

CITY OF LANCASTER
SINGLE AUDIT
YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Lancaster, Fairfield County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

July 8, 2005

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CITY OF LANCASTER

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**CITY OF LANCASTER
FAIRFIELD COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
(Direct Award)			
Community Development Block Grant	N/A	14.218	
CDBG 96			\$ 8,169
CDBG 97			2,059
CDBG 98			3,580
CDBG 99			18,097
CDBG 00			7,899
CDBG 01			14,256
CDBG 02			170,542
CDBG 03			441,384
CDBG 04			<u>13,529</u>
Total Community Development Block Grant			679,515
Home Investment Partnerships Program	N/A	14.239	1,046
Total U.S. Department of Housing and Urban Development			680,561
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
Pass through Ohio Department of Transportation			
Federal Transit Capital/Operating Grant	RPT4023-023-041 RPT0023-023-042	20.509	238,757
			<u>78,699</u>
Total U.S. Department of Transportation			317,456
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
Pass through Ohio Office of Criminal Justice Services			
Violence Against Women Act Grant	2003-WF-VA5-8422	16.588	22,743
Local Law Enforcement Block Grant	2000-LB-VX-2845 2001-LB-BX-1004 2002-LB-BX-2129 2003-LB-BX-0837	16.592	5,387
			2,223
			4,512
			<u>407</u>
Total Local Law Enforcement Block Grant			12,529
Total U.S. Department of Justice			35,272
Total Federal Awards Expenditures			<u>\$ 1,033,289</u>

See notes to Schedule of Federal Awards Expenditures.

CITY OF LANCASTER

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

Program Title: Community Development Block Grant; CFDA#: 14.218; Amount: \$87,460.

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

NOTE C - REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property. At December 31, 2004, the gross amount of loans outstanding under the Community Development Block Grant (CDBG) program was \$544,923. At December 31, 2004, the gross amount of loans outstanding under the Home Improvement Partnerships Program was \$696,393.

NOTE D - MATCHING REQUIREMENTS

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

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

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

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

We have audited the financial statements of the City of Lancaster as of and for the year ended December 31, 2004, and have issued our report thereon dated May 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Lancaster's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of City of Lancaster in a separate letter dated May 20, 2005.

Compliance

As part of obtaining reasonable assurance about whether City of Lancaster's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of City of Lancaster in a separate letter dated May 20, 2005.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 20, 2005

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

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

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

Compliance

We have audited the compliance of City of Lancaster with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. City of Lancaster's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Lancaster's management. Our responsibility is to express an opinion on City of Lancaster's compliance based on our audit.

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

In our opinion, City of Lancaster complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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

Schedule of Federal Award Expenditures

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregated remaining fund information of City of Lancaster as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of federal award expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 20, 2005

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

**CITY OF LANCASTER
DECEMBER 31, 2004**

1. AUDITOR’S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs’ Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	FTA #20.509 CDBG #14.218
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

FEDERAL EMERGENCY MANAGEMENT AGENCY

FINDING 2003-001 ASSISTANCE TO FIREFIGHTERS CFDA #97.044

CONDITION: Grantees can only request an amount that is necessary to satisfy their immediate cash needs directly related to the grant. Also, interest over \$100 earned on advances by a local government be submitted promptly but at least quarterly to the Federal agency.

RECOMMENDATION: The City should develop procedures to monitor grant receipts and disbursements to ensure only amounts necessary to satisfy immediate cash needs are requested. The City should develop procedures to monitor interest earned on federal grants so that amounts over \$100 can be remitted to the appropriate agency.

CURRENT STATUS: The City has developed procedures for requesting monies and monitoring interest earned. The City did not participate in this grant funding in 2004.

Comprehensive Annual Financial Report



Lancaster, Ohio

**FOR THE YEAR ENDED
DECEMBER 31, 2004**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2004

Prepared by the City Auditor's Office

Mary F. Green
City Auditor



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FAIRFIELD COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF LANCASTER

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

phone (740) 687-6611

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May 20, 2005

To the Citizens and
Elected Officials of
Lancaster, Ohio:

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR), of the City of Lancaster, Ohio, for the fiscal year ended December 31, 2004.

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

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

The Report

The CAFR is divided into three sections as follows:

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

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

The Reporting Entity

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

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

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

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

City Overview

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

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

Items of Local Interest

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

Culture and Education

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

ECONOMIC CONDITION AND OUTLOOK

Construction for the U.S. Route 33 Lancaster Bypass to carry through US 33 traffic around the City continued in 2004. This "interstate look-alike" highway with a divided four-lane cross-section in a limited-access right-of-way will lessen the traffic on Memorial Drive, and thus alleviate the traffic congestion on the City's major commercial corridor. This should attract consumers to shop at the numerous businesses along this corridor, and attract new businesses to the corridor. Phase 1 of the project from U.S. Route 22 north to existing U.S. Route 33 at Plum Road near Carroll opened in late 2004. The full length of the highway is projected to open in September 2005.

Road improvements associated with the Lancaster Bypass will also improve access to an important industrial development in the City. The City has aided the park's developer, the non-profit Lancaster Area Community Improvement Corporation (CIC) in developing the park since Anchor Hocking donated the park's land to CIC. CIC has worked with City leaders to attract new businesses and jobs to the park. The Economic Development Department has reported greater interest in the Rock Mill properties since construction of the Bypass began.

Lancaster Municipal Gas purchased acres from the Newell Corporation's Anchor Hocking Distribution Center to relocate its operations center property abutting the point of connection to the natural gas transmission mains that supply the City. In 2001 the operations facility was constructed on 35-acres of that parcel. However, the Gas Department's use of the parcel comprises only a small part of the parcel originally purchased. Since the excess property adjoins the Rock Mill Corporate Park, City leaders decided to establish the Lancaster Industrial Park on the excess acreage to provide small lots to accommodate small businesses looking to erect small office/warehouse buildings. Local business owners commented about a lack of available space in the City for small or new businesses needing small office/warehouse combination facilities. In 2003, plans and plats to establish the industrial park on Camp Ground Road were finalized. Work began on the infrastructure in 2003, and was completed in 2004. Two businesses erected small warehouse/office buildings in the development in 2004. R .N. Smith relocated some warehousing from its shop elsewhere in the City to its new facility on Camp Ground Road, freeing floor area at the shop to allow more shop work to be performed there. Venom Lures erected a facility on Wallace Drive to centralize its operations from elsewhere in the county.

Interest in the City's Northwest Corridor, along North Memorial Drive, remained strong in 2004. Four "big-box" national retail chains were working with the Economic Development Director to construct a major retail center on vacant property along Ety Road just south of Memorial Drive. A regional bank was preparing plans to erect a banking facility in the Lowes' Center on Schorrway Drive.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Redevelopment of existing sites along Memorial Drive continued into 2004. The Hines Shopping Center had development plans prepared to expand the existing uses and utilize unused portions of the property at 1132 North Memorial Drive to add retail floor area. The existing retail building at the northeast corner of Memorial Drive and Sixth Avenue was to be razed and replaced with a larger building, more fully utilizing this corner property. These projects join the Edgewood Plaza, The Plaza and Park Street Plaza as redeveloped sites along the City's main commercial corridor.

Walgreen's, a national drug store chain began construction in 2004 on a second store in the City. The new retail space replaces a dilapidated retail building and two residences at the northwest corner of Main and Cherry Streets. It is expected to open in early 2005.

Fairfield Medical Center began a \$27.5 million expansion in 2003 that continued through 2004. An older office building was razed and a 600 car parking garage was being built in its place. A new medical office building attached to the parking garage will replace the razed one, and provide additional space. The garage will have a roof top helipad. A three-story, 65,000 square foot addition to the hospital will enlarge the cafeteria and some of the hospital's laboratories. Also the addition will provide a new entrance to the emergency room with the emergency services being expanded.

Condominium home construction entered the City strongly in 2002, and continued strong through 2003 and into 2004. Two developers of condominium developments under construction in 2002 started other similar developments in 2004. Southgate Corporation was constructing the 44-unit Stone Glen Condominiums on Wesley Way at Pleasantville Road after having great success with its Stonington Village at the northeast corner of Wheeling Road and Pleasantville Road. It was developing plans for a third development to begin in 2005; Meadow Ridge Condominiums will add 68-units also along Wesley Way. Berry and Miller were preparing to begin site work for the 100 units at the Villas at Roxton Ravine along the south side of Fair Avenue opposite Ety Road. Berry and Miller was finishing construction on the Villas at Sherman's Bluff along north SR 37; it totals 104 units.

Other developers were preparing to enter the condominium market in the City. Rockford Homes was finalizing plans for a mixed-use planned unit development on the Collins Farm at the northwest corner of Ety Road and Fair Avenue. The Overlook will have 156 single-family houses, 60 condominium units and a commercial tract. C&T Development is proposing 152 single-family ranch condominiums at the northwest corner of Pleasantville Road and Rainbow Drive. The Villas at Pleasant Ridge will be freestanding units, setting them apart from the other condominium developments.

The proposed Wesley Hills development along the west side of Pleasantville Road north of Wheeling Road is also a mixed-use planned unit development. In addition to Stone Glen Condominiums and Meadow Ridge Condominiums, the Wesley Woods Subdivision plat created 14 single-family lots on an extension of Pleasantview Drive constructed in 2004. The Wesley Hills United Methodist Retirement Center will also include elderly housing and conventional apartments off of Wesley Way, with preliminary planning underway. Plans for Ruble Hills, an 86-unit condominium and a 120 single-residence subdivision along Whiley Road were still in the preliminary stages at the end of 2004.

Single residence housing activity remained strong in all parts of the City. New housing starts in the River Valley Highlands, a joint Dominion Homes and Rockford Homes project on the City's northwest side, continued to be steady in 2004. The approved portions of River Valley Highlands will continue to supply building lots for another year.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Along West Fair Avenue, another development in addition to the Overlook and the Villas at Roxton Ravine was underway in 2003. New houses were under construction in Phase 1 and 2 Misty Meadows, while development plans for Phases 3 and 4 were underway at year's end. Misty Meadows will total 153 single-residence lots when complete. Beazer Homes of Columbus is the principal builder in this development.

On the northeast side, a Columbus area developer took over the long-stalled Independence Commons Master Plan area. DBI Land Company has taken 93.35 acres of the undeveloped portions of the area to construct 203 single residence houses in what is now know as Brentwood Subdivision. DiYanni Homes will be the principal builder in the development.

Another proposed single-family housing development is off of Pleasantville Road, to be known as The Woods. Thompson Dozer Development LLC is proposing to create 80 lots on a 50.15-acre tract on the east side of Pleasantville Road approximately one-half mile north of Tiki Lane. A preliminary plan had been approved at year's end.

Vacant tracts of property along East Main Street east of the Big Bear Center were under scrutiny for development. A couple of large tracts were being studied as a future site for a national big-box retailer. The location of this retailer could bring peripheral development of restaurants and other retailers to this commercial corridor.

