</u>	

**CITY OF LEBANON, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-type Activities -		
	Electric	Sanitation	Sewer
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$15,386,252	\$901,666	\$3,094,890
Cash Payments for Employee Services and Benefits	(1,335,721)	(45,335)	(527,575)
Cash Payments to Suppliers for Goods and Services	(13,615,027)	(624,246)	(1,195,647)
Cash Payments for Employee Medical, Dental, and Life Insurance Claims	0	0	0
Cash Payments for Interfund Services Provided	0	0	0
Other Operating Revenues	52,819	5,520	7,337
Other Non-Operating Revenues	0	0	0
Utility Deposits Received	211,085	0	0
Utility Deposits Returned	(178,106)	0	0
Net Cash Provided by Operating Activities	<u>521,302</u>	<u>237,605</u>	<u>1,379,005</u>
Cash Flows from Noncapital Financing Activities:			
Short-Term Advance to Another Fund	(475,000)	0	0
Short-Term Advance From Another Fund	0	0	0
Transfers In	15,609	0	124
Transfers Out	0	0	0
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(459,391)</u>	<u>0</u>	<u>124</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Capital Leases	0	0	0
Interest Paid on Capital Leases	0	0	0
Acquisition of Capital Assets	(773,037)	(266,257)	(570,805)
Proceeds from Sale of Notes	2,750,000	0	3,500,000
Principal Paid on Notes	(2,750,000)	0	(3,500,000)
Interest Paid on Notes	(77,160)	0	(104,708)
Premium on Notes Issued	12,470	0	15,987
Principal Paid on Mortgage Revenue Bonds	(505,000)	0	(415,000)
Interest and Fiscal Charges Paid on Mortgage Revenue Bonds	(560,602)	0	(428,903)
Net Cash Used for Capital and Related Financing Activities	<u>(1,903,329)</u>	<u>(266,257)</u>	<u>(1,503,429)</u>
Cash Flows from Investing Activities:			
Interest	228,741	0	90,191
Net Cash Provided by Investing Activities	<u>228,741</u>	<u>0</u>	<u>90,191</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,612,677)	(28,652)	(34,109)
Cash and Cash Equivalents Beginning of Year	<u>9,481,061</u>	<u>688,898</u>	<u>3,751,508</u>
Cash and Cash Equivalents End of Year	<u>\$7,868,384</u>	<u>\$660,246</u>	<u>\$3,717,399</u>

Enterprise Funds				Governmental Activities- Internal Service Funds
Telecommunications	Water	Storm Water Utility	Total	
\$5,338,410	\$2,835,416	\$768,416	\$28,325,050	\$0
(759,678)	(388,506)	(122,420)	(3,179,235)	(112,512)
(4,042,992)	(620,372)	(69,911)	(20,168,195)	(410,891)
0	0	0	0	(1,332,412)
0	0	0	0	1,747,379
168,491	11,961	0	246,128	146,947
59,097	0	0	59,097	0
0	17,100	0	228,185	0
0	(11,275)	0	(189,381)	0
<u>763,328</u>	<u>1,844,324</u>	<u>576,085</u>	<u>5,321,649</u>	<u>38,511</u>
0	0	0	(475,000)	0
475,000	0	0	475,000	0
0	203	287	16,223	0
0	(22,000)	(50,000)	(72,000)	0
<u>475,000</u>	<u>28,203</u>	<u>(99,713)</u>	<u>(55,777)</u>	<u>0</u>
(16,338)	0	0	(16,338)	0
(3,511)	0	0	(3,511)	0
(915,766)	(1,882,204)	(207,507)	(4,615,576)	0
1,750,000	0	0	8,000,000	0
(1,750,000)	0	0	(8,000,000)	0
(39,679)	0	0	(221,547)	0
3,881	0	0	32,338	0
(195,000)	(400,000)	0	(1,515,000)	0
(255,682)	(414,800)	0	(1,659,987)	0
<u>(1,422,095)</u>	<u>(2,697,004)</u>	<u>(207,507)</u>	<u>(7,999,621)</u>	<u>0</u>
<u>16,501</u>	<u>194,869</u>	<u>0</u>	<u>530,302</u>	<u>3,060</u>
<u>16,501</u>	<u>194,869</u>	<u>0</u>	<u>530,302</u>	<u>3,060</u>
(167,266)	(629,608)	268,865	(2,203,447)	41,571
<u>1,207,574</u>	<u>7,660,054</u>	<u>220,545</u>	<u>23,009,640</u>	<u>64,718</u>
<u>\$1,040,308</u>	<u>\$7,030,446</u>	<u>\$489,410</u>	<u>\$20,806,193</u>	<u>\$106,289</u>

(Continued)

CITY OF LEBANON, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

	Business-type Activities -		
	Electric	Sanitation	Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided <u>by Operating Activities:</u>			
Operating Income (Loss)	\$996,034	(\$29,134)	\$600,028
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	1,075,794	3,333	1,008,626
Other Non-Operating Revenues	0	0	0
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(830,311)	(6,945)	(71,101)
Decrease in Interfund Receivable	0	0	0
(Increase) in Intergovernmental Receivable	0	0	(29,124)
(Increase) Decrease in Materials and Supplies Inventory	(54,840)	0	(6,831)
(Increase) Decrease in Prepaids Items	7,339	(1,354)	(1,945)
Increase (Decrease) in Accounts Payable	(688,150)	4,747	(130,511)
Increase in Claims Payable	0	0	0
Decrease (Increase) in Contracts Payable	(688)	0	0
Decrease in Contracts Payable Retainage	8,012	0	(11,128)
Increase (Decrease) in Accrued Wages Payable	(632)	(808)	48
Increase (Decrease) in Interfund Payable	(1,242)	(51)	(694)
Increase in Intergovernmental Payable	9,986	267,090	6,697
Increase in Liabilities Payable from Restricted Assets	0	0	0
Increase (Decrease) in Compensated Absences Payable	0	727	14,940
Net Cash Provided by Operating Activities	<u>\$521,302</u>	<u>\$237,605</u>	<u>\$1,379,005</u>

Noncash Capital Financing Activities:

During 2005, the Sewer, Water and Storm Water Utility Enterprise Funds received sewer and water lines from developers with a fair market value of \$1,934,789, \$811,294 and \$1,557,625 respectively.

Capital assets donated by other governments during 2005 to the Sewer, Water and Storm Water Utility funds were \$213,006, \$136,932, and \$22,822 respectively.

Capital assets were acquired through a capital lease in the Telecommunication fund in the amount of \$269,449.

Capital assets were acquired by the Governmental Funds for the Electric, Sewer, Water and Storm Water Utility funds in the amount of \$208,593, \$419,010, \$62,495 and \$198,564 respectively.

See accompanying notes to the basic financial statements

Telecommunications	Enterprise Funds			Governmental Activities- Internal Service Funds
	Water	Storm Water Utility	Total	
(\$44,270)	\$1,221,895	\$342,728	\$3,087,281	\$12,605
996,882	624,188	191,510	3,900,333	3,558
59,097	0	0	59,097	0
(181,699)	(23,448)	19,486	(1,094,018)	0
0	0	0	0	9,509
0	0	0	(29,124)	0
(57,073)	7,593	0	(111,151)	193
6,252	2,067	(1,040)	11,319	4,028
(19,014)	(231,361)	(38,111)	(1,102,400)	(5,474)
0	0	0	0	11,389
0	52,290	0	51,602	0
0	41,911	0	38,795	0
(3,617)	(2,674)	(76)	(7,759)	(392)
(425)	(146)	6	(2,552)	0
9,952	157,922	59,498	511,145	1,407
0	5,825	0	5,825	0
(2,757)	(11,738)	2,084	3,256	1,688
<u>\$763,328</u>	<u>\$1,844,324</u>	<u>\$576,085</u>	<u>\$5,321,649</u>	<u>\$38,511</u>

CITY OF LEBANON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2005

ASSETS:

Equity in Pooled Cash and Cash Equivalents	\$1,461
Cash in Segregated Accounts	37,463
	<hr/>
Total Assets	<u><u>\$38,924</u></u>

LIABILITIES:

Intergovernmental Payable	\$23,277
Undistributed Monies	15,647
	<hr/>
Total Liabilities	<u><u>\$38,924</u></u>

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Fund Accounting

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

Governmental Funds

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

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

Fire and Life Squad Fund - This fund is used to account for monies received for the operation of the fire and life squad and note proceeds for acquiring land and a building for the use of the fire department.

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

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

Proprietary Fund Types

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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

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

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

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

Storm Water Utility Fund – This fund is used to account for the provision of storm water management within the City.

Internal Service Funds

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

Fiduciary Funds

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes are recognized in the year in which the exchange on which the tax is imposed takes place and revenue from property taxes/revenue in lieu of taxes is recognized in the year for which the taxes are levied or would have been levied. (See Notes 6, 7, and 8.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Expenses/Expenditures

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

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

Budgetary Process

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by fiscal agent, are pooled and invested in order to provide improved cash management. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The City's Municipal Court has its own checking accounts for collection and distribution of court fines and forfeitures which are presented on the financial statements as "Cash in Segregated Accounts."

During 2005, investments were limited to STAROhio, money market mutual funds, commercial paper, U.S. Treasury Notes and Bills and City issued debt. Investments are reported at fair value which is based on quoted market prices. For investments in money market mutual funds, the fair value is determined by the fund's current share price.

STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005.

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

Interest income is distributed to the funds according to Ohio statutory requirements and the City charter. Interest revenue credited to the General Fund during 2005 amounted to \$356,658, which includes \$338,473 assigned from other City funds.

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

Inventory of Supplies

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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 by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Restricted Assets

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

Capital Assets and Depreciation

General capital assets are capital assets that are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All purchased capital assets are valued at cost when historical records are available and estimated historical cost where no historical records exist. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of \$5,000.

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

Roads	10-20 years
Bridges	20-50 years
Curbs, Gutters and Sidewalks	15 years
Traffic Lights and Signals	15-35 years
Improvements Other Than Buildings	20 years
Buildings	45 years
Equipment	5-15 years
Vehicles	5-20 years
Electric Lines, Poles, Transformers and Switch Gears	20-30 years
Sewer Lines	65 years
Water Lines	40-65 years
Storm Water Drainage	50 years
Telecommunications Lines and Equipment	10 years

The City's infrastructure consists of roads, bridges, curbs, gutters, sidewalks, traffic lights and signals and sewer lines, water lines, storm water drainage systems and telecommunications lines and equipment. The City phased in the total values of roads, bridges, curbs, gutters, sidewalks and storm water drainage systems in 2005, as they were not reported in previous years. (See Note 3.)

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

Contributions of Capital

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

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. The long-term liability for the Library Improvement General Obligation Bonds is not related to governmental activities because the proceeds were not used to construct a capital asset reported by the City. This liability is included in the calculation of unrestricted net assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of law enforcement programs and the operation and maintenance of the City's cemeteries.

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

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

The government wide statement of net assets reports \$15,099,865 of restricted net assets, of which \$6,655,231 are restricted by enabling legislation.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Operating Revenues and Expenses

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

Reserves of Fund Balance

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

Bond Discounts, Premiums/Issuance Costs

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

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

Interfund Transactions

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

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

Transfers in and out do not equal due to \$12,969 in capital assets that were transferred from enterprise funds to governmental activities.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Interfund Balances

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

Estimates

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES, RESTATEMENT OF PRIOR YEAR NET ASSETS AND CORRECTION OF AN ERROR

Changes in Accounting Principles

For 2005, the City has implemented *GASB Statement No. 40, "Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3."* and *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"*.

GASB Statement No. 40 addresses common deposit and investment risk disclosures. The implementation of this statement had no effect on the City's financial statements for 2005.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this Statement had no effect on the City's financial statements for 2005.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES, RESTATEMENT OF PRIOR YEAR NET ASSETS AND CORRECTION OF AN ERROR (continued)

Restatement of Prior Year Net Assets

When implementing the provisions of *GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”* for 2003, the City elected not to include infrastructure assets of governmental activities acquired between 1980 and 2002. In addition, the value of infrastructure assets in the Stormwater Utility Fund was not available in previous years. Both of these amounts are now available, and have been included in the financial statements for 2005.

Recording these items had the following effect on the net assets of the City:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets, December 31, 2004 as Reported	\$32,308,424	\$54,380,629
Restatement of Infrastructure Capital Assets - Net	7,388,238	5,433,477
Net Assets, December 31, 2004 as Restated	<u>\$39,696,662</u>	<u>\$59,814,106</u>

Correction of an Error

It was found that Sewer Fund infrastructure assets were erroneously reported in the Sanitation Fund. Correcting this error had the following effect on the fund net assets of the City:

	<u>Sanitation Fund</u>	<u>Sewer Fund</u>
Net Assets, December 31, 2004 as Reported	\$1,944,504	\$17,756,472
Restatement of Infrastructure Capital Assets - Net	(1,128,055)	1,128,055
Net Assets, December 31, 2004 as Restated	<u>\$816,449</u>	<u>\$18,884,527</u>

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Proceeds from/payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.
7. The change in fair value of investments is not included on the budget basis operating statement. This amount is included on the GAAP basis operating statement.

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

	Net Change in Fund Balance	
	General	Fire and Life Squad
	<u>Fund</u>	<u>Fund</u>
GAAP Basis	\$664,574	\$144,469
Revenue Accruals	49,306	0
Expenditure Accruals	91,421	(476,267)
Encumbrances	(157,462)	(319,812)
Note Proceeds	0	1,120,000
Principal Retirement	0	(1,400,000)
Premium on Debt Issued	0	4,135
Advances	121,408	0
Unrecorded Cash	(111,269)	0
Change in Fair Market Value of Investments	(107,565)	0
Budget Basis	<u><u>\$550,413</u></u>	<u><u>(\$927,475)</u></u>

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,120,062 of the City's bank balance of \$2,220,167 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$18,288,939	Average 33 Days
Fifth Third Institutional Government Money Market Mutual Fund	3,301	Average 90 Days
Fifth Third Institutional Money Market Mutual Fund	3,162,223	Average 90 Days
General Electric Commercial Paper	2,645,000	Less than one year
U.S. Treasury Notes	4,483,700	Less than one year
U.S. Treasury Bills	3,140,947	Less than one year
Total Investments	<u>\$31,724,110</u>	

Interest Rate Risk

The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

STAROhio carries a rating of AAA by Standard and Poor's. The Fifth Third Institutional Government Money Market Mutual Fund and Fifth Third Institutional Money Market Mutual Fund both carry ratings of Aaa by Moody's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The General Electric Commercial Paper is rated A1+/P1 by Moody's and Standard and Poor's. The City has no investment policy that would further limit its investment choices.

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 investments or collateral securities that are in the possession of an outside party. The General Electric Commercial Paper is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty's trust department agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. Of the City's total investments, eight percent is invested in General Electric Commercial Paper.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 6 - PROPERTY TAXES (continued)

2005 tangible personal property taxes are levied after October 1, 2004 on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2005, was \$8.65 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$271,969,470
Public Utility Real Property	82,765,990
Public Utility Tangible Personal Property	4,159,970
Tangible Personal Property	50,278,519
Total	\$409,173,949

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lebanon. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 7 - PAYMENTS IN LIEU OF TAXES

The City acquired property that is leased to a number of companies. The companies have built or are in the process of building factories on the land leased from the City. To encourage development, the companies have been granted an exemption from paying any property taxes on the new construction; however, payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due. These payments are being used for costs associated with promoting and improving the industrial park. Payments will continue over the life of the lease. At the conclusion of the lease term, the companies may purchase the leased property for \$1.

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

NOTE 8 - INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2005, the proceeds were allocated to the General Fund, the Capital Improvement Capital Projects Fund and the Debt Service Fund.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2005, consisted of property, income and other local taxes, revenue in lieu of taxes, utility accounts, special assessments, notes, intergovernmental receivables arising from grants, entitlements and shared revenues, interfund, and capital leases. Special assessments expected to be collected in more than one year for the City amount to \$616,365. The City has \$5,941 in delinquent special assessments at December 31, 2005. All receivables are considered fully collectible except utility accounts.

<u>Receivable</u>	<u>Uncollectible</u>	<u>Receivable</u>
\$5,215,758	\$366,866	\$4,848,892

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 9 – RECEIVABLES (continued)

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local Government Assistance	\$306,729
Warren County Reimbursement for Baliff Services	5,095
Homestead & Rollback	267,571
Para-Mutual Tax	15,000
Permissive Tax	97,102
Motor Vehicle Tax	184,806
Gasoline Tax	<u>202,532</u>
Total Governmental Activities	<u>1,078,835</u>
 <u>Business-Type Activities:</u>	
Village of South Lebanon Sewage Processing Fees	<u>47,763</u>
 Total Intergovernmental Receivables	 <u><u>\$1,126,598</u></u>

The City is involved in a home rehabilitation program that was begun with Community Development Block Grant monies. The Notes Receivable reflected on the balance sheet represents amounts that individuals owe the City on these loans. The difference between notes receivable and fund balance reserved for notes receivable represents amounts expected to be received within one year.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance at 12/31/04 (Restated)	Additions	Deductions	Balance at 12/31/05
<u>Governmental Activities</u>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$10,759,839	\$554,000	(\$180,000)	\$11,133,839
Construction in Progress	1,347,835	3,755,530	(1,679,518)	\$3,423,847
Total Capital Assets, Not Being Depreciated	<u>12,107,674</u>	<u>4,309,530</u>	<u>(1,859,518)</u>	<u>14,557,686</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	1,007,892	0	0	1,007,892
Buildings and Improvements	4,224,895	900,667	0	5,125,562
Equipment	1,583,004	0	(50,564)	1,532,440
Vehicles	3,157,165	162,961	0	3,320,126
Infrastructure	24,936,410	7,400,130	(888,662)	31,447,878
Total Capital Assets, Being Depreciated	<u>34,909,366</u>	<u>8,463,758</u>	<u>(939,226)</u>	<u>42,433,898</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(376,940)	(35,266)	0	(412,206)
Buildings and Improvements	(1,535,371)	(187,799)	0	(1,723,170)
Equipment	(841,426)	(79,989)	47,719	(873,696)
Vehicles	(2,124,098)	(201,312)	0	(2,325,410)
Infrastructure	(8,423,672)	(1,515,174)	0	(9,938,846)
Total Accumulated Depreciation	<u>(13,301,507)</u>	<u>(2,019,540) *</u>	<u>47,719</u>	<u>(15,273,328)</u>
Total Capital Assets, Being Depreciated, Net	<u>21,607,859</u>	<u>6,444,218</u>	<u>(891,507)</u>	<u>27,160,570</u>
Governmental Activities Capital Assets, Net	<u>\$33,715,533</u>	<u>\$10,753,748</u>	<u>(\$2,751,025)</u>	<u>\$41,718,256</u>

Additions to capital assets being depreciated include \$12,969 transferred from business-type activities to governmental activities and \$4,389,654 in assets donated by outside entities, such as property developers. Deletions of capital assets being depreciated includes \$888,662 transferred from governmental activities to business-type activities.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 – CAPITAL ASSETS (continued)

	Balance at 12/31/04 (Restated)	Additions	Deductions	Balance at 12/31/05
<u>Business-Type Activities</u>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$5,243,384	\$0	\$0	\$5,243,384
Construction in Progress	9,381,687	2,198,977	(4,647,118)	6,933,546
Total Capital Assets, Not Being Depreciated	<u>14,625,071</u>	<u>2,198,977</u>	<u>(4,647,118)</u>	<u>12,176,930</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	24,654,074	4,226,837	(42,495)	28,838,416
Equipment	5,727,656	614,261	(96,031)	6,245,886
Vehicles	1,976,443	220,838	(56,600)	2,140,681
Infrastructure	59,376,636	7,981,442	0	67,358,078
Total Capital Assets, Being Depreciated	<u>91,734,809</u>	<u>13,043,378</u>	<u>(195,126)</u>	<u>104,583,061</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(8,468,982)	(856,205)	21,333	(9,303,854)
Equipment	(5,115,699)	(184,132)	94,651	(5,205,180)
Vehicles	(1,449,588)	(157,470)	56,600	(1,550,458)
Infrastructure	(16,715,955)	(2,702,526)	0	(19,418,481)
Total Accumulated Depreciation	<u>(31,750,224)</u>	<u>(3,900,333)</u>	<u>172,584</u>	<u>(35,477,973)</u>
Total Capital Assets, Being Depreciated, Net	<u>59,984,585</u>	<u>9,143,045</u>	<u>(22,542)</u>	<u>69,105,088</u>
Business-Type Activities Capital Assets, Net	<u>\$74,609,656</u>	<u>\$9,143,045</u>	<u>(\$22,542)</u>	<u>\$81,282,018</u>

Additions to capital assets being depreciated includes \$888,662 transferred from governmental activities to business-type activities. Additions to accumulated depreciation includes \$7,500 in depreciation on assets transferred from governmental activities to business-type activities. Deletions of buildings include \$12,969 transferred from business-type activities to governmental activities.

* Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property:	
Police	\$70,842
Fire	160,376
Community and Economic Development	170,224
Leisure Time Activities	103,333
Transportation	1,406,071
Public Health	36,421
General Government	72,273
Total Depreciation Expense	<u>\$2,019,540</u>

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$495,963, \$492,437, and \$309,325 respectively; 96.87 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$16,852 made by the City and \$10,571 made by the plan members.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for 2005, 2004, and 2003 were \$227,614, \$214,552, and \$177,761 respectively. The full amount has been contributed for 2004 and 2003. 76.43 percent for police officers and 76.25 percent for firefighters have been contributed for 2005.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual City contributions for 2005 which were used to fund postemployment benefits were \$207,733. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors 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.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The City's actual contributions for 2005 that were used to fund postemployment health care benefits were \$119,929 for police and \$21,837 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2005, the unfunded liability of the City was \$21,148, payable in semiannual installments through the year 2030. This is an accounting liability of the City which will not vary. The liability is reported on the government-wide financial statements.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Vacation leave may be carried forward, up to a maximum of two times the individual employee's annual accrual. When an employee terminates employment, he/she is paid for unused vacation leave.

Accumulated Unpaid Sick Leave

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

Accumulated Unpaid Holiday Pay

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

NOTE 14 - CAPITAL LEASE RECEIVABLE

City-owned land within the Kingsview Industrial Park was leased to Amtex Inc., and Lucas Sumitomo Brakes Inc. The companies are developing the land. The new construction has been granted a tax exemption, although payments in lieu of taxes will be made to the City. See Note 7.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 14 - CAPITAL LEASE RECEIVABLE (continued)

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

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

<u>December 31,</u>	<u>Amount</u>
2006	\$6,098
2007	6,098
2008	6,098
2009	6,098
2010	6,098
2011-2015	30,490
2016-2017	<u>12,196</u>
Total Minimum Lease Payments to be Received	73,176
Less: Amount Representing Unearned Interest	<u>(23,093)</u>
Net Investment in Direct Financing Leases	<u><u>\$50,083</u></u>

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the City contracted with Hylant MacLean for vehicle, property and general liability insurance. Cincinnati Insurance Company covers boiler and machinery, while police liability and public officials are protected by Hylant MacLean.

Machinery deductible levels vary with equipment. EDT equipment has a \$1,000 deductible for computer equipment. Vehicles hold a \$250 to \$500 deductible, general liability has a \$0 deductible, and property has a \$1,000 deductible. The City carries a \$5,000 deductible for both police professional and public officials liability insurance. The City has an internal accident review board which analyzes all vehicle accidents. The City also contracts with Hylant MacLean, who reviews each accident claim.

Coverage provided by the insurance follows:

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 15 - RISK MANAGEMENT (continued)

General Liability - Each Occurrence	\$5,000,000
Police Professionals Liability - Each Occurrence	5,000,000
Public Officials Liability - Each Occurrence	5,000,000
Vehicle Liability - Each Accident	5,000,000
Vehicle Physical Damage	Replacement Cost
Property Coverage (Maximum \$5,000,000)	Replacement Cost

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

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

The City has elected to provide employee medical, dental and life insurance benefits through a self insured program. The City maintains a Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical plan with a \$200 single and \$400 cap per family deductible for City employees. The City also provides a dental plan with a \$50 deductible, and \$40,000 in life insurance. A third party administrator reviews all claims which the City then pays. The City purchases stop-loss coverage for claims in excess of \$60,000 per employee, per occurrence. Klais & Co. was the third party administrator for the year.

The City pays into the Self-Insurance Internal Service Fund \$1,218 per employee per month. The fund that pays the salary for the employee pays this premium which is based on historic cost information. The claims liability of \$331,655 reported in the fund at December 31, 2005, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. Estimates were calculated by using actual claims reports for several months following the balance sheet date. This estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount for the past two years were:

	Balance at January 1,	Current Year Claims	Claim Payments	Balance at December 31,
2004	\$130,173	\$1,458,675	\$1,268,582	\$320,266
2005	320,266	1,343,801	1,332,412	331,655

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2005, follows:

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2005
<u>Governmental Activities</u>				
Special Revenue				
Fire and Life Squad Fund				
Fire Improvement, 3.75%	\$1,400,000	\$1,120,000	\$1,400,000	\$1,120,000
<u>Business-Type Activities</u>				
Electric Fund				
Electric Systems Improvement, 4.0%	2,750,000	2,750,000	2,750,000	2,750,000
Sewer Fund				
Sewer Systems Improvement, 4.0%	3,500,000	3,500,000	3,500,000	3,500,000
Telecommunications Fund				
Telecommunication, 4.0%	750,000	750,000	750,000	750,000
Telephone System, 5.25%	1,000,000	1,000,000	1,000,000	1,000,000
Total Business-Type Activities	8,000,000	8,000,000	8,000,000	8,000,000
Total Governmental and Business-Type Activities	<u>\$9,400,000</u>	<u>\$9,120,000</u>	<u>\$9,400,000</u>	<u>\$9,120,000</u>

The notes are issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and will mature within one year. The liability for the notes is presented in the fund that received the note proceeds. All proceeds of the short-term notes had been spent as of December 31, 2005.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 17 - LONG-TERM OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2005 follows:

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2005	Amount Due in One Year
<u>Special Assessment Bonds with Governmental Commitment:</u>					
1990 - 7.00% \$438,150 Kingsview/Henkle Drive Improvement	\$144,900	\$0	\$24,150	\$120,750	\$24,150
1991 - 6.45% \$731,080 Deerfield Road Improvement	395,380	0	44,760	350,620	48,490
1993 - 5.75% \$200,000 Henkle Drive Extension	90,000	0	10,000	80,000	10,000
1994 - 5.00% \$54,372 Pleasant Street Improvement	35,443	0	2,364	33,079	2,364
TOTAL - Special Assessment Bonds Payable	<u>665,723</u>	<u>0</u>	<u>81,274</u>	<u>584,449</u>	<u>85,004</u>
<u>Voted General Obligation Bonds:</u>					
1997 - 4.0 to 13.5% \$1,039,224 Library Improvement					
Serial Bonds - 4.0 - 4.7%	225,000	0	110,000	115,000	115,000
Capital Appreciation Bonds - 13.5%	89,224	0	0	89,224	0
Accretion on Capital Appreciation Bonds	135,802	31,756	0	167,558	0
TOTAL - Voted General Obligation Bonds Payable	<u>450,026</u>	<u>31,756</u>	<u>110,000</u>	<u>371,782</u>	<u>115,000</u>
<u>Unvoted General Obligation Bonds:</u>					
1990 - 7.00% \$196,850 Kingsview/Henkle Drive Improvement	65,100	0	10,850	54,250	10,850
1991 - 6.450% \$248,920 Deerfield Road Improvement	134,620	0	15,240	119,380	16,510

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2005	Amount Due in One Year
<u>Unvoted General Obligation Bonds: (continued)</u>					
1994 - 5.50% \$175,628 Pleasant Street Improvement	\$114,556	\$0	\$7,636	\$106,920	7,636
1997 - 3.90 to 5.25% \$2,700,000 Miller Road	2,035,000	0	115,000	1,920,000	120,000
2003 - 2.0 to 4.15% \$4,005,000 Road Improvement	3,855,000	0	155,000	3,700,000	160,000
Discount on Debt Issue	(15,930)	0	(838)	(15,092)	
TOTAL - Unvoted General Obligation Bonds Payable	6,188,346	0	302,888	5,885,458	314,996
<u>Other Long-Term Obligations</u>					
Capital Lease Payable	46,237	0	14,675	31,562	15,400
Compensated Absences Payable	807,635	464,588	362,346	909,877	233,011
Police Pension	21,503	0	355	21,148	371
TOTAL - General Long-Term Obligations	\$8,179,470	\$496,344	\$871,538	\$7,804,276	\$763,782

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

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

The Henkle Drive Extension special assessment bonds were issued to finance the construction of a road in the industrial park. This is being paid through the Debt Service Fund with special assessments revenue.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

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

The Library Improvement general obligation bonds included serial and capital appreciation bonds in the amounts of \$950,000 and \$89,224, respectively, with interest rates ranging from 4.0% to 13.5%. The capital appreciation bonds will mature in 2007, 2008 and 2009. The maturity amount of the capital appreciation bonds is \$125,000 in 2007, \$125,000 in 2008 and \$130,000 in 2009, for a total of \$380,000. For 2005, the capital appreciation bonds were accreted \$31,756. The Library Improvement Bond will be paid through the Debt Service Fund with property tax revenue.