MAJOR INITIATIVES

Construction on the long-awaited U.S. Route 33 Lancaster Bypass continued into its fourth year in 2004. Phase 1 of this four-phase project opened between the northern terminus near Carroll and U.S. Route 22 on the south in late fall. The remaining three phases were still under construction at year's end. Ultimately, this project will route U.S. 33 through-traffic around the City between Horns Mill Road south of Lancaster Carroll north of Lancaster. This highway will take traffic off of congested Memorial Drive, existing U.S. 33 inside the City. Full completion of the bypass is anticipated in September 2005.

The Bypass' interchange with SR 188 is proximate to the City's Rock Mill Corporate Park. The Rock Mill Corporate Park project involves street and roadway improvements, water system improvements including new lines and a storage tank, and new sanitary sewers and a lift station. The cost to provide the immediate needs for infrastructure to serve Phase 2 of the Rock Mill Corporate Park is estimated to be \$11.6M. City Council's goal to have the infrastructure necessary to support new industries at Rock Mill Corporate Park in place before completion of the US 33 Lancaster Bypass will be met.

Design work was completed, and construction work was bid and started on Part 1 of the Phase 2 improvements in 2003; improvements were substantially completed in 2004. City utility services and a new street from the end of Mill Park Drive in Phase 1 to SR 188 are now complete, providing a connection between SR 188 and Fair Avenue.

Design work was completed and construction work began in 2004 on the Rock Mill Corporate Park, Phase 2, Part 2 improvements. This project will complement the earlier Phase 2, Part 1 project. Part 2 will provide services to the SR 188 and U.S. 33 interchange area and to properties west of the U.S. 33 Lancaster Bypass, making additional acreage available for commercial and industrial development.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Vacant property in Rock Mill Corporate Park Phase 1 is not being ignored. The Wilson Road Sanitary Sewer Extension (West Fair Avenue) project extended sanitary sewer from Mill Park Drive west along Fair Avenue to serve a potential industrial user on the vacant tract at the northwest corner of West Fair Avenue and Mill Park Drive. Also, a northerly extension of Mill Park Drive from Wilson Road has been designed to open more acreage to potential commercial and industrial users. A sanitary sewer extension along this street extension has been designed to serve that property.

As an outgrowth of the Lancaster Bypass study, the City began a comprehensive master plan study of City-wide water and sanitary sewer system needs. The master plan will create a list of prioritized projects for the City to schedule for future construction. Work was ongoing at year's end.

Development in the northwest corridor along US 33 has created the need for upgrades to the City's water distribution system. Three water main projects have been completed in previous years to upgrade water service to this high-growth corridor under the Northwest Distribution System Improvements project. Phase 4 of this project will erect a 1 or 2-million gallon water storage tank off of SR 158 near Rainbow Drive. Other work on this project will include a pressure booster station near Arlington Avenue and Baltimore Road, and a water main extension along Baltimore Road from the booster station to the new storage tank facility. After years of negotiating with different property owners in the area, the City has settled on a suitable tank site. Design work is nearing completion. Work is programmed to begin in early-2005.

Development in the north-central and northeast portions of the City has created the need for water system improvements. This area of the City is experiencing renewed residential growth. Also, along with the existing developments, the demand from developers to serve additional acreage is pushing the need to erect a water storage tank to provide the necessary water pressure and fire protection flows for development to continue in this area of the City. The City has identified a site for an elevated water storage tank near the intersection of Rainbow Drive and Pleasantville Road, SR 188. The tank site will be fed from the water mains and Tiki Lane Booster Station constructed in the 1990's. The project is programmed for land acquisition and design engineering in 2004.

The City did not have a contract street resurfacing program in 2004, and but rather a severely restricted in-house program. The State Legislature passed legislation that will severely curtails the City's Department of Transportation's (formerly the Division of Streets) efforts to maintain the City's streets. The legislation has imposed a maximum of \$30,000.00 in work, including labor that a City may undertake on one of its streets. The City must bid projects of a greater magnitude.

In 2004, Department of Transportation continued its preventive maintenance program that began in 2002. The department has acquired new equipment for both crack sealing and pothole patching that has allowed more preventive maintenance work to be performed. With its own equipment, the Department of Transportation can perform this work on as the need basis. The new equipment lessens the expense for each pothole repair, and increases the actual number of repairs that can be made per employee shift.

The City and the Ohio Department of Transportation (ODOT) continued joint efforts to plan for the reconstruction of existing U.S. 33, Memorial Drive, through the City. With completion of the Lancaster Bypass, the federal US 33 shield will be removed from the existing highway, and the existing highway will become a city street to maintain. ODOT has provided design engineering and will administer and inspect the construction work. The City will be responsible for all other project costs. This project will be bid in early 2005 with work slated to begin after the bypass opens. Funding for this project will utilize the ODOT contribution as well as the City's allocation of federal surface transportation program (STP) funds.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Construction work was substantially completed in 2004 on the South Wellfield and Water Treatment Plant project. The work on the well field and the plant began in 2000. The plant's completion was behind schedule due to the late delivery of structural steel, and the late delivery of computer software to operate the plant and wellfield. In addition, upgraded security measures were added to the project after the September 11, 2001 terrorist attacks on the World Trade Center in New York City demonstrated a greater need for security for this critical infrastructure. The City funded the work through a low interest Water Supply Revolving Loan Account loans from the Ohio Water Development Authority.

Recent amendments to the federal Clean Water Act have directed pollution mitigation efforts to other water pollution sources, namely combined sewer overflows (CSO's). Older cities like Lancaster have combined sewers that carry both sanitary and storm flows in the same conduits. During and after rain events those sewers will fill beyond capacity and the system outlets the excess flow to streams and rivers. These outlet points are CSO's. The City retained a consulting engineer to help keep the City in compliance with the new regulations. The City is on schedule and the required nine minimum controls mandated in the regulations have been implemented. The City submitted the Combined Sewer System Characterization Report and the Combined Sewer System Operational Plan to the Ohio Environmental Protection Agency (OEPA) in 1999. The Combined Sewer Overflow Long Term Control Plan was completed and submitted to OEPA in June 2000. The City received OEPA's review comments in 2003. As a result, the City has rewritten portions of the plan, and submittal of the rewrite is programmed by March 1, 2005.

Another area of study for the City resulting from the 1987 amendment to the Clean Water Act pertains to storm water controls. The U.S. Environmental Protection Agency (US EPA) issued Phase II regulations in December 1999 that will require the City to implement controls, programs and policies to control both the quantity and quality of storm water runoff. To prepare for the regulations, the City formed a Technical Advisory Committee (TAC) to identify possible ways and means to implement the required Phase II minimum controls. One major recommendation of the TAC was to create a storm water utility to oversee the implementation of the minimum controls and to provide a rate structure to fund the additional work required to meet the minimum controls. During 2003, City Council passed legislation to establish a storm water utility in the City, and to establish rates and credits for funding that utility. In late 2003, a storm water coordinator was named, and the delegation of storm water tasks among different City departments was formalized by the City administration. The collection of storm water fees began with the first billing cycle of 2004. This new utility provides the City a dedicated source of funding for its storm water needs, providing the City the opportunity to begin planning for and replacing its deteriorated storm water collection system and culverts. Planning for maintenance and new construction was underway in 2004.

Two neighborhood improvement projects utilizing Community Development Block Grant (CDBG) funds were in various stages of development at year's end. One project is the correction of storm water problems in the Hubert Reese area. The Hubert Reese Storm Sewer and Flood Pump Improvements were completed in 2003 as the first phase of a five-phase program to correct the deficiencies in the area. Additional storm sewer installations and improvements were made in 2004, and more storm sewer installation is programmed for 2005 to complete three of the five phases.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Construction plans were completed for improvements to Nolder and Barr Drives in the Lanreco Farms Addition area. The area was developed prior to annexation into the City. The area lacks a storm water collection system and curb and gutter, and the streets pavement is narrow with only a chip seal construction. This project will remove the existing macadamized pavement, install a storm sewer and curb and gutter storm water collection system, and construct a full-width, full-depth asphalt concrete pavement. Due to insufficient funding, the project was split into two projects in 2004, with each street being a separate project. It is anticipated that the Barr Drive Upgrade Project will be bid in early 2005.

City personnel working with Congressman David Hobson secured a federal construction grant to restart the long dormant Pleasant Run Sanitary Trunk Sewer and Lynwood Lane Sanitary Sewer project. Bids were taken and a contract let to construct this project in 2003. Construction began in 2003 and was completed in 2004. This project constructed the first phase of the trunk sewer from the East Main Street trunk sewer south of the railroad to the north side of East Main Street just east of the Lynwood Lane intersection.

Design work was underway on the second phase of the Pleasant Run Trunk Sewer at year's end. In the City's long-term plans, the Pleasant Run Sanitary Trunk Sewer will serve the Pleasant Run tributary area to south of Coonpath Road. The second phase will extend the sewer east on East Main Street almost to the Marietta Road intersection. It will replace an undersized and shallow sewer to provide adequate sewer service to enhance development along this commercial corridor.

In 2003, the City submitted two State Capital Improvement Program (SCIP) Round 18 grant applications to the Ohio Public Works Commission to fund construction projects in 2005. The City's priority one project received a grant. The Rock Mill Corporate Park Roadway Improvements, Phase 3 project will reconstruct West Fair Avenue between Camp Ground Road and Collins Road. It is another part of the City's comprehensive program to develop the infrastructure in the Rock Mill Corporate Park to entice new businesses to this industrial park. Design work was underway at year's end, with a bid date in late spring anticipated.

One major environmental project with economic development emphasis was the U.S. Environmental Protection Agency funded Brownfield Pilot Assessment Grant on two industrial properties along South Ewing Street. Initially two properties were to be assessed for redevelopment, but due to budget constraints only the former Anchor Hocking Plant 2 site was assessed. Both Phase I and II Environmental Site Assessments were completed for the site. A work plan outlining cleanup costs for the site under the Ohio Voluntary Action Program was completed in 2003. Following the assessment, the City applied for Clean Ohio Funding in 2003. In late 2003, the City received a grant from the Clean Ohio fund for \$2,837,448 for the cleanup and redevelopment of the site. At year's end, the City was acquiring property rights to the site before beginning the necessary remedial work.

A grant was also obtained to perform another environmental project in the City. The Ohio Public Works Commission (OPWC) awarded the City \$271,875 for the Baldwin Run Stream Restoration Project. The project was bid and ninety-percent completed at the end of 2004. This project will help restore the natural stream channel, restore habitat for fish and biological communities, and enhance the natural greenway and promote recreational activities and public access. This project extended from the East Main Street Kroger Center's parking area to Baldwin Run's confluence with the Hocking River.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Another environmental project that began in 2003 was put on hold in 2004. The U.S. Army Corps of Engineers (CoE) approached the City concerning the development of a wetland area along the Hocking River. This riparian conservation project would provide both flood mitigation and wildlife enhancement for the City and downstream communities. The City has been asked to secure property rights for a potential wetland site the Corp identified along the river at Sugar Grove Road. The proposed site provides additional benefit to the City in that its location opposite of City's Water Pollution Control Facility will create a buffer zone to that facility. The City is negotiating with the property owner to purchase the property. Funding for the actual improvements is not available in the last federal budget, but the CoE is working to identify surplus monies from other projects to fund this work.