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Changes in the long-term obligations reported in business-type activities of the City during 2005 were as follows:

	Balance at January 1, 2004	Increases	Decreases	Balance at December 31, 2004	Amounts Due in One Year
<u>Mortgage Revenue Bonds</u>					
1999 - 4.9 to 5.35% Sanitary Sewer	\$7,760,000	\$0	\$240,000	\$7,520,000	\$250,000
1999 - 3.75 to 5.3% Water System Improvement and Refunding	8,420,000	0	400,000	8,020,000	415,000
Deferred Amount on Refunding	(32,625)	0	(8,157)	(24,468)	
1997 - 4.0 to 4.8% Sanitary Sewer	750,000	0	175,000	575,000	185,000
Deferred Amount on Refunding	(76,724)	0	(19,180)	(57,544)	
1996 - 3.7% Electric System	3,495,000	0	215,000	3,280,000	215,000
Discount on Debt Issue	(29,547)	0	(2,462)	(27,085)	
2001 - 4.0 to 5.75% \$8,125,000 Electric System	7,330,000	0	290,000	7,040,000	305,000
Premium on Debt Issue	107,325	0	6,538	100,787	
2001 - 4.0 to 5.75% \$5,565,000 Telecommunications System	5,020,000	0	195,000	4,825,000	205,000
Premium on Debt Issue	73,880	0	4,500	69,380	
TOTAL - Mortgage Revenue Bonds Payable	32,817,309	0	1,496,239	31,321,070	1,575,000
Capital Lease Payable	0	269,449	16,338	253,111	50,340
Compensated Absences Payable	196,006	137,586	124,344	209,248	74,484
TOTAL - Enterprise Funds	<u>\$33,013,315</u>	<u>\$407,035</u>	<u>\$1,636,921</u>	<u>\$31,783,429</u>	<u>\$1,699,824</u>

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$73,410. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2008 using the straight line method. The advance refunding decreased total debt service payments by \$71,408 and incurred an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$36,270.

On October 17, 1997, the City issued \$1,915,000 in Sewer System Mortgage Revenue Bonds to advance refund \$1,811,956 of outstanding 1988 Revenue Bonds. The City contributed an additional \$135,896 from cash and cash equivalents with fiscal agents. The net proceeds of \$1,979,354 (after payment of \$71,542 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 revenue bonds. As a result, the 1988 revenue bonds are considered to be defeased and the liability for those bonds has been removed from the sewer fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$207,148. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is charged to interest expense through the year 2008. The City completed the advance refunding to reduce its total debt service payments by \$163,868, and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$92,389.

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

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

The Mortgage Revenue Bonds are being repaid from charges for services in the respective enterprise funds.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

In prior years, the City defeased Water and Sewer System Improvement Mortgage Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the City's financial statements. As of December 31, 2005, \$8,020,000 of the water bonds were unmatured and unpaid. There were no unmatured, unpaid amounts related to the sewer bonds at December 31, 2005.

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

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$41,886,880 and the unvoted debt margin was \$21,428,182.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2005, were:

Year	Governmental Activities						Business-Type Activities	
	Special Assessment Bonds		General Obligation Bonds		Capital Appreciation Bonds		Mortgage Revenue	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$85,004	\$37,653	\$429,996	\$245,946	\$0	\$0	\$1,575,000	\$1,590,693
2007	89,916	32,118	325,085	321,224	33,313	91,687	1,650,000	1,522,148
2008	93,646	26,272	341,355	313,617	29,233	95,767	1,720,000	1,449,993
2009	97,376	20,185	352,625	308,275	26,678	103,322	1,405,000	1,373,138
2010	101,106	13,857	363,895	190,970	0	0	1,475,000	1,303,926
2011-2015	117,401	10,646	1,882,594	723,687	0	0	8,560,000	5,345,911
2016-2020	0	0	1,540,000	325,016	0	0	9,370,000	2,927,623
2021-2024	0	0	780,000	64,935	0	0	5,505,000	660,318
Totals	<u>\$584,449</u>	<u>\$140,731</u>	<u>\$6,015,550</u>	<u>\$2,493,670</u>	<u>\$89,224</u>	<u>\$290,776</u>	<u>\$31,260,000</u>	<u>\$16,173,750</u>

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 18 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 2005, were as follows:

Interfund Receivable/Payable

The Auto Maintenance Internal Service Fund had interfund receivables for services provided to those funds. The Debt Service Fund had an interfund receivable for monies lent to the Capital Improvement Fund. These funds were used to cover necessary expenditures for the Central Business District Streetscape Project. These monies are expected to be repaid within one year.

		Receivable		
		Governmental Activities Internal Service	All Other Governmental Funds	Total
Payable	General	\$877	\$0	\$877
	Fire and Life Squad	42	0	42
	Capital Improvement	0	800,000	800,000
	All Other Governmental Funds	727	0	727
	Electric	102	0	102
	Sanitation	16	0	16
	Sewer	322	0	322
	Telecommunications	251	0	251
	Water	101	0	101
	Storm Water Utility	6	0	6
	Total	\$2,444	\$800,000	\$802,444

Advances From/To Other Funds

When the Telecommunications Fund was established in 2001, the City advanced monies from the Electric Fund as a beginning balance. During 2005, the Telecommunications Fund began repaying this advance to the Electric Fund, and will continue repayment over a twenty year period.

In addition, the Electric Fund advanced monies to the Telecommunications Fund for interest and principal payments that were to be paid from the Telecommunications Fund.

The General Fund advanced monies to the Industrial Development nonmajor Capital Projects Fund for the purchase of property for use as an industrial park. The property is being developed and used by several corporations, who are leasing the property from the City. The advance is being repaid over time, with lease payments received by the participating companies.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 18 - INTERFUND ASSETS/LIABILITIES (continued)

	Advances From		
	General	Electric	Total
Advances To			
All Other Governmental Funds	\$1,580,811	\$0	\$1,580,811
Telecommunications	0	3,654,083	3,654,083
Total	<u>\$1,580,811</u>	<u>\$3,654,083</u>	<u>\$5,234,894</u>

Transfers From/To Other Funds

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

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

	Transfers To							Total
	General	Capital Improvement	All Other Governmental Funds	Electric	Sewer	Water	Storm Water Utility	
Transfers From								
General	\$0	\$0	\$305,366	\$0	\$0	\$0	\$0	\$305,366
Capital Improvement	0	0	170,000	0	0	0	0	170,000
All Other Governmental Funds	49,281	70,000	221,099	15,609	124	203	287	356,603
Electric	0	0	0	0	0	25,050	0	25,050
Water	0	0	22,000	91,319	40,500	0	27,745	181,564
Sewer	0	0	0	0	0	23,776	0	23,776
Storm Water Utility	0	0	50,000	0	0	250	0	50,250
Total	<u>\$49,281</u>	<u>\$70,000</u>	<u>\$768,465</u>	<u>\$106,928</u>	<u>\$40,624</u>	<u>\$49,279</u>	<u>\$28,032</u>	<u>\$1,112,609</u>

During 2005, governmental activities provided capital assets to the business-type activities in the amount of \$888,662, which is recorded as transfers in/out on the Statement of Activities. The Storm Water Utility Enterprise Fund provided capital assets to the governmental activities in the amount of \$12,969. Therefore, transfers in and out do not equal.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 19 – SIGNIFICANT CONTRACTUAL OBLIGATIONS

The City of Lebanon has entered into the following contracts as of December 31, 2005:

Contractor	Purpose	Amount Remaining
Complete General	Lebanon Downtown Streetscape Project	\$197,401
WG Stang	Orchard Avenue Reconstruction Phase I	48,276
WG Stang	Nelson Avenue/Lebanon Road Water Line	146,778
CK Excavating	U.S. 42 Water Main Replacement	212,104
Calvary Company	Municipal Courtroom Renovation	39,026
ME Simpson	2005 Water Distribution Leak	15,500
McBride Dale	Zoning Code Update	59,345
CB&I	1.0 MG S. Elevated Water Storage	992,481
Paul Rack Exc	Warren County Water Connection	85,415
Suburban Maintenance	Sout Broadway Bridge Rehab	40,000
SK Construction	Bike Trail Realign Phase II	25,553
ME Company	Orchard Avenue Reconstruction	884
Northwest Consultants	Cincinnati Avenue Reconstruction	365
EMH&T	Warren/Columbus Water Main	4,834
Megacity Fire Protection	Telecom-Chemical Fire Suppression	23,700
LJB Inc.	Design 1.0MG Water Tower	23,451

NOTE 20 – CAPITAL LEASES – LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$73,547 in the governmental activities and \$269,449 in the business type activities which equaled the present value of the future minimum lease payments at the time of acquisition. Principal payments in 2005 totaled \$14,675 in the governmental funds and \$16,338 in the business type activities.

	Governmental Activities	Business Type Activities
Asset:		
Equipment	\$73,547	\$269,449
Less: Accumulated depreciation	(26,862)	(26,945)
Total	<u>\$46,685</u>	<u>\$242,504</u>

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 20 – CAPITAL LEASES – LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease, and the present value of the minimum lease payments as of December 31, 2005:

Year Ending December 31,	Governmental Activities	Business Type Activities
2006	\$16,959	\$59,548
2007	16,959	59,548
2008	0	59,548
2009	0	59,548
2010	0	39,683
Subtotal	33,918	277,875
Less: Amount Representing Interest	(2,356)	(24,764)
Present Value of Minimum Lease Payments	<u>\$31,562</u>	<u>\$253,111</u>

NOTE 21 - JOINTLY GOVERNED ORGANIZATION

Warren County General Health District

The Warren County General Health District, a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, including the City, oversees the operation of the District. The City contributed \$8,535 during 2005 for the operation of the District. The City does not have any financial interest in or responsibility for the District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers. You may obtain financial information from Kathy Stephenson at the Warren County General Health District, 416 S. East Street, Lebanon, Ohio 45036.

NOTE 22 - ACCOUNTABILITY AND COMPLIANCE

Accountability

At year end, the Industrial Development Capital Projects Fund had a deficit fund balance of \$1,472,958. The deficit fund balance is a result of the application of generally accepted accounting principles to the financial reporting of this fund. Advances (long term and current) from other funds are not recognized as other financing sources, but rather as a fund liability. The deficit will be eliminated when the advance is repaid. The Telecommunications Enterprise Fund and the Self Insurance Internal Service Fund had deficit net assets of \$3,320,788 and \$286,659, respectively.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 22 - ACCOUNTABILITY AND COMPLIANCE (continued)

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

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

Compliance

The Self Insurance Fund had appropriations in excess of estimated receipts plus available balances in the amount of \$34,035.

NOTE 23 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 2005, to December 31, 2005, the City received state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

CITY OF LEBANON, OHIO

**COMBINING STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

CITY OF LEBANON, OHIO

NONMAJOR FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

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

NONMAJOR SPECIAL REVENUE FUNDS

Cemetery

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

Community Development

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

Court

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

FEMA

To account for monies received from the Federal Emergency Management Agency.

Park/Recreation Impact Fee

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

Parks and Recreation

To account for donations for parks and recreation.

Tax Increment Financing

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

Transportation

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

NONMAJOR DEBT SERVICE FUND

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

(Continued)

CITY OF LEBANON, OHIO

NONMAJOR FUND DESCRIPTIONS
(Continued)

CAPITAL PROJECTS FUNDS

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

NONMAJOR CAPITAL PROJECTS FUNDS

Cemetery Improvement

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

State Issue II

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

Industrial Development

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

**CITY OF LEBANON, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,563,436	\$3,735,499	\$259,817	\$7,558,752
Cash and Cash Equivalents with Fiscal Agents	183,357	105	0	183,462
Materials and Supplies Inventory	171,882	0	0	171,882
Intergovernmental Receivable	552,105	6,784	0	558,889
Prepaid Items	19,631	0	0	19,631
Income Taxes Receivables	0	81,568	0	81,568
Property and Other Local Taxes Receivable	0	127,983	0	127,983
Revenue in Lieu of Taxes Receivable	1,180,624	0	0	1,180,624
Notes Receivable	10,399	0	0	10,399
Interfund Receivable	0	800,000	0	800,000
Special Assessments Receivable	0	673,208	0	673,208
Capital Lease Receivable	0	0	50,083	50,083
Total Assets	\$5,681,434	\$5,425,147	\$309,900	\$11,416,481
Liabilities:				
Accounts Payable	\$20,240	\$0	\$0	\$20,240
Accrued Wages	15,291	0	0	15,291
Intergovernmental Payable	261,490	0	0	261,490
Matured Interest Payable	0	105	0	105
Interfund Payable	727	0	0	727
Retainage Payable	5,076	0	0	5,076
Deferred Revenue	1,460,432	807,975	50,083	2,318,490
Advances from Other Funds	0	0	1,580,811	1,580,811
Total Liabilities	1,763,256	808,080	1,630,894	4,202,230
Fund Balances:				
Reserved:				
Reserved for Encumbrances	63,596	40	365	64,001
Reserved for Notes Receivable	9,949	0	0	9,949
Unreserved, Undesignated Reported in:				
Special Revenue Funds	3,844,633	0	0	3,844,633
Debt Service Fund	0	4,617,027	0	4,617,027
Capital Projects Funds (Deficit)	0	0	(1,321,359)	(1,321,359)
Total Fund Balances (Deficit)	3,918,178	4,617,067	(1,320,994)	7,214,251
Total Liabilities and Fund Balances	\$5,681,434	\$5,425,147	\$309,900	\$11,416,481

CITY OF LEBANON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Property Taxes	\$0	\$120,617	\$0	\$120,617
Income Taxes	0	954,517	0	954,517
Other Local Taxes	55,463	0	0	55,463
Payments in Lieu of Taxes	910,839	0	0	910,839
Special Assessments	0	151,277	0	151,277
Charges for Services	135,398	0	0	135,398
Fines, Licenses and Permits	141,483	0	0	141,483
Intergovernmental	977,536	12,998	0	990,534
Interest	8,251	110,790	8,291	127,332
Other	39,418	0	6,098	45,516
Total Revenues	<u>2,268,388</u>	<u>1,350,199</u>	<u>14,389</u>	<u>3,632,976</u>
Expenditures:				
Current:				
General Government	126,303	0	0	126,303
Security of Persons and Property:				
Police	43,608	0	0	43,608
Public Health Services	163,356	0	3,672	167,028
Leisure Time Services	96,431	0	0	96,431
Community and Economic Development	1,238,525	0	1,500	1,240,025
Transportation	739,947	0	0	739,947
Capital Outlay	62,123	0	149,692	211,815
Debt Service:				
Principal Retirement	0	495,000	0	495,000
Interest and Fiscal Charges	0	306,076	0	306,076
Total Expenditures	<u>2,470,293</u>	<u>801,076</u>	<u>154,864</u>	<u>3,426,233</u>
Excess of Revenues Over (Under) Expenditures	<u>(201,905)</u>	<u>549,123</u>	<u>(140,475)</u>	<u>206,743</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	174,400	0	0	174,400
Transfers In	589,532	42,500	136,433	768,465
Transfers Out	(356,603)	0	0	(356,603)
Total Other Financing Sources (Uses)	<u>407,329</u>	<u>42,500</u>	<u>136,433</u>	<u>586,262</u>
Net Change in Fund Balances	205,424	591,623	(4,042)	793,005
Fund Balances (Deficit) at Beginning of Year	<u>3,712,754</u>	<u>4,025,444</u>	<u>(1,316,952)</u>	<u>6,421,246</u>
Fund Balances (Deficit) at End of Year	<u>\$3,918,178</u>	<u>\$4,617,067</u>	<u>(\$1,320,994)</u>	<u>\$7,214,251</u>

**CITY OF LEBANON, OHIO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2005**

	<u>Cemetery</u>	<u>Community Development</u>	<u>Court</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$415,097	\$1,830	\$508,882
Cash and Cash Equivalents with Fiscal Agents	0	183,357	0
Materials and Supplies Inventory	1,774	0	778
Intergovernmental Receivable	15,000	0	0
Prepaid Items	4,509	0	0
Revenue in Lieu of Taxes Receivable	0	0	0
Notes Receivable	0	10,399	0
Total Assets	<u><u>\$436,380</u></u>	<u><u>\$195,586</u></u>	<u><u>\$509,660</u></u>
Liabilities:			
Accounts Payable	\$1,025	\$0	\$9,840
Accrued Wages	2,697	0	0
Intergovernmental Payable	4,006	0	0
Interfund Payable	10	0	0
Retainage Payable	0	0	5,076
Deferred Revenue	0	0	0
Total Liabilities	<u><u>7,738</u></u>	<u><u>0</u></u>	<u><u>14,916</u></u>
Fund Balances:			
Reserved:			
Reserved for Encumbrances	2,294	0	40,076
Reserved for Notes Receivable	0	9,949	0
Unreserved, Undesignated	426,348	185,637	454,668
Total Fund Balances	<u><u>428,642</u></u>	<u><u>195,586</u></u>	<u><u>494,744</u></u>
Total Liabilities and Fund Balances	<u><u>\$436,380</u></u>	<u><u>\$195,586</u></u>	<u><u>\$509,660</u></u>

<u>Park/Recreation Impact Fee</u>	<u>Parks and Recreation</u>	<u>Tax Increment Financing</u>	<u>Transportation</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$790,549	\$420,315	\$622,136	\$804,627	\$3,563,436
0	0	0	0	183,357
0	0	0	169,330	171,882
0	0	52,666	484,439	552,105
0	0	0	15,122	19,631
0	0	1,180,624	0	1,180,624
0	0	0	0	10,399
<u>\$790,549</u>	<u>\$420,315</u>	<u>\$1,855,426</u>	<u>\$1,473,518</u>	<u>\$5,681,434</u>
\$0	\$0	\$0	\$9,375	\$20,240
0	1,777	0	10,817	15,291
0	2,690	238,864	15,930	261,490
0	0	0	717	727
0	0	0	0	5,076
0	0	1,046,027	414,405	1,460,432
<u>0</u>	<u>4,467</u>	<u>1,284,891</u>	<u>451,244</u>	<u>1,763,256</u>
0	3,400	750	17,076	63,596
0	0	0	0	9,949
<u>790,549</u>	<u>412,448</u>	<u>569,785</u>	<u>1,005,198</u>	<u>3,844,633</u>
<u>790,549</u>	<u>415,848</u>	<u>570,535</u>	<u>1,022,274</u>	<u>3,918,178</u>
<u>\$790,549</u>	<u>\$420,315</u>	<u>\$1,855,426</u>	<u>\$1,473,518</u>	<u>\$5,681,434</u>

**CITY OF LEBANON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Cemetery	Community Development	Court	FEMA
Revenues:				
Other Local Taxes	\$0	\$0	\$0	\$0
Payments in Lieu of Taxes	0	0	0	0
Charges for Services	96,059	0	9,889	0
Fines, Licenses and Permits	0	0	112,908	0
Intergovernmental	30,000	70,000	7,065	46,424
Interest	7,516	735	0	0
Other	400	0	15,178	0
Total Revenues	<u>133,975</u>	<u>70,735</u>	<u>145,040</u>	<u>46,424</u>
Expenditures:				
Current:				
General Government	0	0	111,064	0
Security of Persons and Property:				
Police	0	0	43,608	0
Public Health Services	163,356	0	0	0
Leisure Time Services	0	0	0	0
Community and Economic Development	0	242,000	0	0
Transportation	0	0	0	0
Capital Outlay	0	0	8,001	0
Total Expenditures	<u>163,356</u>	<u>242,000</u>	<u>162,673</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(29,381)</u>	<u>(171,265)</u>	<u>(17,633)</u>	<u>46,424</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	0	0
Transfers In	18,923	242,000	0	0
Transfers Out	0	(70,000)	0	(46,424)
Total Other Financing Sources (Uses)	<u>18,923</u>	<u>172,000</u>	<u>0</u>	<u>(46,424)</u>
Net Change in Fund Balances	(10,458)	735	(17,633)	0
Fund Balances at Beginning of Year	<u>439,100</u>	<u>194,851</u>	<u>512,377</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$428,642</u></u>	<u><u>\$195,586</u></u>	<u><u>\$494,744</u></u>	<u><u>\$0</u></u>

<u>Park/Recreation Impact Fee</u>	<u>Parks and Recreation</u>	<u>Tax Increment Financing</u>	<u>Transportation</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$0	\$0	\$0	\$55,463	\$55,463
0	0	910,839	0	910,839
0	29,450	0	0	135,398
28,575	0	0	0	141,483
0	0	50,260	773,787	977,536
0	0	0	0	8,251
0	0	15,341	8,499	39,418
<u>28,575</u>	<u>29,450</u>	<u>976,440</u>	<u>837,749</u>	<u>2,268,388</u>
0	0	15,239	0	126,303
0	0	0	0	43,608
0	0	0	0	163,356
0	96,431	0	0	96,431
0	0	996,525	0	1,238,525
0	0	0	739,947	739,947
0	54,122	0	0	62,123
<u>0</u>	<u>150,553</u>	<u>1,011,764</u>	<u>739,947</u>	<u>2,470,293</u>
<u>28,575</u>	<u>(121,103)</u>	<u>(35,324)</u>	<u>97,802</u>	<u>(201,905)</u>
87,200	87,200	0	0	174,400
143,383	144,008	0	41,218	589,532
0	0	(240,179)	0	(356,603)
<u>230,583</u>	<u>231,208</u>	<u>(240,179)</u>	<u>41,218</u>	<u>407,329</u>
259,158	110,105	(275,503)	139,020	205,424
<u>531,391</u>	<u>305,743</u>	<u>846,038</u>	<u>883,254</u>	<u>3,712,754</u>
<u>\$790,549</u>	<u>\$415,848</u>	<u>\$570,535</u>	<u>\$1,022,274</u>	<u>\$3,918,178</u>

**CITY OF LEBANON, OHIO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2005**

	Cemetery Improvement	State Issue II	Industrial Development	Total Nonmajor Capital Projects Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$50,441	\$100,903	\$108,473	\$259,817
Capital Lease Receivable	0	0	50,083	50,083
Total Assets	\$50,441	\$100,903	\$158,556	\$309,900
Liabilities:				
Deferred Revenue	\$0	\$0	\$50,083	\$50,083
Advances From Other Funds	0	0	1,580,811	1,580,811
Total Liabilities	0	0	1,630,894	1,630,894
Fund Balances:				
Reserved:				
Reserved for Encumbrances	0	365	0	365
Unreserved, Undesignated (Deficit)	50,441	100,538	(1,472,338)	(1,321,359)
Total Fund Balances (Deficit)	50,441	100,903	(1,472,338)	(1,320,994)
Total Liabilities and Fund Balances	\$50,441	\$100,903	\$158,556	\$309,900

**CITY OF LEBANON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Cemetery Improvement	State Issue II	Industrial Development	Total Nonmajor Capital Projects Funds
Revenues:				
Interest	\$0	\$0	\$8,291	\$8,291
Other	0	0	6,098	6,098
Total Revenues	<u>0</u>	<u>0</u>	<u>14,389</u>	<u>14,389</u>
Expenditures:				
Current:				
Public Health Services	3,672	0	0	3,672
Community and Economic Development	0	0	1,500	1,500
Capital Outlay	0	149,692	0	149,692
Total Expenditures	<u>3,672</u>	<u>149,692</u>	<u>1,500</u>	<u>154,864</u>
Excess of Revenues Over (Under) Expenditures	(3,672)	(149,692)	12,889	(140,475)
Other Financing Sources:				
Transfers In	0	0	136,433	136,433
Net Change in Fund Balances	(3,672)	(149,692)	149,322	(4,042)
Fund Balances (Deficit) at Beginning of Year	<u>54,113</u>	<u>250,595</u>	<u>(1,621,660)</u>	<u>(1,316,952)</u>
Fund Balances (Deficit) at End of Year	<u><u>\$50,441</u></u>	<u><u>\$100,903</u></u>	<u><u>(\$1,472,338)</u></u>	<u><u>(\$1,320,994)</u></u>

INTERNAL SERVICE FUNDS

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

Automotive Maintenance

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

Self-Insurance

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

CITY OF LEBANON, OHIO
COMBINING STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2005

	<u>Automotive Maintenance</u>	<u>Self- Insurance</u>	<u>Total</u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$61,293	\$44,996	\$106,289
Materials and Supplies Inventory	1,599	0	1,599
Interfund Receivable	2,444	0	2,444
Prepaid Items	1,146	0	1,146
 Total Current Assets	 66,482	 44,996	 111,478
Noncurrent Assets:			
Nondepreciable Capital Assets	64,666	0	64,666
 Total Assets	 131,148	 44,996	 176,144
Liabilities:			
Current Liabilities:			
Accounts Payable	572	0	572
Accrued Wages	2,357	0	2,357
Intergovernmental Payable	3,408	0	3,408
Claims Payable	0	331,655	331,655
Compensated Absences Payable	4,872	0	4,872
 Total Current Liabilities	 11,209	 331,655	 342,864
Long-term Liabilities:			
Compensated Absences Payable	19,786	0	19,786
 Total Liabilities	 30,995	 331,655	 362,650
Net Assets			
Invested in Capital Assets	64,666	0	64,666
Unrestricted (Deficit)	35,487	(286,659)	(251,172)
 Total Net Assets	 \$100,153	 (\$286,659)	 (\$186,506)

CITY OF LEBANON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Automotive Maintenance</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$127,803	\$1,610,067	\$1,737,870
Other	<u>0</u>	<u>146,947</u>	<u>146,947</u>
Total Operating Revenues	<u>127,803</u>	<u>1,757,014</u>	<u>1,884,817</u>
Operating Expenses:			
Personal Services	115,215	0	115,215
Contractual Services	4,850	389,063	393,913
Supplies and Materials	15,725	0	15,725
Claims	0	1,343,801	1,343,801
Depreciation	<u>3,558</u>	<u>0</u>	<u>3,558</u>
Total Operating Expenses	<u>139,348</u>	<u>1,732,864</u>	<u>1,872,212</u>
Operating Income (Loss)	(11,545)	24,150	12,605
Non-Operating Revenues:			
Interest	<u>0</u>	<u>3,060</u>	<u>3,060</u>
Change in Net Assets	(11,545)	27,210	15,665
Net Assets (Deficit) at Beginning of Year	<u>111,698</u>	<u>(313,869)</u>	<u>(202,171)</u>
Net Assets (Deficit) at End of Year	<u>\$100,153</u>	<u>(\$286,659)</u>	<u>(\$186,506)</u>

**CITY OF LEBANON, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Automotive Maintenance</u>	<u>Self- Insurance</u>	<u>Total</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Payments for Employee Services and Benefits	(\$112,512)	\$0	(\$112,512)
Cash Payments to Suppliers for Goods and Services	(21,828)	(389,063)	(410,891)
Cash Payments for Employee Medical, Dental and Life Insurance Claims	0	(1,332,412)	(1,332,412)
Cash Received for Interfund Services Provided	137,312	1,610,067	1,747,379
Other Operating Revenues	0	146,947	146,947
Net Cash Provided by Operating Activities	2,972	35,539	38,511
Cash Flows from Investing Activities:			
Interest	0	3,060	3,060
Net Increase in Cash and Cash Equivalents	2,972	38,599	41,571
Cash and Cash Equivalents Beginning of Year	58,321	6,397	64,718
Cash and Cash Equivalents End of Year	\$61,293	\$44,996	\$106,289
Reconciliation of Operating Income (Loss) to <u>Net Cash Provided by Operating Activities:</u>			
Operating Income (Loss)	(\$11,545)	\$24,150	\$12,605
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	3,558	0	3,558
Changes in Assets and Liabilities:			
Decrease in Interfund Receivable	9,509	0	9,509
Decrease in Materials and Supplies Inventory	193	0	193
Decrease in Prepaids Items	4,028	0	4,028
Decrease in Accounts Payable	(5,474)	0	(5,474)
Increase in Claims Payable	0	11,389	11,389
Decrease in Accrued Wages Payable	(392)	0	(392)
Increase in Intergovernmental Payable	1,407	0	1,407
Increase in Compensated Absences Payable	1,688	0	1,688
Net Cash Provided by Operating Activities	<u>\$2,972</u>	<u>\$35,539</u>	<u>\$38,511</u>