The Environmental Section is also working on another grant that could have economic development benefits to the City. An application for a \$200,000 City-wide Brownfields Assessment Grant is being prepared at year's end. The grant would provide funding to investigate properties in the City where there is interest in redeveloping that property for a commercial or industrial use. The City has some abandoned brownfield properties where infrastructure is already present, but new users are hesitant to look at these properties because of the potential for unknown contamination. The monies would allow these unknowns to be quantified.

The City submitted two grant applications to the Ohio Public Works Commission in 2004 for funding improvement projects with State Capital Improvement Program monies in 2005 or 2006. The first priority project is the Storm water Management Program, and the second project is the South Ewing Street Sanitary Sewer Extension Project. These projects are under design at year's end.

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

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

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

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

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

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

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

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

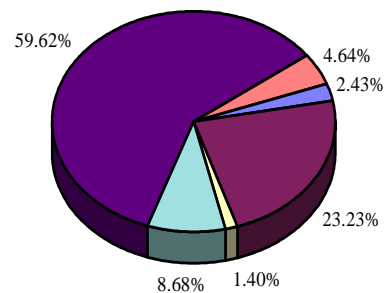
Cash Management

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

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

The City's cash resources were invested at December 31, 2004 as follows:

Local Securities	\$832,500	2.43%
U.S. Agencies	7,969,740	23.23%
STAR Ohio	481,667	1.40%
Certificates of Deposit	2,979,190	8.68%
Repurchase Agreements	20,454,698	59.62%
Cash	1,591,341	4.64%
Total Resources	<u>\$34,309,136</u>	<u>100.00%</u>



CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

The City earned interest of \$507,227 on investments for fiscal year 2004. Except for earnings on investment held by fiscal and escrow agents, in bond reserves and trust funds, interest earned was allocated to the governmental funds.

At December 31, 2004, the City had deposits of \$4,570,531 which were collateralized by pooled collateral. The Ohio Revised Code provides for the establishment of collateral pools by financial institutions designed to safeguard public deposits. The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit with the financial institution. The collateral is held by the financial institution. Since the collateral is held as a pool rather than in the name of the City, the deposits protected by the pool are classified as Category 3 (see Note 4 of the financial statements). All deposits are made under contracts with local banking institutions pursuant to statute.

Risk Management

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

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending December 31, 2003. This was the eighteenth consecutive year the City has won this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

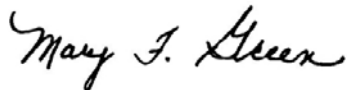
Public Disclosure

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

Acknowledgments

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

Sincerely,



Mary F. Green
City Auditor

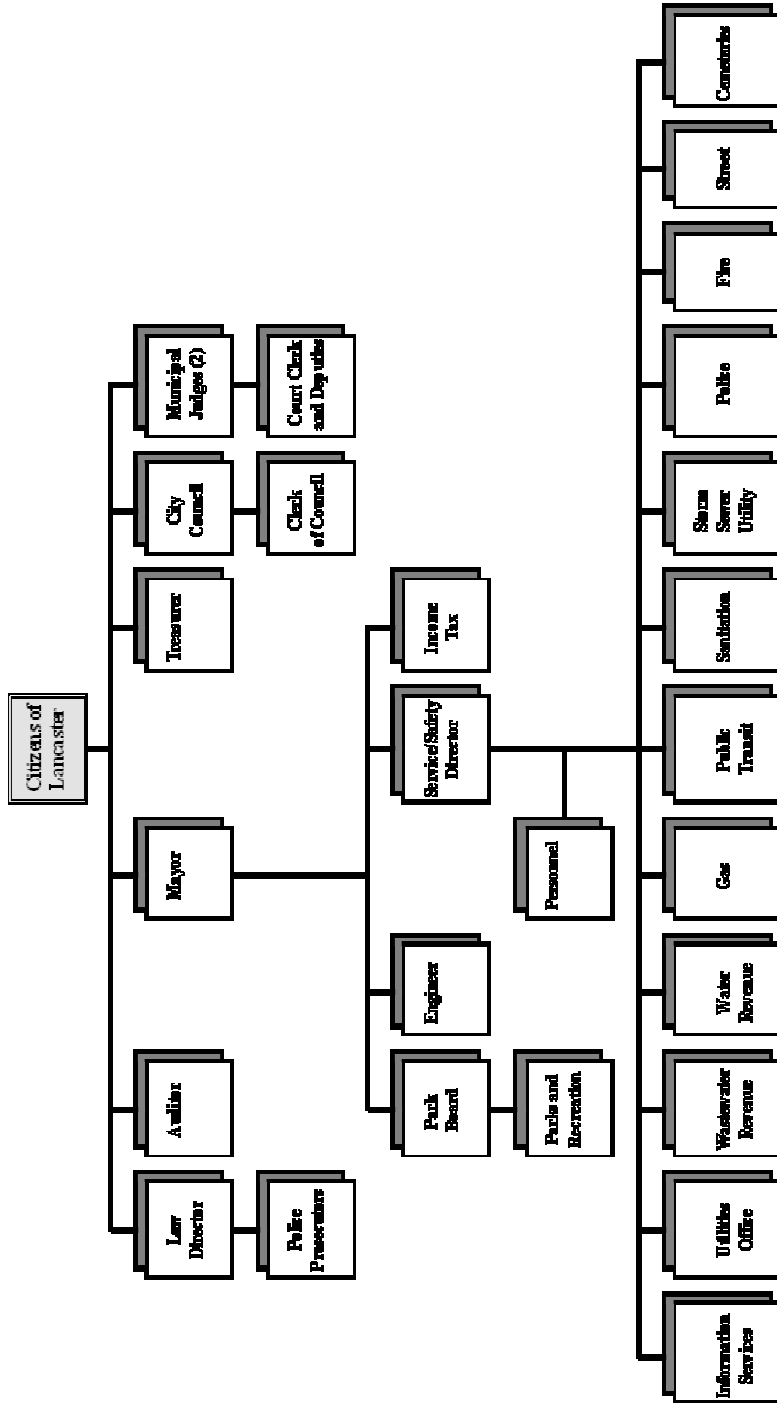
CITY OF LANCASTER, OHIO

**List of Principal Officials
For the Year Ended December 31, 2004**

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

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

City Organizational Chart
For the Year Ended December 31, 2004



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Lancaster,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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.

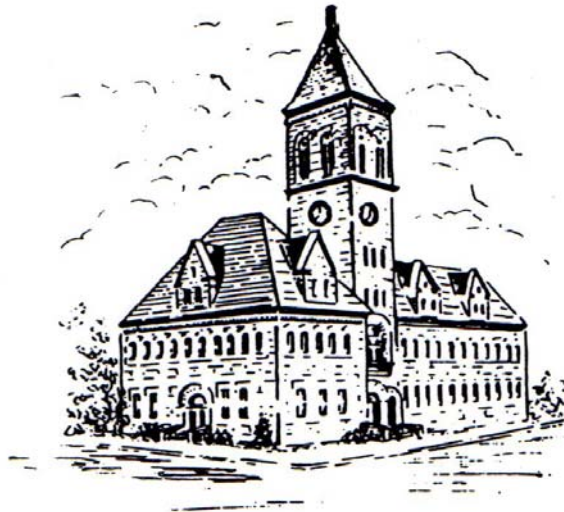


Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director



FINANCIAL SECTION



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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster as of and for the year ended December 31, 2004, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 20, 2005, on our consideration of City of Lancaster's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio
May 20, 2005

The discussion and analysis of the City of Lancaster's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

- ❑ In total, net assets increased \$8,962,457. Net assets of governmental activities increased \$2,013,565 which represents a 6.7% increase from 2003. Net assets of business-type activities increased \$6,948,892 or 16.2% from 2003.
- ❑ General revenues accounted for \$20,150,940 in revenue or 26.7% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$55,395,794, 73.3% of total revenues of \$75,546,734.
- ❑ The City had \$28,150,357 in expenses related to governmental activities; only \$9,794,339 of these expenses were offset by program specific charges for services, grants or contributions. General revenues and transfers of \$20,369,583 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$21,009,788 in revenues and other financing sources and \$20,328,990 in expenditures and other financing uses. The general fund's fund balance increased from \$3,606,622 to \$4,276,092.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2004 compared to 2003:

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	Restated 2003	2004	Restated 2003	2004	2003
Current and other assets	\$18,897,876	\$17,971,791	\$40,611,712	\$27,435,488	\$59,509,588	\$45,407,279
Capital assets, Net	27,689,473	27,012,973	78,342,965	73,605,119	106,032,438	100,618,092
Total assets	46,587,349	44,984,764	118,954,677	101,040,607	165,542,026	146,025,371
Long-term debt outstanding	9,850,023	9,627,495	64,262,333	54,205,810	74,112,356	63,833,305
Other liabilities	4,753,195	5,386,703	4,756,742	3,848,087	9,509,937	9,234,790
Total liabilities	14,603,218	15,014,198	69,019,075	58,053,897	83,622,293	73,068,095
Net assets						
Invested in capital assets, net of related debt	20,574,646	19,836,076	26,504,751	27,041,561	47,079,397	46,877,637
Restricted	6,966,940	6,450,635	978,578	0	7,945,518	6,450,635
Unrestricted	4,442,545	3,683,855	22,452,273	15,945,149	26,894,818	19,629,004
Total net assets	\$31,984,131	\$29,970,566	\$49,935,602	\$42,986,710	\$81,919,733	\$72,957,276

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2004 compared to 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for Services and Sales	\$4,547,119	\$3,122,836	\$42,767,616	\$36,696,035	\$47,314,735	\$39,818,871
Operating Grants and Contributions	4,217,797	3,645,073	0	0	4,217,797	3,645,073
Capital Grants and Contributions	1,029,423	870,520	2,833,839	2,322,848	3,863,262	3,193,368
General revenues:						
Property Taxes	2,004,335	2,083,806	0	0	2,004,335	2,083,806
Income Taxes	14,134,110	13,234,650	0	0	14,134,110	13,234,650
Other Local Taxes	391,507	788,704	0	0	391,507	788,704
Shared Revenues	2,855,315	2,615,769	0	0	2,855,315	2,615,769
Investment Earnings	356,036	322,878	0	0	356,036	322,878
Miscellaneous	409,637	184,303	0	0	409,637	184,303
Total revenues	29,945,279	26,868,539	45,601,455	39,018,883	75,546,734	65,887,422
Program Expenses						
Security of Persons and Property	13,716,187	13,728,378	0	0	13,716,187	13,728,378
Public Health and Welfare Services	896,457	881,427	0	0	896,457	881,427
Leisure Time Activities	1,657,885	1,773,654	0	0	1,657,885	1,773,654
Community Environment	724,170	833,665	0	0	724,170	833,665
Transportation	4,366,390	3,671,092	0	0	4,366,390	3,671,092
General Government	6,571,065	6,143,687	0	0	6,571,065	6,143,687
Interest and Fiscal Charges	218,203	209,429	0	0	218,203	209,429
Gas	0	0	20,229,675	19,558,945	20,229,675	
Water	0	0	7,990,566	6,369,268	7,990,566	6,369,268
Sewer	0	0	6,656,732	6,830,576	6,656,732	6,830,576
Solid Waste	0	0	2,956,661	2,932,207	2,956,661	2,932,207
Storm Water	0	0	600,286	622,369	600,286	622,369
Total expenses	28,150,357	27,241,332	38,433,920	36,313,365	66,584,277	43,995,752
Change in Net Assets before transfers	1,794,922	(372,793)	7,167,535	2,705,518	8,962,457	21,891,670
Transfers	218,643	0	(218,643)	0	0	0
Total Change in Net Assets	2,013,565	(372,793)	6,948,892	2,705,518	8,962,457	21,891,670
Beginning Net Assets, Restated	29,970,566	30,343,359	42,986,710	40,281,192	72,957,276	70,624,551
Ending Net Assets	\$31,984,131	\$29,970,566	\$49,935,602	\$42,986,710	\$81,919,733	\$92,516,221

Governmental Activities

Net assets of the City's governmental activities increased by \$2,013,565. The increase in net assets is a result of an increase in capital assets, specifically streets donated by developers and an increase in Community Development Block Grants receivable.

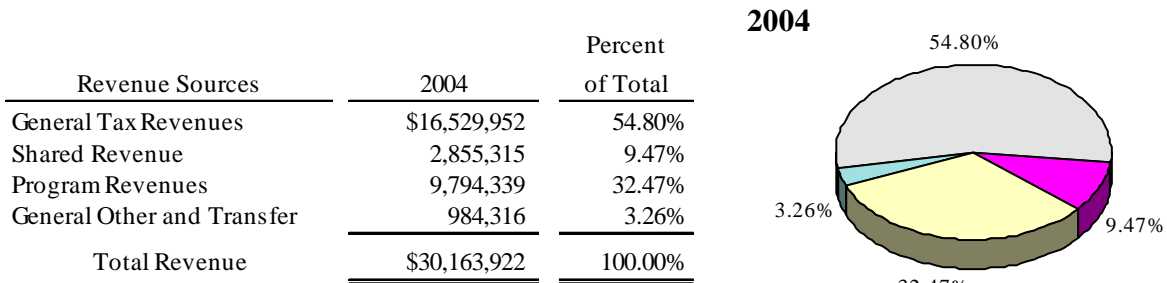
CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

The City receives an income tax, which is based on 1.6% of all salaries, wages, commissions and other compensation and on net profits earned from those working in the City.

Income taxes and property taxes made up 46.7% and 6.6% respectively of revenues for governmental activities for the City in fiscal year 2004. The City's reliance upon tax revenues is demonstrated by the following graph indicating 54.8% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business type activities increased by \$6,948,892. This increase was the result of an increase in infrastructure from developer donated water, sewer and storm water lines and also a full year of charges for storm water services as well as increases in demand for gas.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$9,313,360, which is an increase from last year's balance of \$8,519,941. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004 and 2003:

	Fund Balance December 31, 2004	Fund Balance December 31, 2003	Increase (Decrease)
General	\$4,276,092	\$3,606,622	\$669,470
Capital Improvement	35,792	157,216	(121,424)
Other Governmental	5,001,476	4,756,103	245,373
Total	\$9,313,360	\$8,519,941	\$793,419

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

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

	2004	2003	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$14,157,245	\$13,512,505	\$644,740
Intergovernmental Revenue	2,987,281	2,689,746	297,535
Charges for Services	2,169,730	1,704,447	465,283
Licenses and Permits	10,435	24,357	(13,922)
Investment Earnings	312,762	305,571	7,191
Fines and Forfeitures	842,154	870,120	(27,966)
All Other Revenue	320,884	163,123	157,761
Total	<u>\$20,800,491</u>	<u>\$19,269,869</u>	<u>\$1,530,622</u>

General Fund revenues in 2004 increased approximately 7.9% compared to revenues in fiscal year 2003. The \$.6 million increase in tax revenues is the result of an expanding tax base, both property and income. Another significant factor contributing to this increase was charging the Utilities Collection department rent for office space and collecting commission on the sale of land in the Industrial Park.

	2004	2003	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$12,767,092	\$12,366,330	\$400,762
Public Health and Welfare Services	208,000	223,568	(15,568)
Community Environment	144,153	160,297	(16,144)
General Government	<u>5,763,681</u>	<u>5,641,952</u>	<u>121,729</u>
Total	<u>\$18,882,926</u>	<u>\$18,392,147</u>	<u>\$490,779</u>

General Fund expenditures increased by \$490,779 or 2.7% compared to the prior year primarily due to increased salaries and wages as well as an increase in the workers' compensation premium paid to the State.

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

During the course of fiscal year 2004 the City amended its General Fund budget several times, the positive variance with the final budget of \$1,217,534 is a result of workers' compensation premiums being lower than budgeted and a City-wide effort to contain expenses.

For the General Fund, final budget basis revenue of \$19,851,282 increased by approximately \$700,000 over the original budget estimates of \$19,124,683 as a result of additional charges for services in the form of lease payments from the Utilities Collection department and commissions from the sale of land in the Industrial Park.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004 the City had \$106,032,438 net of accumulated depreciation invested in buildings, equipment and vehicles. Of this total, \$27,689,473 was related to governmental activities and \$78,342,965 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$12,666,640	\$11,140,914	\$1,525,726
Buildings	6,433,049	6,139,739	293,310
Improvements Other than Buildings	5,563,204	5,572,751	(9,547)
Infrastructure	12,487,163	11,289,885	1,197,278
Vehicles	4,466,284	4,510,943	(44,659)
Machinery and Equipment	4,497,457	4,400,046	97,411
Construction In Progress	34,201	1,373,726	(1,339,525)
Less: Accumulated Depreciation	(18,458,525)	(17,415,031)	(1,043,494)
Totals	\$27,689,473	\$27,012,973	\$676,500

The primary increases occurred in land and infrastructure, which was primarily the result of streets donated by developers, and the completion of several projects the City had been constructing.

	Business-Type Activities		Increase (Decrease)
	2004	2003	
Land	\$1,706,991	\$1,100,976	\$606,015
Buildings	34,596,208	13,676,460	20,919,748
Improvements	31,878,305	31,770,709	107,596
Infrastructure	42,760,586	36,370,874	6,389,712
Vehicles	3,427,908	3,104,015	323,893
Machinery and Equipment	9,095,673	7,087,927	2,007,746
Construction in Progress	3,480,725	26,103,342	(22,622,617)
Less: Accumulated Depreciation	(48,603,431)	(45,609,184)	(2,994,247)
Totals	\$78,342,965	\$73,605,119	\$4,737,846

Business type capital assets increased by \$4,737,846. The additions to infrastructure include gas, water, and sanitary sewer lines and storm drainage systems. The increase in building and machinery and equipment was primarily the new water plant and its equipment which were completed in 2004. Additional information on the City's capital assets can be found in Note 9.

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Debt

At December 31, 2004, the City had \$46,849,409 in Ohio Water Development Authority Loans outstanding, \$2,467,477 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
Special Assessment Bond		
with Government Commitment	\$332,500	\$344,500
Long Term Note Payable	3,960,000	2,260,000
Housing and Urban Development Loan	1,120,000	1,210,000
Ohio Public Works Commission Loan	100,420	106,506
Ohio Water Development Authority Loan	0	1,800,000
Compensated Absences	3,407,617	3,080,282
Capital Leases	929,486	826,207
Total Governmental Activities	<u>\$9,850,023</u>	<u>\$9,627,495</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$46,849,409	\$47,881,940
Long Term Note Payable	0	2,400,000
Revenue Bonds Payable	13,506,256	0
Landfill Postclosure Care Liability	2,057,125	2,131,343
Capital Leases	28,679	15,537
Compensated Absences	1,820,864	1,776,990
Total Business-Type Activities	<u>\$64,262,333</u>	<u>\$54,205,810</u>
Totals	<u><u>\$74,112,356</u></u>	<u><u>\$63,833,305</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2004, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

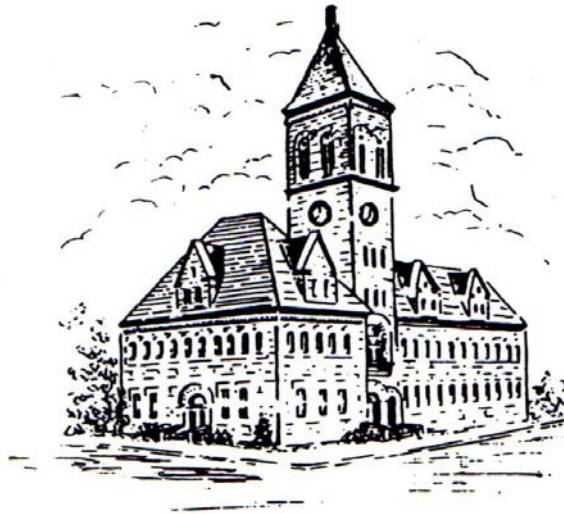
Through a concerted effort of the City's Administration and the Council, work on installing infrastructure necessary to serve the Rock Mill Corporate Park to attract new businesses and industries continued strong in 2004. Efforts to develop the industrial park began in the late 1980's on Phase 1. With annexation of additional land for an extension of the industrial park, the City began intensive planning to provide the necessary infrastructure improvements for Phase 2. Phase 2 Part 1 improvements to create additional industrial/business sites along a southerly extension of Mill Park Drive to State Route 188 were underway in 2004. The proximity of the SR 188/US 33 Lancaster Bypass interchange to this street extension should enhance the park's attractiveness for new industries when the Bypass fully opens in 2005. Further efforts are underway now to serve the SR 188/US 33 interchange to also have those infrastructure improvements in place by 2005.

The City is continuing to work with two national "big box" retailers and several smaller retailers and national restaurant chains to locate near the northwest Memorial Drive commercial corridor. This will further enhance the City's role as a regional commercial center to "cut-off" consumers traveling to Columbus for shopping.

Given no growth in revenue during 2004 and with the uncertainty as to when, if ever, rapid growth may commence, the Administration of the City developed a budget with no increase in operating expenses and a 4% increase in personnel expenses. Since the Capital Improvement Fund has received no additional resources, only a limited street program and other capital improvement projects are on the docket for 2005.