AGENCY FUNDS

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

Fire Insurance Collection

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

Municipal Court

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

**CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 DECEMBER 31, 2005**

	Fire Insurance Collection	Municipal Court	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,461	\$0	\$1,461
Cash and Cash Equivalents in Segregated Accounts	<u>0</u>	<u>37,463</u>	<u>37,463</u>
Total Assets	<u><u>\$1,461</u></u>	<u><u>\$37,463</u></u>	<u><u>\$38,924</u></u>
Liabilities:			
Intergovernmental Payable	0	23,277	\$23,277
Undistributed Monies	<u>1,461</u>	<u>14,186</u>	<u>15,647</u>
Total Liabilities	<u><u>\$1,461</u></u>	<u><u>\$37,463</u></u>	<u><u>\$38,924</u></u>

**CITY OF LEBANON, OHIO
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance 1/1/05	Additions	Reductions	Balance 12/31/05
FIRE INSURANCE COLLECTION				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$11,961	\$0	\$10,500	\$1,461
Liabilities:				
Undistributed Monies	\$11,961	\$0	\$10,500	\$1,461
MUNICIPAL COURT				
Assets:				
Cash and Cash Equivalents in Segregated Accounts	\$45,728	\$37,463	\$45,728	\$37,463
Liabilities:				
Intergovernmental Payable	\$23,354	\$23,277	\$23,354	\$23,277
Undistributed Monies	22,374	14,186	22,374	14,186
Total Liabilities	\$45,728	\$37,463	\$45,728	\$37,463
TOTAL - ALL AGENCY				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$11,961	\$0	\$10,500	\$1,461
Cash and Cash Equivalents in Segregated Accounts	45,728	37,463	45,728	37,463
Total Assets	\$57,689	\$37,463	\$56,228	\$38,924
Liabilities:				
Intergovernmental Payable	\$23,354	\$23,277	\$23,354	\$23,277
Undistributed Monies	34,335	14,186	32,874	15,647
Total Liabilities	\$57,689	\$37,463	\$56,228	\$38,924

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$1,035,050	\$1,035,050	\$1,075,409	\$40,359
Income Taxes	2,130,000	2,130,000	2,303,946	173,946
Other Local Taxes	880,000	880,000	801,704	(78,296)
Charges for Services	1,858,420	1,858,420	1,794,911	(63,509)
Licenses and Permits	1,046,550	1,046,550	963,427	(83,123)
Intergovernmental	740,000	740,000	834,445	94,445
Interest	81,000	81,000	224,440	143,440
Contributions and Donations	1,000	1,000	29,500	28,500
Other	76,500	76,000	55,967	(20,033)
Total Revenues	7,848,520	7,848,020	8,083,749	235,729
Expenditures:				
Current:				
General Government				
Legislative				
Personal Services	52,812	53,162	52,633	529
Contractual Services	53,100	53,534	52,044	1,490
Supplies and Materials	10,250	14,050	9,137	4,913
Total Legislative	116,162	120,746	113,814	6,932
City Manager				
Personal Services	396,901	398,901	396,549	2,352
Contractual Services	77,345	77,836	74,706	3,130
Supplies and Materials	5,000	4,916	2,864	2,052
Total City Manager	479,246	481,653	474,119	7,534
Personnel				
Personal Services	112,429	112,929	111,605	1,324
Contractual Services	47,500	51,165	22,495	28,670
Supplies and Materials	1,250	1,350	1,312	38
Total Personnel	161,179	165,444	135,412	30,032
Department of Service				
Personal Services	218,330	248,680	248,227	453
Contractual Services	45,500	48,269	41,672	6,597
Supplies and Materials	3,000	3,000	2,963	37
Total Department of Service	266,830	299,949	292,862	7,087
Information Technology				
Personal Services	148,804	148,121	145,931	2,190
Contractual Services	73,761	77,119	77,096	23
Supplies and Materials	2,900	2,900	2,809	91
Total Information Technology	225,465	228,140	225,836	2,304
Finance				
Personal Services	340,131	368,131	366,288	1,843
Contractual Services	86,085	94,607	82,703	11,904
Supplies and Materials	2,000	2,000	1,802	198
Total Finance	428,216	464,738	450,793	13,945
Income Tax				
Personal Services	152,310	152,510	149,610	2,900
Contractual Services	9,000	9,000	7,615	1,385
Supplies and Materials	12,750	22,264	21,289	975
Refunds	40,000	79,177	78,952	225
Total Income Tax	214,060	262,951	257,466	5,485

(Continued)

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Law				
Personal Services	\$229,584	\$229,584	\$223,839	\$5,745
Contractual Services	182,850	190,065	185,520	4,545
Supplies and Materials	2,400	2,546	1,199	1,347
Total Law	<u>414,834</u>	<u>422,195</u>	<u>410,558</u>	<u>11,637</u>
Municipal Court				
Personal Services	476,770	462,304	440,960	21,344
Contractual Services	109,300	113,333	78,396	34,937
Supplies and Materials	16,700	17,558	8,129	9,429
Total Municipal Court	<u>602,770</u>	<u>593,195</u>	<u>527,485</u>	<u>65,710</u>
Parking System				
Contractual Services	5,500	5,500	0	5,500
Supplies and Materials	1,500	1,500	677	823
Capital Outlay	5,000	5,000	0	5,000
Total Parking System	<u>12,000</u>	<u>12,000</u>	<u>677</u>	<u>11,323</u>
Probation				
Personal Services	168,848	168,848	110,210	58,638
Contractual Services	6,160	6,368	2,744	3,624
Supplies and Materials	8,000	8,710	3,799	4,911
Total Probation	<u>183,008</u>	<u>183,926</u>	<u>116,753</u>	<u>67,173</u>
Building Maintenance				
Personal Services	177,308	176,958	172,847	4,111
Contractual Services	86,072	86,627	73,056	13,571
Supplies and Materials	9,500	9,737	7,216	2,521
Total Building Maintenance	<u>272,880</u>	<u>273,322</u>	<u>253,119</u>	<u>20,203</u>
Other General Government				
Contractual Services	89,500	97,141	51,277	45,864
Supplies and Materials	0	377	365	12
Total Other General Government	<u>89,500</u>	<u>97,518</u>	<u>51,642</u>	<u>45,876</u>
	<u>3,466,150</u>	<u>3,605,777</u>	<u>3,310,536</u>	<u>295,241</u>
Security of Persons and Property				
Police				
Personal Services	2,805,513	2,791,811	2,790,761	1,050
Contractual Services	289,588	295,087	272,406	22,681
Supplies and Materials	72,042	75,634	71,755	3,879
Total Security of Persons and Property	<u>3,167,143</u>	<u>3,162,532</u>	<u>3,134,922</u>	<u>27,610</u>
Leisure Time Services				
Recreation Programs				
Personal Services	33,575	33,575	32,025	1,550
Contractual Services	75,663	75,809	68,477	7,332
Supplies and Materials	5,100	5,531	4,014	1,517
Refunds/ Reimbursement	500	3,100	1,130	1,970
Total Leisure Time Services	<u>114,838</u>	<u>118,015</u>	<u>105,646</u>	<u>12,369</u>

(Continued)

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Community and Economic Development				
Planning and Development				
Personal Services	\$250,145	\$249,795	\$245,949	\$3,846
Contractual Services	9,721	77,756	73,243	4,513
Supplies and Materials	4,000	4,371	2,781	1,590
Total Planning and Development	<u>263,866</u>	<u>331,922</u>	<u>321,973</u>	<u>9,949</u>
Building and Zoning				
Personal Services	208,314	165,214	144,133	21,081
Contractual Services	117,267	124,658	105,989	18,669
Supplies and Materials	2,000	2,000	1,942	58
Total Building and Zoning	<u>327,581</u>	<u>291,872</u>	<u>252,064</u>	<u>39,808</u>
Engineer Services				
Personal Services	221,220	233,460	229,584	3,876
Contractual Services	23,734	27,657	27,370	287
Supplies and Materials	11,500	11,519	8,628	2,891
Total Engineer Services	<u>256,454</u>	<u>272,636</u>	<u>265,582</u>	<u>7,054</u>
Total Community and Economic Development	<u>847,901</u>	<u>896,430</u>	<u>839,619</u>	<u>56,811</u>
Capital Outlay	<u>0</u>	<u>8,000</u>	<u>7,936</u>	<u>64</u>
Total Expenditures	<u>7,596,032</u>	<u>7,790,754</u>	<u>7,398,659</u>	<u>392,095</u>
Excess of Revenues Over Expenditures	<u>252,488</u>	<u>57,266</u>	<u>685,090</u>	<u>627,824</u>
Other Financing Sources (Uses):				
Transfers In	47,495	47,495	49,281	1,786
Advances In	121,408	121,408	121,408	0
Transfers Out	<u>(318,600)</u>	<u>(318,600)</u>	<u>(305,366)</u>	<u>13,234</u>
Total Other Financing Sources (Uses)	<u>(149,697)</u>	<u>(149,697)</u>	<u>(134,677)</u>	<u>15,020</u>
Net Change in Fund Balance	102,791	(92,431)	550,413	642,844
Fund Balance at Beginning of Year	1,295,423	1,295,423	1,295,423	0
Prior Year Encumbrances Appropriated	<u>133,526</u>	<u>133,526</u>	<u>133,526</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,531,740</u>	<u>\$1,336,518</u>	<u>\$1,979,362</u>	<u>\$642,844</u>

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE AND LIFE SQUAD SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$2,106,344	\$2,106,344	\$2,118,581	\$12,237
Charges for Services	90,000	90,000	180,894	90,894
Intergovernmental	125,000	125,000	163,351	38,351
Other	2,000	2,000	31,540	29,540
Total Revenues	<u>2,323,344</u>	<u>2,323,344</u>	<u>2,494,366</u>	<u>171,022</u>
Expenditures:				
Current:				
Security of Persons and Property				
Fire Fighting, Prevention and Inspection				
Personal Services	1,291,602	1,294,962	986,697	308,265
Contractual Services	414,346	430,506	419,898	10,608
Supplies and Materials	45,000	68,511	57,906	10,605
Capital Outlay	342,500	1,650,322	1,647,875	2,447
Total Security of Persons and Property	<u>2,093,448</u>	<u>3,444,301</u>	<u>3,112,376</u>	<u>331,925</u>
Debt Service:				
Principal Retirement	1,400,000	1,400,000	1,400,000	0
Interest and Fiscal Charges	33,600	33,600	33,600	0
Total Debt Service	<u>1,433,600</u>	<u>1,433,600</u>	<u>1,433,600</u>	<u>0</u>
Total Expenditures	<u>3,527,048</u>	<u>4,877,901</u>	<u>4,545,976</u>	<u>331,925</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,203,704)</u>	<u>(2,554,557)</u>	<u>(2,051,610)</u>	<u>502,947</u>
Other Financing Sources:				
Notes Issued	1,120,000	1,120,000	1,120,000	0
Premium on Debt Issued	0	0	4,135	4,135
Net Change in Fund Balance	(83,704)	(1,434,557)	(927,475)	507,082
Fund Balance at Beginning of Year	707,918	707,918	707,918	0
Prior Year Encumbrances Appropriated	<u>1,227,822</u>	<u>1,227,822</u>	<u>1,227,822</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,852,036</u>	<u>\$501,183</u>	<u>\$1,008,265</u>	<u>\$507,082</u>

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Income Taxes	\$1,957,000	\$1,957,000	\$1,974,458	\$17,458
Intergovernmental	551,750	551,750	640,857	89,107
Other	93,498	93,498	31,818	(61,680)
Total Revenues	2,602,248	2,602,248	2,647,133	44,885
Expenditures:				
Capital Outlay	2,650,300	3,990,123	3,982,061	8,062
Excess of Revenues Over (Under) Expenditures	(48,052)	(1,387,875)	(1,334,928)	52,947
Other Financing Sources (Uses):				
Advances In	0	0	800,000	800,000
Transfers In	69,800	69,800	70,000	200
Transfers Out	(745,000)	(170,000)	(170,000)	0
Total Other Financing Sources (Uses)	(675,200)	(100,200)	700,000	800,200
Net Change in Fund Balance	(723,252)	(1,488,075)	(634,928)	853,147
Fund Balance at Beginning of Year	1,589,718	1,589,718	1,589,718	0
Prior Year Encumbrances Appropriated	696,240	696,240	696,240	0
Fund Balance at End of Year	\$1,562,706	\$797,883	\$1,651,030	\$853,147

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
ELECTRIC FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$16,786,000	\$16,786,000	\$15,386,252	(\$1,399,748)
Other	36,000	36,000	52,819	16,819
Interest	0	0	169,570	169,570
Utility Deposits Received	125,000	125,000	211,085	86,085
Notes Issued	3,000,000	3,000,000	2,750,000	(250,000)
Premium on Debt Issued	0	0	12,470	12,470
Total Revenues	19,947,000	19,947,000	18,582,196	(1,364,804)
Expenses:				
Personal Services	1,316,330	1,358,555	1,335,721	22,834
Contractual Services	1,328,249	1,384,796	1,239,251	145,545
Supplies and Materials	154,700	163,585	94,513	69,072
Purchased Power	9,950,000	11,805,509	11,733,338	72,171
Utility Deposits Returned	125,000	182,909	178,106	4,803
Refunds	8,250	8,250	6,964	1,286
Capital Outlay	4,555,000	2,484,087	1,896,899	587,188
Debt Service:				
Principal Retirement	3,505,000	3,505,000	3,255,000	250,000
Interest and Fiscal Charges	651,603	651,603	637,762	13,841
Total Expenses	21,594,132	21,544,294	20,377,554	1,166,740
Excess of Revenues Under Expenses	(1,647,132)	(1,597,294)	(1,795,358)	(198,064)
Advances In	97,625	97,625	0	(97,625)
Advances Out	0	(475,000)	(475,000)	0
Transfers In	2,013,752	2,013,752	15,609	(1,998,143)
Transfers Out	(2,000,000)	0	0	0
Net Change in Fund Equity	(1,535,755)	39,083	(2,254,749)	(2,293,832)
Fund Equity at Beginning of Year	8,616,492	8,616,492	8,616,492	0
Prior Year Encumbrances Appropriated	831,056	831,056	831,056	0
Fund Equity at End of Year	\$7,911,793	\$9,486,631	\$7,192,799	(\$2,293,832)