REQUESTS FOR INFORMATION

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



CITY OF LANCASTER, OHIO

**Statement of Net Assets
December 31, 2004**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 4,237,069	\$ 16,630,340	\$ 20,867,409
Investments	2,659,715	8,476,584	11,136,299
Receivables:			
Taxes	5,076,953	0	5,076,953
Accounts	265,759	6,820,019	7,085,778
Intergovernmental	3,466,039	0	3,466,039
Interest	68,481	69,777	138,258
Special Assessments	647,646	0	647,646
Loans	1,241,316	0	1,241,316
Internal Balances	(166,827)	166,827	0
Inventory of Supplies	326,951	6,046,163	6,373,114
Prepaid Items	969,364	38,414	1,007,778
Deferred Charge	0	292,140	292,140
Restricted Assets:			
Cash and Cash Equivalents	101,129	1,636,446	1,737,575
Cash and Cash Equivalents with Fiscal Agent	4,281	0	4,281
Investments	0	435,002	435,002
Capital Assets Not Being Depreciated	12,700,841	5,187,716	17,888,557
Capital Assets Being Depreciated, Net	14,988,632	73,155,249	88,143,881
Total Assets	46,587,349	118,954,677	165,542,026
Liabilities:			
Accounts Payable	551,176	2,712,566	3,263,742
Accrued Wages and Benefits	1,048,949	306,713	1,355,662
Intergovernmental Payable	26,928	19,047	45,975
Claims Payable	307,890	0	307,890
Retainage Payable	101,129	394,380	495,509
Due to Others	0	263,488	263,488
Deferred Revenue	1,940,000	0	1,940,000
Accrued Interest Payable	27,123	1,060,548	1,087,671
General Obligation Notes Payable	750,000	0	750,000
Long Term Liabilities:			
Due within one year	5,227,940	3,226,485	8,454,425
Due in more than one year	4,622,083	61,035,848	65,657,931
Total Liabilities	14,603,218	69,019,075	83,622,293
Net Assets:			
Invested in Capital Assets, Net of Related Debt	20,574,646	26,504,751	47,079,397
Restricted For:			
Streets and Highways	2,904,388	0	2,904,388
Community Development	1,520,443	0	1,520,443
Capital Projects	886,844	0	886,844
Debt Service	702,273	978,578	1,680,851
Perpetual Care, Nonexpendable	770,144	0	770,144
Other Purposes	182,848	0	182,848
Unrestricted	4,442,545	22,452,273	26,894,818
Total Net Assets	\$ 31,984,131	\$ 49,935,602	\$ 81,919,733

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Activities
For the Year Ended December 31, 2004**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 13,716,187	\$ 1,986,291	\$ 135,351	\$ 0
Public Health and Welfare Services	896,457	273,345	3,530	0
Leisure Time Activities	1,657,885	332,834	35,000	0
Community Environment	724,170	0	1,720,726	0
Transportation	4,366,390	763,338	2,267,226	1,029,423
General Government	6,571,065	1,191,311	55,964	0
Interest and Fiscal Charges	218,203	0	0	0
Total Governmental Activities	28,150,357	4,547,119	4,217,797	1,029,423
Business-Type Activities:				
Gas	20,229,675	22,009,172	0	0
Water	7,990,566	8,286,110	0	327,011
Water Pollution	6,656,732	7,174,132	0	1,391,890
Sanitation	2,956,661	3,490,894	0	0
Storm Water	600,286	1,807,308	0	1,114,938
Total Business-Type Activities	38,433,920	42,767,616	0	2,833,839
Totals	\$ 66,584,277	\$ 47,314,735	\$ 4,217,797	\$ 3,863,262

General Revenues:

Property Taxes Levied for:

General Purposes

Special Purposes

Income Tax

Other Local Taxes

Shared Revenue

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (11,594,545)	\$ 0	\$ (11,594,545)
(619,582)	0	(619,582)
(1,290,051)	0	(1,290,051)
996,556	0	996,556
(306,403)	0	(306,403)
(5,323,790)	0	(5,323,790)
(218,203)	0	(218,203)
<u>(18,356,018)</u>	<u>0</u>	<u>(18,356,018)</u>
0	1,779,497	1,779,497
0	622,555	622,555
0	1,909,290	1,909,290
0	534,233	534,233
0	2,321,960	2,321,960
0	7,167,535	7,167,535
<u>(18,356,018)</u>	<u>7,167,535</u>	<u>(11,188,483)</u>
1,657,395	0	1,657,395
346,940	0	346,940
14,134,110	0	14,134,110
391,507	0	391,507
2,855,315	0	2,855,315
356,036	0	356,036
409,637	0	409,637
218,643	(218,643)	0
<u>20,369,583</u>	<u>(218,643)</u>	<u>20,150,940</u>
2,013,565	6,948,892	8,962,457
29,970,566	42,986,710	72,957,276
<u>\$ 31,984,131</u>	<u>\$ 49,935,602</u>	<u>\$ 81,919,733</u>

CITY OF LANCASTER, OHIO

**Balance Sheet
Governmental Funds
December 31, 2004**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,256,700	\$ 480,377	\$ 2,378,894	\$ 4,115,971
Investments	1,429,043	293,657	937,015	2,659,715
Receivables:				
Taxes	4,357,168	57,043	662,742	5,076,953
Accounts	198,139	0	67,620	265,759
Intergovernmental	1,341,591	0	2,124,448	3,466,039
Interest	63,039	0	5,442	68,481
Special Assessments	0	0	647,646	647,646
Loans	0	0	1,241,316	1,241,316
Due from Other Funds	53,111	0	0	53,111
Inventory of Supplies	135,809	0	182,873	318,682
Prepaid Items	58,777	0	12,645	71,422
Restricted Assets:				
Cash and Cash Equivalents	0	101,129	0	101,129
Cash and Cash Equivalents with Fiscal Agent	4,281	0	0	4,281
Total Assets	\$ 8,897,658	\$ 932,206	\$ 8,260,641	\$ 18,090,505
Liabilities:				
Accounts Payable	\$ 259,103	\$ 22,725	\$ 260,542	\$ 542,370
Accrued Wages and Benefits Payable	915,386	0	123,843	1,039,229
Intergovernmental Payable	26,928	0	0	26,928
Retainage Payable	0	101,129	0	101,129
Deferred Revenue	3,420,149	19,909	2,874,780	6,314,838
Accrued Interest Payable	0	2,651	0	2,651
General Obligation Notes Payable	0	750,000	0	750,000
Total Liabilities	4,621,566	896,414	3,259,165	8,777,145
Fund Balances:				
Reserved for Encumbrances	141,417	134,106	52,351	327,874
Reserved for Prepaid Items	58,777	0	12,645	71,422
Reserved for Supplies Inventory	135,809	0	182,873	318,682
Reserved for Debt Service	0	0	79,099	79,099
Reserved for Loans Receivable	0	0	1,241,316	1,241,316
Reserved for Endowments	0	0	770,144	770,144
Unreserved, Undesignated in:				
General Fund	3,940,089	0	0	3,940,089
Special Revenue Funds	0	0	2,581,905	2,581,905
Capital Projects Funds	0	(98,314)	81,143	(17,171)
Total Fund Balances	4,276,092	35,792	5,001,476	9,313,360
Total Liabilities and Funds Balances	\$ 8,897,658	\$ 932,206	\$ 8,260,641	\$ 18,090,505

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2004***

Total Governmental Fund Balances		\$ 9,313,360
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		27,611,894
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		4,374,838
Internal Service Funds are used by management to charge the costs of insurance, information services and electrical services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		486,127
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
	Housing and Urban Development Loan Payable	(1,120,000)
	Special Assessment Bonds Payable	(332,500)
	Ohio Public Works Commission Loans Payable	(100,420)
	Long Term Notes Payable	(3,960,000)
	Capital Leases Payable	(929,486)
	Compensated Absences Payable	(3,335,210)
	Accrued Interest Payable	(24,472)
		<u>(9,802,088)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 31,984,131</u></u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 14,157,245	\$ 248,361	\$ 1,683,268	\$ 16,088,874
Intergovernmental Revenues	2,987,281	260,340	3,119,502	6,367,123
Charges for Services	2,169,730	0	1,416,528	3,586,258
Licenses, Permits and Fees	10,435	0	905	11,340
Investment Earnings	312,762	0	34,829	347,591
Special Assessments	0	0	36,873	36,873
Fines and Forfeitures	842,154	0	333,671	1,175,825
All Other Revenue	320,884	46,293	149,648	516,825
Total Revenue	20,800,491	554,994	6,775,224	28,130,709
Expenditures:				
Current:				
Security of Persons and Property	12,767,092	0	710,142	13,477,234
Public Health and Welfare	208,000	0	637,713	845,713
Leisure Time Activities	0	0	1,463,661	1,463,661
Community Environment	144,153	0	569,633	713,786
Transportation	0	0	4,001,483	4,001,483
General Government	5,763,681	0	357,729	6,121,410
Capital Outlay	0	880,299	18,857	899,156
Debt Service:				
Principal Retirement	0	4,060,000	108,086	4,168,086
Interest and Fiscal Charges	0	105,198	125,184	230,382
Total Expenditures	18,882,926	5,045,497	7,992,488	31,920,911
Excess (Deficiency) of Revenues Over Expenditures	1,917,565	(4,490,503)	(1,217,264)	(3,790,202)
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	3,960,000	0	3,960,000
Transfers In	194,248	409,079	1,243,035	1,846,362
Transfers Out	(1,446,064)	0	(247,050)	(1,693,114)
Other Financing Source - Capital Lease	15,049	0	450,000	465,049
Total Other Financing Sources (Uses)	(1,236,767)	4,369,079	1,445,985	4,578,297
Net Change in Fund Balances	680,798	(121,424)	228,721	788,095
Fund Balances at Beginning of Year	3,606,622	157,216	4,756,103	8,519,941
Increase (Decrease) in Inventory Reserve	(11,328)	0	16,652	5,324
Fund Balances End of Year	\$ 4,276,092	\$ 35,792	\$ 5,001,476	\$ 9,313,360

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2004**

Net Change in Fund Balances - Total Governmental Funds		\$ 788,095
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlay	879,986	
Depreciation Expense	<u>(1,425,958)</u>	(545,972)
The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.		
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		
	1,585,684	
The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.		
	<u>(4,369)</u>	1,581,315
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		785,147
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Long Term Notes Payable Issued		(3,960,000)
Capital Leases		(465,049)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Housing and Urban Development Loan Payable	90,000	
Special Assessment Bonds Payable	12,000	
Ohio Public Works Commission Loans Payable	6,086	
Ohio Water Development Authority Loan Payable	2,000,000	
Long Term Notes Payable	2,060,000	
Capital Leases Payable	<u>359,679</u>	4,527,765
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		12,179
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated Absences	(382,184)	
Change in Inventory	<u>5,324</u>	(376,860)
Internal Service Funds used by management to charge the costs of insurance information services and electrical services to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.		
		(333,055)
Change in Net Assets of Governmental Activities		<u>\$ 2,013,565</u>
See accompanying notes to the basic financial statements		



CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 13,591,000	\$ 13,613,981	\$ 13,627,359	\$ 13,378
Intergovernmental Revenue	2,893,760	2,998,704	3,045,306	46,602
Charges for Services	1,304,400	1,700,746	2,218,732	517,986
Licenses, Permits and Fees	23,000	23,000	19,685	(3,315)
Investment Earnings	314,000	320,480	282,440	(38,040)
Fines and Forfeitures	873,610	875,190	829,703	(45,487)
All Other Revenues	124,913	319,181	320,651	1,470
Total Revenues	<u>19,124,683</u>	<u>19,851,282</u>	<u>20,343,876</u>	<u>492,594</u>
Expenditures:				
Current:				
Security of Persons and Property	13,668,507	13,717,933	13,160,801	557,132
Public Health and Welfare Services	208,500	208,500	208,000	500
Community Environment	177,246	177,246	159,828	17,418
General Government	6,886,693	7,216,684	6,574,200	642,484
Total Expenditures	<u>20,940,946</u>	<u>21,320,363</u>	<u>20,102,829</u>	<u>1,217,534</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,816,263)	(1,469,081)	241,047	1,710,128
Other Financing Sources (Uses):				
Transfers In	944,999	847,400	791,064	(56,336)
Transfers Out	(1,239,766)	(1,462,398)	(1,446,064)	16,334
Advances In	0	0	601,330	601,330
Advances Out	0	(601,330)	(601,330)	0
Total Other Financing Sources (Uses):	<u>(294,767)</u>	<u>(1,216,328)</u>	<u>(655,000)</u>	<u>561,328</u>
Net Change in Fund Balance	(2,111,030)	(2,685,409)	(413,953)	2,271,456
Fund Balance at Beginning of Year	2,396,057	2,396,057	2,396,057	0
Prior Year Encumbrances	278,532	278,532	278,532	0
Fund Balance at End of Year	<u>\$ 563,559</u>	<u>\$ (10,820)</u>	<u>\$ 2,260,636</u>	<u>\$ 2,271,456</u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2004**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 2,184,848	\$ 6,777,020	\$ 5,860,078	\$ 982,989
Investments	1,200,466	3,495,362	2,977,268	496,404
Accounts receivable (net of allow for uncollectibles)	4,130,073	1,108,881	908,680	466,976
Interest receivable	0	35,253	30,180	4,344
Interfund Loans Receivable	0	0	511,330	0
Inventory of Supplies	5,171,612	762,653	37,007	29,733
Prepaid Items	11,181	13,421	9,828	3,404
Total current assets	<u>12,698,180</u>	<u>12,192,590</u>	<u>10,334,371</u>	<u>1,983,850</u>
Noncurrent assets:				
Restricted Assets:				
Cash and Cash Equivalents	192,342	1,033,113	410,991	0
Investments	0	0	0	435,002
Total restricted assets	<u>192,342</u>	<u>1,033,113</u>	<u>410,991</u>	<u>435,002</u>
Deferred Charges	0	181,390	110,750	0
Capital assets:				
Capital Assets Not Being Depreciated	307,742	3,687,263	1,062,181	105,120
Capital Assets Being Depreciated	5,638,562	35,835,741	25,399,008	1,670,593
Total capital assets (net of accumulated depr)	<u>5,946,304</u>	<u>39,523,004</u>	<u>26,461,189</u>	<u>1,775,713</u>
Total noncurrent assets	<u>6,138,646</u>	<u>40,737,507</u>	<u>26,982,930</u>	<u>2,210,715</u>
Total assets	<u>18,836,826</u>	<u>52,930,097</u>	<u>37,317,301</u>	<u>4,194,565</u>

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 608,096	\$ 16,413,031	\$ 338,407
307,084	8,476,584	0
205,409	6,820,019	0
0	69,777	0
0	511,330	0
0	6,001,005	53,427
0	37,834	898,522
<u>1,120,589</u>	<u>38,329,580</u>	<u>1,290,356</u>
0	1,636,446	0
0	435,002	0
<u>0</u>	<u>2,071,448</u>	<u>0</u>
0	292,140	0
25,410	5,187,716	0
<u>4,475,786</u>	<u>73,019,690</u>	<u>213,138</u>
<u>4,501,196</u>	<u>78,207,406</u>	<u>213,138</u>
<u>4,501,196</u>	<u>80,570,994</u>	<u>213,138</u>
<u>5,621,785</u>	<u>118,900,574</u>	<u>1,503,494</u>

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2004**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
LIABILITIES				
Current liabilities:				
Accounts Payable	2,158,356	268,642	189,047	70,229
Accrued Wages and Benefits	57,448	98,766	53,594	49,538
Intergovernmental Payable	4,358	4,339	10,350	0
Claims Payable	0	0	0	0
Retainage Payable	0	394,380	0	0
Due to Others	192,342	35,573	35,573	0
Due to Other Funds	0	0	0	53,111
Interfund Loans Payable	0	0	0	0
Accrued Interest Payable	0	535,622	463,519	61,407
Capital Leases Payable - Current	12,400	6,528	0	0
Revenue Bond Payable - Current	0	205,000	125,000	0
OWDA Loans Payable - Current	0	970,854	1,328,153	168,470
Compensated Absences Payable - Current	75,845	142,729	77,246	49,033
Total Current Liabilities	2,500,749	2,662,433	2,282,482	451,788
Noncurrent Liabilities:				
Capital Leases Payable	0	0	0	0
Revenue Bonds Payable	0	8,127,740	5,048,516	0
OWDA Loans Payable	0	24,256,563	17,211,936	2,913,433
Landfill Postclosure Care Liability	0	0	0	2,057,125
Compensated Absences Payable	335,711	419,059	301,041	94,407
Total noncurrent liabilities	335,711	32,803,362	22,561,493	5,064,965
Total Liabilities	2,836,460	35,465,795	24,843,975	5,516,753
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,933,904	9,715,277	3,141,569	3,086,997
Restricted for Debt Service	0	603,160	375,418	0
Unrestricted	10,066,462	7,145,865	8,956,339	(4,409,185)
Total Net Assets	\$ 16,000,366	\$ 17,464,302	\$ 12,473,326	\$ (1,322,188)

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

Total Net Assets of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
2,734	2,689,008	32,364
6,158	265,504	50,929
0	19,047	0
0	0	307,890
0	394,380	0
0	263,488	0
0	53,111	0
511,330	511,330	0
0	1,060,548	0
0	18,928	1,629
0	330,000	0
0	2,467,477	0
<u>5,792</u>	<u>350,645</u>	<u>74,248</u>
<u>526,014</u>	<u>8,423,466</u>	<u>467,060</u>
0	0	8,122
0	13,176,256	0
0	44,381,932	0
0	2,057,125	0
<u>0</u>	<u>1,150,218</u>	<u>318,160</u>
<u>0</u>	<u>60,765,531</u>	<u>326,282</u>
<u>526,014</u>	<u>69,188,997</u>	<u>793,342</u>
4,501,196	26,378,943	203,387
0	978,578	0
<u>594,575</u>	<u>22,354,056</u>	<u>506,765</u>
<u>\$ 5,095,771</u>	<u>\$ 49,711,577</u>	<u>\$ 710,152</u>
	224,025	
	<u>\$ 49,935,602</u>	

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Operating Revenues:				
Charges for Services	\$ 20,382,286	\$ 8,206,549	\$ 7,093,060	\$ 3,475,208
Other Operating Revenues	1,626,886	6,402	48	10,233
Total Operating Revenues	22,009,172	8,212,951	7,093,108	3,485,441
Operating Expenses:				
Personal Services	1,324,350	2,807,716	1,398,379	1,390,535
Contractual Services	761,215	992,936	1,778,398	1,086,323
Materials and Supplies	17,589,180	1,435,987	575,424	156,952
Depreciation	455,913	1,339,540	1,910,335	168,393
Total Operating Expenses	20,130,658	6,576,179	5,662,536	2,802,203
Operating Income (Loss)	1,878,514	1,636,772	1,430,572	683,238
Non-Operating Revenue (Expenses):				
Interest Income	0	73,159	81,024	5,453
Interest and Fiscal Charges	0	(1,201,518)	(910,968)	(124,442)
Loss on Disposal of Capital Assets	0	(129,934)	(7,490)	(14,566)
Intergovernmental Grants	0	0	647,369	0
Total Non-Operating Revenues (Expenses)	0	(1,258,293)	(190,065)	(133,555)
Income(Loss) Before Contributions and Transfers	1,878,514	378,479	1,240,507	549,683
Capital Contributions	0	327,011	744,521	0
Transfers In	0	484,626	288,683	0
Transfers Out	(564,976)	0	(484,626)	0
Change in Net Assets	1,313,538	1,190,116	1,789,085	549,683
Net Assets Beginning of Year, Restated	14,686,828	16,274,186	10,684,241	(1,871,871)
Net Assets End of Year	\$ 16,000,366	\$ 17,464,302	\$ 12,473,326	\$ (1,322,188)

Change in Net Assets of Business Type Activities

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

Change in Net Assets of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Storm Water	Total	Internal Service Funds
\$ 1,807,308	\$ 40,964,411	\$ 7,183,472
0	1,643,569	10,333
<u>1,807,308</u>	<u>42,607,980</u>	<u>7,193,805</u>
149,100	7,070,080	6,365,741
396,290	5,015,162	508,745
20,086	19,777,629	364,130
37,310	3,911,491	47,939
<u>602,786</u>	<u>35,774,362</u>	<u>7,286,555</u>
<u>1,204,522</u>	<u>6,833,618</u>	<u>(92,750)</u>
0	159,636	0
0	(2,236,928)	0
0	(151,990)	(20,079)
<u>0</u>	<u>647,369</u>	<u>0</u>
<u>0</u>	<u>(1,581,913)</u>	<u>(20,079)</u>
1,204,522	5,251,705	(112,829)
1,114,938	2,186,470	0
64,233	837,542	36,509
<u>(6,583)</u>	<u>(1,056,185)</u>	<u>(527,375)</u>
2,377,110	7,219,532	(603,695)
<u>2,718,661</u>	<u>42,492,045</u>	<u>1,313,847</u>
<u>\$ 5,095,771</u>	<u>\$ 49,711,577</u>	<u>\$ 710,152</u>
	\$ 7,219,532	
	(270,640)	
	<u>\$ 6,948,892</u>	

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$21,977,394	\$8,015,247	\$7,031,122	\$3,420,253
Cash Payments for Goods and Services	(19,299,768)	(2,463,281)	(2,329,522)	(1,272,810)
Cash Payments to and on behalf of Employees	(1,339,125)	(2,918,686)	(1,433,936)	(1,456,439)
Customer Deposits Received	125,536	23,215	23,215	0
Customer Deposits Returned	(112,026)	(20,717)	(20,717)	0
Net Cash Provided (Used) by Operating Activities	1,352,011	2,635,778	3,270,162	691,004
<u>Cash Flows from Noncapital Financing Activities:</u>				
Receipt of Interfund Loan	0	0	0	0
Interfund Loan	0	0	(511,330)	0
Receipt of Interfund Loan Repayment	0	0	640,330	0
Repayment of Interfund Loan	0	0	0	0
Transfers In from Other Funds	0	485,126	6,583	0
Transfers Out to Other Funds	0	0	(484,626)	0
Net Cash Provided (Used) by Noncapital Financing Activities	0	485,126	(349,043)	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Ohio Water Development				
Authority Loans	0	34,396	0	0
Proceeds from Revenue Bonds Payable	0	8,151,350	5,062,766	0
Proceeds from General Obligation Notes		9,431,000	3,549,000	0
Proceeds from Grant	0	0	647,369	0
Acquisition and Construction of Assets	(624,743)	(3,758,996)	(1,986,570)	(388,321)
Principal Paid on General Obligation Notes	0	(9,431,000)	(5,949,000)	0
Capital Lease Payments	(12,977)	(9,009)	0	0
Retainage Payment	(29,791)	(285,380)	(44,220)	0
Principal Paid on Ohio Water				
Development Authority Loans	0	(471,405)	(429,680)	(81,777)
Interest Paid on All Debt	0	(665,896)	(552,468)	(63,035)
Net Cash Provided (Used) by Capital and Related Financing Activities	(667,511)	2,995,060	297,197	(533,133)
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	(1,200,466)	(3,495,362)	(2,977,268)	(931,406)
Maturity of Investments	0	0	0	451,728
Receipt of Investment Earnings	0	37,406	50,844	6,029
Net Cash Used for Investing Activities	(1,200,466)	(3,457,956)	(2,926,424)	(473,649)
Net Increase (Decrease) in Cash and Cash Equivalents	(515,966)	2,658,008	291,892	(315,778)
Cash and Cash Equivalents at Beginning of Year	2,893,156	5,152,125	5,979,177	1,298,767
Cash and Cash Equivalents at End of Year	\$2,377,190	\$7,810,133	\$6,271,069	\$982,989
<u>Reconciliation of Cash and</u>				
<u>Cash Equivalents per the Balance Sheet:</u>				
Cash and Cash Equivalents	\$2,184,848	\$6,777,020	\$5,860,078	\$982,989
Restricted Cash and Cash Equivalents	192,342	1,033,113	410,991	0
Cash and Cash Equivalents at End of Year	\$2,377,190	\$7,810,133	\$6,271,069	\$982,989