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
SANITATION FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$908,040	\$908,040	\$901,665	(\$6,375)
Other	4,800	4,800	5,520	720
Total Revenues	912,840	912,840	907,185	(5,655)
Expenses:				
Personal Services	47,316	47,316	45,335	1,981
Contractual Services	921,920	921,945	889,433	32,512
Supplies and Materials	500	500	140	360
Capital Outlay	20,000	21,800	2,000	19,800
Reimbursements	500	500	306	194
Total Expenses	990,236	992,061	937,214	54,847
Net Change in Fund Equity	(77,396)	(79,221)	(30,029)	49,192
Fund Equity at Beginning of Year	687,047	687,047	687,047	0
Prior Year Encumbrances Appropriated	1,851	1,851	1,851	0
Fund Equity at End of Year	\$611,502	\$609,677	\$658,869	\$49,192

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL
SEWER FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$2,738,313	\$2,738,313	\$3,094,889	\$356,576
Other	7,500	7,500	14,379	6,879
Interest	18,000	18,000	63,502	45,502
Premium on Debt Issued	0	0	15,987	15,987
Notes Issued	3,500,000	3,500,000	3,500,000	0
Total Revenues	6,263,813	6,263,813	6,688,757	424,944
Expenses:				
Personal Services	564,807	564,807	527,575	37,232
Contractual Services	1,109,193	1,148,085	1,137,982	10,103
Supplies and Materials	113,000	120,831	105,634	15,197
Capital Outlay	560,000	1,006,155	697,921	308,234
Reimbursements	1,000	1,000	524	476
Debt Service:				
Principal Retirement	3,915,000	3,915,000	3,915,000	0
Interest and Fiscal Charges	534,903	534,903	533,611	1,292
Total Expenses	6,797,903	7,290,781	6,918,247	372,534
Excess of Revenues Over (Under) Expenses	(534,090)	(1,026,968)	(229,490)	52,410
Transfers In	0	0	124	124
Net Change in Fund Equity	(534,090)	(1,026,968)	(229,366)	797,602
Fund Equity at Beginning of Year	3,228,289	3,228,289	3,228,289	0
Prior Year Encumbrances Appropriated	515,449	515,449	515,449	0
Fund Equity at End of Year	\$3,209,648	\$2,716,770	\$3,514,372	\$797,602

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
TELECOMMUNICATIONS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$5,940,514	\$5,940,514	\$5,338,410	(\$602,104)
Other	109,271	109,271	227,590	118,319
Interest	2,500	2,500	11,828	9,328
Premium on Debt Issue	0	0	3,881	3,881
Notes Issued	1,750,000	1,750,000	1,750,000	0
Total Revenues	7,802,285	7,802,285	7,331,709	(470,576)
Expenses:				
Personal Services	785,833	785,833	759,678	26,155
Contractual Services	3,472,073	3,763,149	3,734,162	28,987
Supplies and Materials	56,500	57,221	23,698	33,523
Capital Outlay	1,008,500	1,177,256	1,124,776	52,480
Reimbursements	15,000	30,935	27,389	3,546
Debt Service:				
Principal Retirement	1,945,000	1,945,000	1,945,000	0
Interest and Fiscal Charges	313,183	313,183	295,361	17,822
Total Expenses	7,596,089	8,072,577	7,910,064	162,513
Excess of Revenues Over (Under) Expenses	206,196	(270,292)	(578,355)	(308,063)
Advances In	0	0	475,000	475,000
Advances Out	(97,625)	(97,625)	0	97,625
Net Change in Fund Equity	108,571	(367,917)	(103,355)	264,562
Fund Equity at Beginning of Year	949,719	949,719	949,719	0
Prior Year Encumbrances Appropriated	256,989	256,989	256,989	0
Fund Balance at End of Year	\$1,315,279	\$838,791	\$1,103,353	\$264,562

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
WATER FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$2,933,000	\$2,933,000	\$2,835,416	(\$97,584)
Utility Deposits Received	7,500	7,500	17,100	9,600
Other	2,500	2,500	11,961	9,461
Interest	50,000	50,000	132,627	82,627
Total Revenues	2,993,000	2,993,000	2,997,104	4,104
Expenses:				
Personal Services	417,123	417,123	388,506	28,617
Contractual Services	889,194	928,426	818,439	109,987
Supplies and Materials	40,500	41,960	36,044	5,916
Utility Deposits Returned	11,275	11,275	11,275	0
Reimbursements	2,000	2,000	584	1,416
Capital Outlay	1,073,100	3,337,659	3,215,063	122,596
Debt Service:				
Principal Retirement	400,000	400,000	400,000	0
Interest and Fiscal Charges	415,800	415,800	414,800	1,000
Total Expenses	3,248,992	5,554,243	5,284,711	269,532
Excess of Revenues Over (Under) Expenses	(255,992)	(2,561,243)	(2,287,607)	273,636
Advances In	50,000	50,000	50,000	0
Transfers In	0	0	203	203
Transfers Out	(22,000)	(22,000)	(22,000)	0
Net Change in Fund Equity	(227,992)	(2,533,243)	(2,259,404)	203
Fund Equity at Beginning of Year	5,745,815	5,745,815	5,745,815	0
Prior Year Encumbrances Appropriated	1,890,950	1,890,950	1,890,950	0
Fund Balance at End of Year	\$7,408,773	\$5,103,522	\$5,377,361	\$273,839

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
STORM WATER UTILITY FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$684,000	\$684,000	\$768,416	\$84,416
Expenses:				
Personal Services	134,216	134,216	122,418	11,798
Contractual Services	114,300	114,325	83,667	30,658
Supplies and Materials	5,000	6,632	5,164	1,468
Capital Outlay	425,000	213,687	208,689	4,998
Reimbursements	5,000	5,000	51	4,949
Total Expenses	683,516	473,860	419,989	53,871
Excess of Revenues Over (Under) Expenses	484	210,140	348,427	138,287
Advances Out	(50,000)	(50,000)	(50,000)	0
Transfers In	0	0	287	287
Transfers Out	(50,000)	(50,000)	(50,000)	0
Net Change in Fund Equity	(99,516)	110,140	248,714	138,574
Fund Equity at Beginning of Year	174,958	174,958	174,958	0
Prior Year Encumbrances Appropriated	45,586	45,586	45,586	0
Fund Equity at End of Year	\$121,028	\$330,684	\$469,258	\$138,574

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$86,975	\$86,975	\$96,059	\$9,084
Intergovernmental	30,000	30,000	30,000	0
Interest	2,750	2,750	5,047	2,297
Other	0	0	400	400
Total Revenues	119,725	119,725	131,506	11,781
Expenditures:				
Current:				
Public Health Services				
Cemetery				
Personal Services	130,748	130,748	130,721	27
Contractual Services	34,520	34,673	32,112	2,561
Supplies and Materials	4,350	4,846	3,033	1,813
Total Expenditures	169,618	170,267	165,866	4,401
Excess of Revenues Over (Under) Expenditures	(49,893)	(50,542)	(34,360)	16,182
Other Financing Sources:				
Transfers In	18,600	18,600	18,923	(323)
Net Change in Fund Balance	(31,293)	(31,942)	(15,437)	16,505
Fund Balance at Beginning of Year	422,355	422,355	422,355	0
Prior Year Encumbrances Appropriated	1,215	1,215	1,215	0
Fund Balance at End of Year	\$392,277	\$391,628	\$408,133	\$16,505

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Intergovernmental	\$70,000	\$70,000	\$70,000	\$0
Expenditures:				
Current:				
Community Environment				
Community Development				
Capital Outlay	242,000	242,000	242,000	0
Excess of Revenues Under Expenditures	(172,000)	(172,000)	(172,000)	0
Other Financing Sources (Uses):				
Transfers In	242,000	242,000	242,000	0
Transfers Out	(70,000)	(70,000)	(70,000)	0
Total Other Financing Sources (Uses)	172,000	172,000	172,000	0
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	1,830	1,830	1,830	0
Fund Balance at End of Year	\$1,830	\$1,830	\$1,830	\$0

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COURT SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$5,000	\$5,000	\$9,889	\$4,889
Fines, Licenses and Permits	95,000	95,000	112,808	17,808
Intergovernmental	7,500	7,500	7,065	(435)
Other	19,498	19,498	15,176	(4,322)
Total Revenues	126,998	126,998	144,938	17,940
Expenditures:				
Current:				
General Government				
Municipal Court Special Project				
Contractual Services	0	142,000	141,728	272
Security of Persons and Property				
Indigent Drivers Alcohol				
Materials and Supplies	22,000	27,000	19,269	7,731
Dare				
Materials and Supplies	2,500	2,500	0	2,500
Computerized Legal Research				
Contractual Services	5,000	5,000	350	4,650
Materials and Supplies	5,000	5,000	0	5,000
Capital Outlay	5,000	5,000	0	5,000
Total Computerized Legal Research	15,000	15,000	350	14,650
Computer Improvement				
Contractual Services	10,000	10,000	0	10,000
Materials and Supplies	5,000	5,325	1,411	3,914
Capital Outlay	20,000	40,000	22,928	17,072
Total Computer Improvement	35,000	55,325	24,339	30,986
Total Security of Persons and Property	74,500	99,825	43,958	55,867
Capital Outlay	0	3,250	3,250	0
Total Expenditures	74,500	245,075	188,936	56,139
Net Change in Fund Balance	52,498	(118,077)	(43,998)	74,079
Fund Balance at Beginning of Year	496,594	496,594	496,594	0
Prior Year Encumbrances Appropriated	14,405	14,405	14,405	0
Fund Balance at End of Year	\$563,497	\$392,922	\$467,001	\$74,079

**CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FEMA SPECIAL REVENUE FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Intergovernmental	\$0	\$46,424	\$46,424	\$0
Other Financing (Uses)				
Transfers Out	0	(46,424)	(46,424)	0
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$0	\$0	\$0	\$0

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK RECREATION IMPACT FEE SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Fines, Licenses and Permits	\$49,998	\$49,998	\$28,573	(\$21,425)
Other Financing Sources:				
Proceeds from Sale of Capital Assets	0	0	87,200	87,200
Transfers In	150,000	150,000	143,383	(6,617)
Total Other Financing Sources	150,000	150,000	230,583	80,583
Net Change in Fund Balance	199,998	199,998	259,156	59,158
Fund Balance at Beginning of Year	531,391	531,391	531,391	0
Fund Balance at End of Year	\$731,389	\$731,389	\$790,547	\$59,158

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
PARKS AND RECREATION SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$50,000	\$50,000	\$29,450	(\$20,550)
Expenditures:				
Current:				
Leisure Time Services				
Personal Services	91,748	91,748	90,227	1,521
Contractual Services	5,300	9,300	5,662	3,638
Supplies and Materials	1,000	1,000	426	574
Capital Outlay	60,000	63,455	60,067	3,388
Total Expenditures	158,048	165,503	156,382	9,121
Excess of Revenues Under Expenditures	(108,048)	(115,503)	(126,932)	(11,429)
Other Financing Sources:				
Proceeds from Sale of Capital Assets	0	0	87,200	87,200
Transfers In	150,000	150,000	144,008	(5,992)
Total Other Financing Sources	150,000	150,000	231,208	81,208
Net Change in Fund Balance	41,952	34,497	104,276	69,779
Fund Balance at Beginning of Year	303,680	303,680	303,680	0
Prior Year Encumbrances Appropriated	8,957	8,957	8,957	0
Fund Balance at End of Year	\$354,589	\$347,134	\$416,913	\$69,779

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAX INCREMENT FINANCING SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Payments in Lieu of Taxes	\$850,000	\$850,000	\$910,839	\$60,839
Intergovernmental	70,000	70,000	50,260	(19,740)
Other	0	0	15,341	15,341
Total Revenues	920,000	920,000	976,440	56,440
Expenditures:				
Current:				
Community and Economic Development				
Supplies and Materials	90,000	109,220	88,943	20,277
Capital Outlay	0	756,000	747,959	8,041
Reimbursements	160,374	160,374	160,374	0
Total Expenditures	250,374	1,025,594	997,276	28,318
Excess of Revenues Over (Under) Expenditures	669,626	(105,594)	(20,836)	84,758
Other Financing Uses:				
Transfers Out	(255,193)	(255,193)	(240,179)	15,014
Net Change in Fund Balance	414,433	(360,787)	(261,015)	99,772
Fund Balance at Beginning of Year	839,441	839,441	839,441	0
Prior Year Encumbrances Appropriated	42,959	42,959	42,959	0
Fund Balance at End of Year	\$1,296,833	\$521,613	\$621,385	\$99,772

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Other Local Taxes	\$43,000	\$43,000	\$52,803	\$9,803
Intergovernmental	670,000	670,000	770,645	100,645
Other	15,000	15,000	8,499	(6,501)
Total Revenues	<u>728,000</u>	<u>728,000</u>	<u>831,947</u>	<u>103,947</u>
Expenditures:				
Current:				
Transportation				
Street Maintenance and Repair				
Personal Services	518,350	520,350	503,476	16,874
Contractual Services	109,280	138,274	127,659	10,615
Supplies and Materials	56,600	183,414	147,195	36,219
Fringe Benefits	1,500	1,860	1,763	97
Capital Outlay	60,000	60,000	54,216	5,784
Total Street Maintenance and Repair	<u>745,730</u>	<u>903,898</u>	<u>834,309</u>	<u>69,589</u>
Division Highway Maintenance				
Contractual Services	20,449	23,649	22,735	914
Supplies and Materials	22,550	34,175	22,185	11,990
Total Division Highway Maintenance	<u>42,999</u>	<u>57,824</u>	<u>44,920</u>	<u>12,904</u>
Total Expenditures	<u>788,729</u>	<u>961,722</u>	<u>879,229</u>	<u>82,493</u>
Excess of Revenue Under Expenditures	(60,729)	(233,722)	(47,282)	(186,440)
Other Financing Sources:				
Transfers In	<u>0</u>	<u>0</u>	<u>41,218</u>	<u>41,218</u>
Net Change in Fund Balance	(60,729)	(233,722)	(6,064)	227,658
Fund Balance at Beginning of Year	769,512	769,512	769,512	0
Prior Year Encumbrances Appropriated	<u>14,854</u>	<u>14,854</u>	<u>14,854</u>	<u>0</u>
Fund Balance at End of Year	<u>\$723,637</u>	<u>\$550,644</u>	<u>\$778,302</u>	<u>\$227,658</u>

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$125,000	\$125,000	\$120,617	(\$4,383)
Income Taxes	825,000	825,000	966,178	141,178
Special Assessments	165,000	165,000	151,277	(13,723)
Intergovernmental	12,500	12,500	12,998	498
Interest	25,000	25,000	79,476	54,476
Total Revenues	<u>1,152,500</u>	<u>1,152,500</u>	<u>1,330,546</u>	<u>178,046</u>
Expenditures:				
Debt Service:				
Principal Retirement	495,180	495,180	495,000	180
Interest and Fiscal Charges	309,271	309,271	306,116	3,155
Total Expenditures	<u>804,451</u>	<u>804,451</u>	<u>801,116</u>	<u>3,335</u>
Excess of Revenues Over Expenditures	<u>348,049</u>	<u>348,049</u>	<u>529,430</u>	<u>181,381</u>
Other Financing Sources (Uses):				
Advances Out	0	(800,000)	(800,000)	0
Transfers In	42,500	42,500	42,500	0
Total Other Financing Sources (Uses)	<u>42,500</u>	<u>(757,500)</u>	<u>(757,500)</u>	<u>0</u>
Net Change in Fund Balance	390,549	(409,451)	(228,070)	181,381
Fund Balance at Beginning of Year	<u>3,912,376</u>	<u>3,912,376</u>	<u>3,912,376</u>	<u>0</u>
Fund Balance at End of Year	<u>\$4,302,925</u>	<u>\$3,502,925</u>	<u>\$3,684,306</u>	<u>\$181,381</u>

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY IMPROVEMENT CAPITAL PROJECTS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Interest	\$999	\$999	\$0	(\$999)
Expenditures:				
Current:				
Public Health Services				
Cemetery				
Supplies and Materials	5,000	5,000	3,673	1,327
Net Change in Fund Balance	(4,001)	(4,001)	(3,673)	328
Fund Balance at Beginning of Year	54,112	54,112	54,112	0
Fund Balance at End of Year	\$50,111	\$50,111	\$50,439	\$328

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STATE ISSUE II CAPITAL PROJECTS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Expenditures:				
Capital Outlay	\$575,000	\$228,067	\$222,297	\$5,770
Other Financing Sources:				
Transfers In	575,000	575,000	0	(575,000)
Net Change in Fund Balance	0	346,933	(222,297)	(569,230)
Fund Balance at Beginning of Year	244,518	244,518	244,518	0
Prior Year Encumbrances Appropriated	78,317	78,317	78,317	0
Fund Balance at End of Year	<u>\$322,835</u>	<u>\$669,768</u>	<u>\$100,538</u>	<u>(\$569,230)</u>

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INDUSTRIAL DEVELOPMENT CAPITAL PROJECTS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Interest	\$5,675	\$5,675	\$7,133	\$1,458
Other	6,098	6,098	6,098	0
Total Revenues	11,773	11,773	13,231	1,458
Expenditures:				
Current:				
Community Environment				
Contractual Services	11,000	11,000	1,500	9,500
Excess of Revenues Over Expenditures	773	773	11,731	10,958
Other Financing Sources (Uses):				
Advances Out	(121,408)	(121,408)	(121,408)	0
Transfers In	151,447	151,447	136,433	(15,014)
Total Other Financing Sources (Uses)	30,039	30,039	15,025	(15,014)
Net Change in Fund Balance	30,812	30,812	26,756	(4,056)
Fund Balance at Beginning of Year	80,149	80,149	80,149	0
Fund Balance at End of Year	<u>\$110,961</u>	<u>\$110,961</u>	<u>\$106,905</u>	<u>(\$4,056)</u>

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
AUTOMOTIVE MAINTENANCE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$137,310	\$137,311	\$137,311	\$0
Expenses:				
Personal Services	114,710	114,710	112,512	2,198
Contractual Services	6,800	6,916	4,490	2,426
Supplies and Materials	15,800	20,253	19,854	399
Total Expenses	137,310	141,879	136,856	5,023
Net Change in Fund Equity	0	(4,568)	455	5,023
Fund Equity at Beginning of Year	53,445	53,445	53,445	0
Prior Year Encumbrances Appropriated	4,877	4,877	4,877	0
Fund Equity at End of Year	\$58,322	\$53,754	\$58,777	\$5,023

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL
SELF-INSURANCE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$1,593,572	\$1,593,571	\$1,610,066	\$16,495
Other	144,000	144,000	146,947	2,947
Interest	1,000	1,000	2,063	1,063
Total Revenues	<u>1,738,572</u>	<u>1,738,571</u>	<u>1,759,076</u>	<u>20,505</u>
Expenses:				
Contractual Services	365,000	375,364	375,364	0
Claims	1,373,572	1,403,208	1,347,617	55,591
Total Expenses	<u>1,738,572</u>	<u>1,778,572</u>	<u>1,722,981</u>	<u>55,591</u>
Net Change in Fund Equity	0	(40,001)	36,095	76,096
Fund Equity at Beginning of Year	<u>5,966</u>	<u>5,966</u>	<u>5,966</u>	<u>0</u>
Fund Equity at End of Year	<u>\$5,966</u>	<u>(\$34,035)</u>	<u>\$42,061</u>	<u>\$76,096</u>

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STATISTICAL SECTION

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

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

<u>Year</u>	<u>General Government</u>	<u>Security of Persons and Property</u>	<u>Public Health Services</u>	<u>Leisure Time Services</u>	<u>Community and Economic Development</u>
1996	\$1,725,870	\$2,205,916	\$97,100	\$227,566	\$1,167,874
1997	1,794,411	2,245,636	100,654	250,297	712,054
1998	1,992,653	2,448,728	87,075	279,607	639,912
1999	2,414,817	3,224,419	128,508	305,079	837,088
2000	2,532,576	3,791,041	114,230	467,741	781,818
2001	4,351,860	3,790,927	122,120	621,077	914,721
2002	4,178,598	4,243,831	129,133	597,933	1,160,779
2003	3,451,178	3,898,657	145,004	680,463	873,945
2004	3,417,840	5,344,722	219,357	308,656	1,258,808
2005	3,424,490	5,504,900	167,028	201,642	2,014,936

Source: Auditor's Office, City of Lebanon

(1) Includes all governmental funds.

<u>Transportation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total (1)</u>
\$423,992	\$3,235,553	\$533,773	\$9,617,644
449,565	5,122,920	692,981	11,368,518
453,111	2,379,090	741,977	9,022,153
534,387	3,900,571	733,735	12,078,604
596,798	3,116,609	756,986	12,157,799
728,214	3,394,993	1,202,051	15,125,963
781,166	3,282,802	659,654	15,033,896
679,456	5,951,931	1,007,175	16,687,809
829,360	3,774,983	961,261	16,114,987
739,947	4,774,592	853,012	17,680,547

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

<u>Year</u>	<u>Taxes (1)</u>	<u>Payments in Lieu of Taxes</u>	<u>Special Assessments</u>	<u>Charges for Services</u>	<u>Fines, Licenses and Permits</u>
1996	\$3,676,516	\$170,584	\$209,249	\$1,556,517	\$615,384
1997	4,027,203	185,705	216,130	1,700,292	787,123
1998	4,712,527	209,747	166,284	1,731,594	823,515
1999	5,053,344	304,260	190,612	1,820,288	980,019
2000	5,905,747	383,995	197,895	1,811,072	1,063,989
2001	6,551,712	479,483	174,865	1,002,206	1,175,845
2002	7,205,252	603,785	179,774	1,448,712	1,220,332
2003	7,669,754	766,298	159,732	1,886,055	1,128,354
2004	7,894,239	848,321	154,965	2,199,776	1,255,552
2005	9,414,687	910,839	151,277	2,111,196	1,108,910

Source: Auditor's Office, City of Lebanon

(1) Includes property, income and other local taxes

(2) Includes all governmental funds.

<u>Inter- Governmental</u>	<u>Interest</u>	<u>Contributions and Donations</u>	<u>Other</u>	<u>Total (2)</u>
\$1,457,699	\$849,356	\$0	\$204,623	\$8,739,928
1,444,567	500,452	0	179,543	9,041,015
1,611,701	753,912	0	290,770	10,300,050
3,634,545	849,336	0	316,974	13,149,378
1,892,082	1,065,810	0	138,732	12,459,322
2,279,515	642,946	0	289,332	12,595,904
1,845,069	256,176	0	1,596,365	14,355,465
6,173,724	163,479	89,217	71,279	18,107,892
4,037,285	210,017	40,448	209,643	16,850,246
3,017,163	483,990	29,500	164,843	17,392,405

**CITY OF LEBANON, OHIO
GOVERNMENT-WIDE EXPENSES BY PROGRAM AND TRANSFERS
GOVERNMENTAL ACTIVITIES
LAST THREE YEARS**

Year(1)	Government Wide Expenses				
	General Government	Security Of Persons And Property	Public Health	Leisure Time Services	Community and Economic Development
2003	\$3,532,241	\$4,156,560	\$192,335	\$820,253	\$990,158
2004	3,524,592	5,076,020	255,918	415,275	1,264,165
2005	3,431,266	5,032,597	213,152	265,241	1,192,677

Source: City Financial Records - GAAP basis financial data

(1) 2003 is the first year reported according to *GASB Statement No. 34*.

<u>Transportation</u>	<u>Interest And Fiscal Charges</u>	<u>Total</u>	<u>Transfers</u>
\$744,214	\$407,376	\$10,843,137	\$0
744,796	375,493	11,656,259	0
2,117,570	376,665	12,629,168	819,916

**CITY OF LEBANON, OHIO
GOVERNMENT-WIDE REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES
LAST THREE YEARS**

Year (1)	Program Revenues			Property And Other Local Taxes	Income Taxes	Payments in Lieu of Taxes
	Charges For Services and Sales	Operating Grants, Contributions, And Interest	Capital Grants, Contributions, And Interest			
2003	\$3,129,198	\$670,606	\$4,777,038	\$3,054,961	\$4,577,825	\$40,322
2004	3,456,300	1,052,563	2,848,219	3,220,235	4,682,034	43,237
2005	3,111,359	1,281,441	5,418,486	4,273,808	5,319,437	872,934

Source: City Financial Records - GAAP basis financial data

(1) 2003 is the first year reported according to *GASB Statement No. 34*.

General Revenues

Grants and Entitlements	Unrestricted Contributions	Unrestricted Investment Earnings	Gain on Sale of Capital Assets	Other	Transfers	Total
\$987,605	\$1,500	\$144,603	\$0	\$60,836	\$114,498	\$17,558,992
865,966	6,654	210,049	623	194,352	0	16,580,232
849,811	29,500	486,315	0	154,434	0	21,797,525

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

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections</u>
1996	\$1,089,315	\$1,059,258	\$36,634
1997	1,159,680	1,125,618	31,339
1998	1,282,020	1,243,653	49,891
1999	1,383,551	1,333,675	61,504
2000	2,075,061	2,020,900	84,292
2001	2,122,809	2,059,485	50,434
2002	2,326,865	2,255,365	108,197
2003	2,439,952	2,360,446	86,104
2004	2,784,318	2,499,303	65,905
2005	3,347,608	3,071,256	69,586

Source: County Auditor; Warren County, Ohio

<u>Total Tax Collections</u>	<u>Percent Of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage Of Accumulated Delinquent Taxes To Total Tax Levy</u>
\$1,095,892	101.0 %	\$43,428	3 %
1,156,957	100.0	43,046	4
1,293,544	100.9	49,403	4
1,395,179	100.8	32,864	2
2,105,192	101.4	30,949	2
2,109,919	99.4	48,072	2
2,363,562	101.6	53,526	2
2,446,550	100.27	58,111	2
2,565,208	92.13	84,103	3
3,140,842	93.82	68,786	2

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

<u>Year</u>	<u>Assessed Real</u>	<u>Assessed Public Utility Real</u>	<u>Assessed Public Utility Tangible Personal</u>	<u>Assessed Tangible Personal</u>
1996	\$98,719,800	\$40,954,260	\$6,273,910	\$24,803,624
1997	107,688,450	45,256,790	6,421,460	28,826,299
1998	132,550,330	48,844,300	6,393,050	32,506,594
1999	143,105,080	55,025,060	6,413,020	38,071,619
2000	151,321,540	59,396,390	5,765,920	41,357,405
2001	187,009,730	67,328,970	6,378,020	48,143,491
2002	198,936,450	71,077,030	4,005,040	49,118,420
2003	213,456,970	71,275,970	4,142,310	56,696,710
2004	257,564,430	76,188,890	4,372,200	64,606,040
2005	271,969,470	82,765,990	4,159,970	50,278,519

Source: County Auditor; Warren County, Ohio

- (1) This is calculated by dividing the Assessed value by the assessment percentage.
 The percentages for 2005 were 35 percent for real property and public utility real,
 25 percent for capital assets and 23 percent of of true value inventory.
 Public utility tangible personal property is currently assessed at varying percentages
 of true value.