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$1,670,328	\$42,114,344	\$7,195,555
(413,642)	(25,779,023)	(757,968)
(146,390)	(7,294,576)	(6,879,721)
0	171,966	0
0	(153,460)	0
<u>1,110,296</u>	<u>9,059,251</u>	<u>(442,134)</u>
1,022,660	1,022,660	0
0	(511,330)	0
0	640,330	0
(1,151,660)	(1,151,660)	0
0	491,709	0
(6,583)	(491,209)	(153,248)
<u>(135,583)</u>	<u>500</u>	<u>(153,248)</u>
0	34,396	0
0	13,214,116	0
0	12,980,000	0
0	647,369	0
(147,134)	(6,905,764)	(31,117)
0	(15,380,000)	0
0	(21,986)	(2,469)
0	(359,391)	0
0	(982,862)	0
0	(1,281,399)	0
<u>(147,134)</u>	<u>1,944,479</u>	<u>(33,586)</u>
(307,084)	(8,911,586)	0
0	451,728	0
0	94,279	0
<u>(307,084)</u>	<u>(8,365,579)</u>	<u>0</u>
520,495	2,638,651	(628,968)
87,601	15,410,826	967,375
<u>\$608,096</u>	<u>\$18,049,477</u>	<u>\$338,407</u>
\$608,096	\$16,413,031	\$338,407
0	1,636,446	0
<u>\$608,096</u>	<u>\$18,049,477</u>	<u>\$338,407</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$1,878,514	\$1,636,772	\$1,430,572	\$683,238
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	455,913	1,339,540	1,910,335	168,393
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(31,778)	(197,704)	(61,986)	(65,188)
(Increase) Decrease in Inventory	(1,365,943)	(77,576)	(11,714)	(1,062)
(Increase) Decrease in Prepaid Items	2,186	(2,059)	(418)	(511)
Increase (Decrease) in Accounts Payable	410,198	45,045	36,404	(6,707)
Decrease in Accrued Wages and Benefits	(32,386)	(64,767)	(30,650)	(28,701)
Increase in Due to Other Funds	0	0	0	30,356
Increase in Intergovernmental Payable	4,358	311	0	0
Increase in Customer Deposits	13,510	2,498	2,498	0
Decrease in Landfill Postclosure Care Liability	0	0	0	(74,218)
Increase (Decrease) in Compensated Absences	17,439	(46,282)	(4,879)	(14,596)
Decrease in Claims Payable	0	0	0	0
Total Adjustments	<u>(526,503)</u>	<u>999,006</u>	<u>1,839,590</u>	<u>7,766</u>
Net Cash Provided (Used) by Operating Activities	<u>\$1,352,011</u>	<u>\$2,635,778</u>	<u>\$3,270,162</u>	<u>\$691,004</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2004 the Water and Water Pollution Funds had outstanding liabilities of \$121,637 and \$81,696 respectively for certain capital assets. Bond Issuance costs of \$181,390 and \$110,750 were deducted from bond proceeds in the Water Fund and Water Pollution Funds and were capitalized and will be amortized over the debt repayment period.

During 2004 the Water, Water Pollution and Storm Water Funds received capital contributions from developers of \$327,011, \$744,521 and \$1,114,938 respectively. In addition the Water Pollution and Storm Water Funds received capital assets from other funds of \$282,100 and \$64,233.

The Gas and Utilities Collection Fund entered in capital lease obligations of \$25,377 and \$10,129, respectively.

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$1,204,522	\$6,833,618	(\$92,750)
37,310	3,911,491	47,939
(136,980)	(493,636)	1,750
0	(1,456,295)	130,884
0	(802)	(393,751)
2,734	487,674	(17,553)
846	(155,658)	(48,385)
0	30,356	0
0	4,669	0
0	18,506	0
0	(74,218)	0
1,864	(46,454)	35,479
0	0	(105,747)
<u>(94,226)</u>	<u>2,225,633</u>	<u>(349,384)</u>
<u>\$1,110,296</u>	<u>\$9,059,251</u>	<u>(\$442,134)</u>

CITY OF LANCASTER, OHIO

***Statement of Net Assets
Fiduciary Funds
December 31, 2004***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 128,570
Due from Other Funds	<u>4,747</u>
Total Assets	<u>133,317</u>
Liabilities:	
Due to Other Funds	4,747
Intergovernmental Payable	4,747
Due to Others	<u>123,823</u>
Total Liabilities	<u>133,317</u>
Total Net Assets	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2004 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

The City participates in several Jointly Governed Organizations that are further described in Note 17.

B. Basis of Presentation - Fund Accounting

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

D. Basis of Accounting

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Property taxes measurable as of December 31, 2004 but which are not intended to finance 2004 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

E. Budgetary Process

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level (the legal level of control). The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. During 2004, several supplemental appropriations were legally enacted by Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear on the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$680,798
Increase (Decrease):	
Accrued Revenues at December 31, 2004 received during 2005	(2,664,412)
Accrued Revenues at December 31, 2003 received during 2004	2,158,656
Accrued Expenditures at December 31, 2004 paid during 2005	1,201,417
Accrued Expenditures at December 31, 2003 paid during 2004	(1,441,658)
2003 Prepays for 2004	59,718
2004 Prepays for 2005	(58,777)
Outstanding Encumbrances	<u>(349,695)</u>
Budget Basis	<u><u>(\$413,953)</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. See Note 4, "Cash, Cash Equivalents and Investments."

The City pools its cash, except for that held by fiscal and escrow agents and fiduciary fund cash and investments, for maximum investing efficiency. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

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

The City has invested funds in STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004. See Note 4, "Cash, Cash Equivalents and Investments."

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, state and federal grants for security of persons and property, public transportation and community development and mandatory fines for various court programs.

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

N. Pensions

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

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

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, inventories, loans receivable, debt service, endowments and encumbered amounts not accrued at year end.

Q. Restricted Assets

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

R. Operating Revenues and Expenses

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 2 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2004, the City discovered some errors in capital assets and notes payable. The correction resulted in the restatement of the net assets at December 31, 2003 for the enterprise funds, business-type activities and governmental activities as follows:

	Gas Fund	Water Fund	Water Pollution Fund	Storm Water Fund
Net Assets at December 31, 2003 as reported	\$14,379,086	\$16,880,685	\$11,779,492	\$2,205,420
Restate Notes Payable	0	0	(200,000)	0
Restate Capital Assets	307,742	(606,499)	(895,251)	513,241
Net Assets at December 31, 2003 as restated	<u>\$14,686,828</u>	<u>\$16,274,186</u>	<u>\$10,684,241</u>	<u>\$2,718,661</u>

	Governmental Activities	Total Business-Type Activities
Net Assets		
December 31, 2003	\$30,354,371	\$43,867,477
Restate Notes Payable	200,000	(200,000)
Restate Capital Assets	(583,805)	(680,767)
Restated Net Assets, December 31, 2003	<u>\$29,970,566</u>	<u>\$42,986,710</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equities

The fund deficit at December 31, 2004 of \$63,435 in the Lancaster Public Transit Program Fund (special revenue fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The accumulated deficit of \$1,322,188 in the Sanitation Fund (enterprise fund) is the result of recognizing a liability for landfill postclosure care costs and loans payable to the Ohio Water Development Authority for landfill postclosure care costs. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures over Appropriations

For the year ended December 31, 2004, expenditures exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>
Drug Enforcement Fund:	
Security of Persons and Property:	
Operations and Maintenance	\$93,184
Capital Improvement Fund	
Principal Retirement	185,547

The excess expenditures were funded from available fund balance.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds.

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits

At year end the carrying amount of the City's deposits was \$4,570,531 (including cash with fiscal agents) and the bank balance was \$5,804,211. Federal depository insurance covered \$500,000 of the bank balance. All remaining deposits were classified as Category 3. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investment earnings of \$286,494 earned by other funds was credited to the General Fund as required by state statute.

B. Investments

The City's investments at December 31, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Local Securities	\$832,500	\$0	\$832,500
U. S. Agencies	0	7,969,740	7,969,740
Repurchase Agreement	0	20,454,698	20,454,698
Total Categorized Investments	<u>832,500</u>	<u>28,424,438</u>	<u>29,256,938</u>
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	481,667
Total Non-Categorized Investments	<u>N/A</u>	<u>N/A</u>	<u>481,667</u>
Total Investments	<u>\$832,500</u>	<u>\$28,424,438</u>	<u>\$29,738,605</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$22,737,835	\$11,571,301
Certificates of Deposit (with maturities of more than 3 months)	2,769,061	(2,769,061)
Investments:		
STAR Ohio	(481,667)	481,667
Repurchase Agreement	<u>(20,454,698)</u>	<u>20,454,698</u>
Per GASB Statement No. 3	<u>\$4,570,531</u>	<u>\$29,738,605</u>

* Includes Cash with Fiscal Agent

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

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

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

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

The full tax rate for the City's operations for the year ended December 31, 2004 was \$3.40 per \$1,000 of assessed value. The assessed value upon which the 2004 property tax receipts were based was \$672,465,949. This amount constitutes \$572,493,700 in real property assessed value, \$83,596,629 in tangible personal property assessed value and \$16,375,620 in public utility property.

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 5 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1.6%, .6% of which is voter approved, on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. The City allows a credit of 100% of the first 1.0% unvoted tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2004 consisted of taxes, accounts, net of allowance for doubtful accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues.