<u>Total</u>	<u>Estimated True Value (1)</u>	<u>Percentage Of Assessed Value To Estimated True Value</u>
\$170,751,594	\$498,344,769	34 %
188,192,999	559,588,710	34
220,294,274	655,561,576	34
242,614,779	725,660,100	33
257,841,255	774,033,030	33
308,860,211	926,503,714	33
323,136,940	972,494,950	33
345,571,960	1,045,016,700	33
402,731,560	1,216,973,482	33
409,173,949	1,219,371,199	34

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

Collection Year	General Fund	Fire and Life Squad Fund	Library Bond Retirement Fund	Total City (1)	Lebanon City Schools (2)
1996	\$2.82	\$3.00	\$0.80	\$6.62	\$51.13
1997	2.82	3.00	0.50	6.32	51.13
1998	2.82	3.00	0.50	6.32	50.03
1999	2.82	3.00	0.50	6.32	50.03
2000	2.82	4.50	0.50	7.82	50.63
2001	2.82	4.50	0.40	7.72	50.63
2002	2.82	4.50	0.40	7.72	55.63
2003	2.82	4.50	0.40	7.72	55.63
2004	2.82	4.50	0.33	7.65	55.63
2005	2.82	5.50	0.33	8.65	52.11

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

(2) County Auditor; Warren County, Ohio

<u>Warren County (2)</u>	<u>Mental Health (2)</u>	<u>Warren Co JVS (2)</u>	<u>Warren Co Meals(2)</u>
\$7.07	\$1.00	\$4.50	\$0.00
5.00	1.50	4.50	0.00
4.75	1.00	4.50	0.00
4.75	1.00	4.50	0.00
4.50	1.00	4.50	0.00
4.50	1.00	4.50	0.00
4.96	1.00	4.50	0.00
4.96	1.00	4.50	0.50
4.96	1.00	4.50	0.50
6.46	1.00	4.50	0.50

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

<u>Year</u>	<u>Population</u>	<u>Assessed Value (In Thousands)</u>	<u>Gross Bonded Debt (1)</u>	<u>Debt Service Monies Available (2)</u>	<u>Debt Payable From City Income Tax</u>
1996	10,423	\$170,752	\$10,171,905	\$164,784	\$394,068
1997	10,423	188,193	12,279,881	180,019	381,360
1998	10,423	220,294	11,732,691	170,383	368,652
1999	10,423	242,615	29,051,589	173,646	350,856
2000	16,962	257,841	27,999,619	191,652	2,781,790
2001	16,962	308,860	40,396,813	199,602	2,662,724
2002	16,962	323,137	38,830,627	219,310	2,542,388
2003	16,962	345,572	41,145,956	232,085	6,420,782
2004	16,962	402,732	39,293,500	234,744	6,139,176
2005	16,962	409,174	37,364,774	204,224	5,846,300

(1) Excludes special assessment general obligation debt.

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

(3) Excludes unamortized premiums and discount on revenue bonds

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

Debt Payable From Payments In Lieu Of Taxes	Debt Payable From Enterprise Revenues (3)	Net General Bonded Debt	Ratio Of Net General Bonded Debt To Assessed Value	Net General Bonded Debt Per Capita
\$435,131	\$8,297,706	\$880,216	0.52	\$84.45
408,232	7,826,065	3,484,205	1.85	334.28
381,333	7,455,790	3,356,533	1.52	322.03
354,434	24,980,000	3,192,653	1.32	306.31
325,118	24,140,000	561,059	0.21	33.07
97,650	36,955,000	481,837	0.16	28.41
86,800	35,615,000	367,129	0.12	21.64
75,950	34,225,000	192,139	0.06	11.33
65,100	32,775,000	79,480	0.02	4.69
54,250	31,260,000	0	0.00	0.00

**CITY OF LEBANON, OHIO
COMPUTATION OF OVERALL LEGAL DEBT MARGIN
DECEMBER 31, 2005**

Assessed Value		<u>\$409,173,949</u>
Overall Debt Limit (10 1/2% of the Assessed Value)		\$42,963,265
Total Voted and Unvoted Debt Outstanding at December 31, 2005	\$47,069,223	
Less: Exempt Debt Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	584,449	
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax and Payments in Lieu of Taxes to be Applied to Debt Service	5,900,550	
Unvoted Mortgage Revenue Bonds to be Paid from Enterprise Fund Revenues	31,260,000	
Unvoted General Obligation Notes to be Paid from Enterprise Fund Revenues	<u>8,000,000</u>	
Total	1,324,224	
Less: Amount Available to Pay Non-Exempt Debt	<u>247,839</u>	
Net Subject to 10 1/2 percent Limitation		<u>1,076,385</u>
Legal debt Margin within 10 1/2 percent Limitation		<u>\$41,886,880</u>
Source: Auditor's Office, City of Lebanon		

**CITY OF LEBANON, OHIO
COMPUTATION OF UNVOTED LEGAL DEBT MARGIN
DECEMBER 31, 2005**

Assessed Value		<u>\$409,173,949</u>
Overall Debt Limit (5 1/2% of the Assessed Value)		\$22,504,567
Total Unvoted Debt Outstanding at December 31, 2005	\$47,069,223	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	584,449	
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax and Payments in Lieu of Taxes to be Applied to Debt Service	5,900,550	
Unvoted Mortgage Revenue Bonds to be Paid from Enterprise Fund Revenues	31,260,000	
Unvoted General Obligation Notes to be Paid from Enterprise Fund Revenues	<u>8,000,000</u>	
Total	1,324,224	
Less: Amount Available to Pay Non-Exempt Debt	<u>247,839</u>	
Net Subject to 5 1/2 percent Limitation		<u>1,076,385</u>
Legal debt Margin within 5 1/2 percent Limitation		<u>\$21,428,182</u>

Source: Auditor's Office, City of Lebanon

**CITY OF LEBANON, OHIO
 COMPUTATION OF DIRECT AND OVERLAPPING GENERAL BONDED DEBT
 DECEMBER 31, 2005**

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable To City Of Lebanon</u>	<u>Amount Applicable To City Of Lebanon</u>
City of Lebanon	\$123,943	100.00%	\$123,943
Warren County	46,278,190	10.94%	\$5,062,834
Warren County	20,719,000	8.45%	<u>17,508</u>
Total			<u><u>\$5,204,285</u></u>

Source: Ohio Municipal Advisory Service

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

<u>Year</u>	<u>Debt Principal And Interest (1)</u>	<u>General Government Expenditures</u>	<u>Ratio Of Debt Principal And Interest To General Government Expenditures</u>
1996	\$126,733	\$9,617,644	3.2
1997	165,161	11,368,518	2.9
1998	123,702	9,022,153	2.6
1999	120,218	12,078,604	2.0
2000	116,690	12,157,799	2.0
2001	118,120	15,125,963	2.0
2002	119,205	15,033,896	1.5
2003	120,025	16,687,809	0.7
2004	125,525	16,114,987	0.8
2005	120,520	17,680,547	0.7

Source: Auditor's Office, City of Lebanon

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

**CITY OF LEBANON, OHIO
REVENUE BOND COVERAGE
LAST TEN YEARS**

Year	Operating Revenues	Operating Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
ELECTRIC/TELECOMMUNICATIONS							
1996	\$7,014,943	\$5,860,330	\$1,154,613	\$0	\$0	\$0	0.0
1997	7,217,373	6,013,800	1,203,573	155,000	249,795	404,795	3.0
1998	7,733,375	8,682,967	(949,592)	160,000	244,060	404,060	(2.4)
1999	8,695,819	7,004,633	1,691,186	165,000	237,660	402,660	4.2
2000	11,015,754	10,839,189	176,565	175,000	228,185	403,185	0.4
2001	14,076,889	11,846,689	2,230,200	180,000	515,133	695,133	3.2
2002	15,603,687	13,377,046	2,226,641	620,000	897,571	1,517,571	1.5
2003	16,812,728	13,355,187	3,457,541	645,000	871,723	1,516,723	2.3
2004	18,756,240	14,231,399	4,524,841	670,000	520,850	1,190,850	3.8
2005	21,957,982	18,933,542	3,024,440	700,000	816,284	1,516,284	2.0
SEWER							
1996	\$1,548,851	\$1,177,153	\$371,698	\$95,000	\$139,538	\$234,538	1.6
1997	1,719,824	1,116,893	602,931	125,000	80,868	205,868	2.9
1998	1,582,869	994,573	588,296	130,000	80,550	210,550	2.8
1999	1,817,875	1,224,270	593,605	135,000	329,561	464,561	1.3
2000	1,935,006	1,464,746	470,260	340,000	507,541	847,541	0.5
2001	1,840,462	606,494	1,233,968	355,000	492,750	847,750	1.5
2002	2,309,101	1,607,356	701,745	370,000	479,825	849,825	0.8
2003	2,685,253	1,892,323	792,930	380,000	462,068	842,068	0.9
2004	2,932,406	1,818,503	1,113,903	400,000	446,068	846,068	1.3
2005	3,191,967	1,583,313	1,608,654	415,000	428,903	843,903	1.9
WATER							
1996	\$1,877,081	\$1,260,381	\$616,700	\$85,000	\$111,836	\$196,836	3.1
1997	2,058,358	1,347,491	710,867	90,000	108,737	198,737	3.6
1998	1,903,230	725,699	1,177,531	100,000	101,082	201,083	5.9
1999	2,203,332	848,868	1,354,464	105,000	281,951	386,951	3.5
2000	2,264,674	1,139,469	1,125,205	325,000	500,109	825,109	1.4
2001	2,117,782	1,347,618	770,164	340,000	471,485	811,485	0.9
2002	2,601,406	1,398,906	1,202,500	350,000	458,068	808,068	1.5
2003	2,975,106	1,500,918	1,474,188	365,000	444,418	809,418	1.8
2004	2,950,110	1,199,936	1,750,174	380,000	430,000	810,000	2.2
2005	2,870,825	1,024,742	1,846,083	400,000	414,800	814,800	2.3

Source: Auditor's Office, City of Lebanon

(1) Does not include depreciation

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

<u>Collection Year</u>	<u>Amount Billed (1)</u>	<u>Amount Collected (2)</u>	<u>Percent Collected</u>
1996	\$241,876	\$209,249	87%
1997	247,320	216,130	87
1998	204,068	166,284	81
1999	237,258	202,679	85
2000	231,377	197,895	86
2001	208,737	174,865	84
2002	206,496	187,109	94
2003	185,427	159,732	86
2004	180,700	154,965	86
2005	174,717	151,277	96

(1) County Auditor; Warren County, Ohio

(2) City's Tax Settlement Sheets

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

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate Warren County (3)</u>
1996	10,423	4,214	3.9
1997	10,423	4,354	3.2
1998	10,423	4,405	2.9
1999	10,423	4,462	3.0
2000	16,962	4,496	3.0
2001	16,962	4,525	3.3
2002	16,962	4,659	3.7
2003	16,962	4,746	4.4
2004	16,962	4,714	4.3
2005	16,962	4,916	4.4

Sources: (1) 1990 Census and 2000 Census

(2) Lebanon City School District Board of Education

(3) Ohio Bureau of Employment Services

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

Year	Property Values (2)	Residential Construction (1)		Commercial Construction (1)		City Bank Deposits (3)	County Bank Deposits (3)
		Number Of Permits	Value	Number Of Permits	Value		
1996	\$282,056,571	351	\$20,637,230	78	\$6,356,055	\$379,213,000	\$465,584,000
1997	307,681,286	291	19,110,569	80	13,093,658	427,736,000	523,595,000
1998	378,715,229	267	15,298,503	82	16,028,448	437,918,000	521,795,000
1999	408,871,657	321	20,556,607	89	22,130,622	445,370,000	533,873,000
2000	432,347,257	268	18,796,587	87	17,792,980	453,127,000	548,623,000
2001	534,313,514	329	24,378,196	106	11,813,007	482,767,000	618,781,000
2002	568,389,857	229	26,861,699	83	13,275,492	509,111,000	612,603,000
2003	609,877,060	197	20,500,400	86	14,063,245	530,378,000	637,524,000
2004	902,951,200	192	29,516,836	78	11,660,094	543,301,000	665,965,000
2005	1,013,529,890	293	24,861,557	99	31,850,725	566,261,000	695,106,000

- Sources:
- (1) City of Lebanon Building Department
 - (2) Estimated true values for real property from County Auditor, Warren County, Ohio
 - (3) Federal Reserve Bank of Cleveland

**CITY OF LEBANON, OHIO
 PRINCIPAL TAXPAYERS
 DECEMBER 31, 2005**

	<u>Taxpayer</u>	<u>2005 Real Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation Real Property</u>
1.	Fujitec America	\$5,993,335	2.20 %
2.	Quebecor World Inc	4,152,550	1.53
3.	Johnson & Hardin	3,464,090	1.27
4.	Lebanon City Schools	2,934,211	1.08
5.	Flint Ink Manufacturing	2,706,320	1.00
6.	Watson Crossing Two	2,036,121	0.75
7.	United Telephone Service	1,987,720	0.73
8.	Bill DeLord Auto	1,776,750	0.65
9.	C G & E	1,773,890	0.65
10.	Southern Ohio Gun	<u>1,696,290</u>	<u>0.62</u>
	Total Principal Taxpayers	<u><u>\$28,521,277</u></u>	<u><u>10.49 %</u></u>
	Total City	<u><u>\$271,969,470</u></u>	

Source: County Auditor, Warren County, Ohio

**CITY OF LEBANON, OHIO
 MISCELLANEOUS STATISTICS
 DECEMBER 31, 2005**

Year of Incorporation	1960
Form of Government	Charter - Council/Manager
Area	12.6801 Square Miles
Miles of Streets	94.132
Number of Street Lights	2,003
Police Protection:	
Number of Stations	1
Number of Police Officers	27
Hospitals	1 Emergency Treatment Center
Education (K-12) (Public only)	
Attendance Centers	6
Number of Classrooms	283
Number of Teachers	296
Number of Students	4,916
Municipal Water Department	
Miles of Water Main	84.1
Sewers:	
Sanitary Sewers	80.877
Storm Sewer	46.224
Building Permits Issued	392
Recreation and Culture:	
Number of Parks	15
Number of Libraries	1
Employees (includes part-time firefighters)	200

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Bastin & Company, LLC

Certified Public Accountants

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

The Honorable Members of City Council
City of Lebanon, Ohio

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Warren County, Ohio (the City), 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 May 24, 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 the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that we have reported to management of the City in a separate letter dated May 24, 2006.

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

Bastin & Company, LLC

Cincinnati, Ohio
May 24, 2006



**Auditor of State
Betty Montgomery**

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CITY OF LEBANON

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2006**