NOTE 7 – INTERFUND ACCOUNTS

Interfund balances at December 31, 2004 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$53,111	\$0
Enterprise Fund:		
Sanitation	0	53,111
Agency Funds:		
Municipal Court	0	4,747
Law Library	4,747	0
Total Agency Funds	<u>4,747</u>	<u>4,747</u>
Totals	<u>\$57,858</u>	<u>\$57,858</u>
	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Enterprise Fund:		
Water Pollution	\$511,330	\$0
Storm Water	0	511,330
Totals	<u>\$511,330</u>	<u>\$511,330</u>

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2004 of \$166,827 which was offset in the Governmental Activities by the same amount. The Due to Other Funds is a reimbursement of expenditures made by the General Fund. The Interfund Loan is a short-term loan to cover a temporary cash deficit.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2004:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$194,248	\$1,446,064
Capital Improvement Fund	409,079	0
Nonmajor Governmental Funds	1,243,035	247,050
Enterprise Funds:		
Gas Fund	0	331,402
Water Fund	484,626	0
Water Pollution Fund	288,683	484,626
Storm Water Fund	64,233	6,583
Internal Service Funds	36,509	204,688
Total Transfers In	<u>\$2,720,413</u>	<u>\$2,720,413</u>
Transfers out of Proprietary Funds to general capital assets		556,261
Total Transfers Out		<u>\$3,276,674</u>

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

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2004:

Class	Restated				December 31, 2004
	December 31, 2003	Transfers	Additions	Deletions	
Historical Cost:					
<i>Capital assets not being depreciated:</i>					
Land	\$11,140,914	\$0	\$1,525,726	\$0	\$12,666,640
Construction in Progress	1,373,726	0	302,401	(1,641,926)	34,201
Subtotal	12,514,640	0	1,828,127	(1,641,926)	12,700,841
<i>Capital assets being depreciated:</i>					
Buildings	6,139,739	(10,780)	305,490	(1,400)	6,433,049
Improvements Other than Buildings	5,572,751	(2,040)	1,425	(8,932)	5,563,204
Vehicles	4,510,943	66,472	104,548	(215,679)	4,466,284
Machinery and Equipment	4,400,046	0	349,392	(251,981)	4,497,457
Infrastructure	11,289,885	0	1,210,812	(13,534)	12,487,163
Subtotal	31,913,364	53,652	1,971,667	(491,526)	33,447,157
Total Cost	<u>\$44,428,004</u>	<u>\$53,652</u>	<u>\$3,799,794</u>	<u>(\$2,133,452)</u>	<u>\$46,147,998</u>
Accumulated Depreciation:					
Class	Restated				December 31, 2004
	December 31, 2003	Transfers	Additions	Deletions	
Buildings	(\$2,344,710)	\$943	(\$142,387)	\$261	(\$2,485,893)
Improvements Other than Buildings	(2,843,374)	357	(187,704)	6,475	(3,024,246)
Vehicles	(3,727,628)	(69,883)	(324,611)	215,680	(3,906,442)
Machinery and Equipment	(2,977,014)	0	(318,566)	238,102	(3,057,478)
Infrastructure	(5,522,305)	0	(469,078)	6,917	(5,984,466)
Total Depreciation	<u>(\$17,415,031)</u>	<u>(\$68,583)</u>	<u>(\$1,442,346) *</u>	<u>\$467,435</u>	<u>(\$18,458,525)</u>
Net Value:	<u>\$27,012,973</u>				<u>\$27,689,473</u>

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 9 – CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$284,471)
Leisure Time Activities	(152,080)
Community Environment	(6,650)
Public Health & Welfare	(23,930)
Transportation	(724,611)
General Government	(234,216)
Internal Service Fund Capital Assets	(16,388)
Total Depreciation Expense	<u>(\$1,442,346)</u>

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2004:

<i>Historical Cost:</i>	Restated December 31, 2003	Transfers	Additions	Deletions	December 31, 2004
<i>Capital assets not being depreciated:</i>					
Land	\$1,100,976	\$0	\$606,015	\$0	\$1,706,991
Construction in Progress	26,103,342	0	5,532,287	(28,154,904)	3,480,725
Subtotal	27,204,318	0	6,138,302	(28,154,904)	5,187,716
<i>Capital assets being depreciated:</i>					
Buildings	13,676,460	10,780	20,908,968	0	34,596,208
Improvements	31,770,709	2,040	218,354	(112,798)	31,878,305
Vehicles	3,104,015	(66,472)	554,302	(163,937)	3,427,908
Machinery and Equipment	7,087,927	0	2,204,547	(196,801)	9,095,673
Infrastructure	36,370,874	0	6,948,735	(559,023)	42,760,586
Subtotal	92,009,985	(53,652)	30,834,906	(1,032,559)	121,758,680
Total Cost	<u>\$119,214,303</u>	<u>(\$53,652)</u>	<u>\$36,973,208</u>	<u>(\$29,187,463)</u>	<u>\$126,946,396</u>
<i>Accumulated Depreciation:</i>	Restated December 31, 2003	Additions	Additions	Deletions	December 31, 2004
Buildings	(\$5,892,195)	(\$943)	(\$548,362)	\$0	(\$6,441,500)
Improvements	(14,202,610)	(357)	(1,501,778)	81,901	(15,622,844)
Vehicles	(2,490,745)	69,883	(288,165)	149,371	(2,559,656)
Machinery and Equipment	(5,310,420)	0	(482,197)	187,007	(5,605,610)
Infrastructure	(17,713,214)	0	(1,122,540)	461,933	(18,373,821)
Total Depreciation	<u>(\$45,609,184)</u>	<u>\$68,583</u>	<u>(\$3,943,042)</u>	<u>\$880,212</u>	<u>(\$48,603,431)</u>
<i>Net Value:</i>	<u>\$73,605,119</u>	<u>\$14,931</u>	<u>\$33,030,166</u>	<u>(\$28,307,251)</u>	<u>\$78,342,965</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2004, 2003 and 2002 were \$1,551,287, \$1,542,139 and \$1,495,828, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$457,945.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 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 Ohio PERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$632,394, \$595,412 and \$579,430 for police and \$885,211, \$867,734 and \$854,147 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2004 covered payroll that was used to fund postemployment health care benefits was \$251,336 representing 7.75% of covered payroll for police and \$285,849 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2003, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 11 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions. The City has purchased its own Notes Payables for Rising Park Improvements/Land Acquisition. This note is recorded as an investment in the General Fund. \$3,960,000 of Various Purpose Improvement Notes Payable are considered long-term because General Obligation Bonds were issued in March 2005 to replace the notes. See Note 12.

	Maturity Date	Balance January 1, 2003	Additions	(Reductions)	Balance December 31, 2004
Capital Projects Notes Payable:					
3.50% Rising Park Improvement/ Land Acquisition	11/27/2004	\$550,000	\$0	(\$550,000)	\$0
3.00% Rising Park Improvement/ Land Acquisition	11/23/2005	0	500,000	0	500,000
1.51% Law Enforcement Building	11/11/2004	375,000	0	(375,000)	0
3.00% Law Enforcement Building	11/10/2005	0	250,000	0	250,000
2.02% Various Purpose	9/28/2004	0	3,960,000	(3,960,000)	0
Total Capital Projects Notes Payable		\$925,000	\$4,710,000	(\$4,885,000)	\$750,000
Enterprise Funds Notes Payable:					
1.46% Water System	9/10/2004	\$0	\$9,431,000	(\$9,431,000)	\$0
2.02% Rockmill Improvement	6/25/2004	0	1,200,000	(1,200,000)	0
1.46% Wastewater System	9/10/2004	0	2,349,000	(2,349,000)	0
Total Enterprise Notes Payable		\$0	\$12,980,000	(\$12,980,000)	\$0

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2004 were as follows:

	Restated Balance December 31,			Balance December 31,	Due Within
	2003	Additions	(Reductions)	2004	One Year
Business-Type Activities:					
Ohio Water Development Authority Loans (OWDA):					
2003 2.00% Water Treatment Plant/Clearwells/Wellfield	\$172,799	\$0	(\$2,523)	\$170,276	\$5,122
2001 4.14% Water Transmission Line/Waste Force Main	5,180,333	0	(98,823)	5,081,510	203,825
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	20,311,294	34,396	(370,059)	19,975,631	761,907
1989 8.48% Water Pollution Control Plant	6,293,546	0	(212,315)	6,081,231	442,634
1990 7.74% Water Pollution Control Plant (Supplement)	130,302	0	(4,553)	125,749	9,458
1993 2.94% Water Pollution Control Plant (Supplement)	8,939,574	0	(233,364)	8,706,210	646,494
1996 3.16% Water Pollution Control Plant (Supplement)	3,690,412	0	(63,513)	3,626,899	229,567
1997 3.98% Landfill Postclosure Care	3,163,680	0	(81,777)	3,081,903	168,470
Total Ohio Water Development Authority Loans	47,881,940	34,396	(1,066,927)	46,849,409	2,467,477
Long Term Notes Payable-Lynwood Lane Sewer Improvement	1,200,000	0	(1,200,000)	0	0
Long Term Notes Payable-Rockmill Improvement	1,200,000	0	(1,200,000)	0	0
Total Long Term Notes Payable	2,400,000	0	(2,400,000)	0	0
Revenue Bonds Payable:					
2004 2-4.75% Water System Improvement Revenue Bond	0	8,205,000	0	8,205,000	205,000
Premium	0	127,740	0	127,740	0
2004 2-4.75% Wastewater System Improvement Revenue Bond	0	5,095,000	0	5,095,000	125,000
Premium	0	78,516	0	78,516	0
Total Revenue Bonds Payable	0	13,506,256	0	13,506,256	330,000
Landfill Postclosure Care Liability	2,131,343	0	(74,218)	2,057,125	0
Capital Leases	15,537	35,506	(22,364)	28,679	20,557
Compensated Absences	1,776,990	393,931	(350,057)	1,820,864	408,451
Total Business-Type Long-Term Debt	\$54,205,810	\$13,970,089	(\$3,913,566)	\$64,262,333	\$3,226,485
Governmental Activities Long-Term Debt:					
Special Assessment Bond Payable					
with Governmental Commitment	\$344,500	\$0	(\$12,000)	\$332,500	\$13,000
Long Term Notes Payable-Downtown Revitalization	425,000	0	(425,000)	0	0
Long Term Notes Payable-Rockmill Improvement	1,635,000	0	(1,635,000)	0	0
Long Term Notes Payable-Various Purpose Improvement	0	3,960,000	0	3,960,000	3,960,000
Total Long Term Notes Payable	2,060,000	3,960,000	(2,060,000)	3,960,000	3,960,000
Housing and Urban Development Loan Payable	1,210,000	0	(90,000)	1,120,000	90,000
Ohio Public Works Commission Loan Payable	106,506	0	(6,086)	100,420	6,086
Ohio Water Development Authority Loan Payable	2,000,000	0	(2,000,000)	0	0
Compensated Absences	3,080,282	1,322,868	(995,533)	3,407,617	993,419
Capital Leases	826,207	465,049	(361,770)	929,486	165,435
Total Governmental Activities	\$9,627,495	\$5,747,917	(\$5,525,389)	\$9,850,023	\$5,227,940

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Internal service funds serve both governmental and business-type funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental and business-type funds. At year-end, \$72,407 and \$320,001 of internal service funds compensated absences are included in the respective above amounts. Also, \$9,751 of an internal service fund capital lease is recorded in the business-type activities amount. Several notes payable were considered long-term because they were reissued in April and May of 2004. The \$3,960,000 is considered long-term because General Obligation Bonds were issued in 2005 to replace them.

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

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

A. Ohio Water Development Authority Loans

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

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

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

In 1997, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive approximately \$3,968,355. The amount is subject to change and has not been finalized. The interest rate on this loan is 3.98% per annum. This loan is payable from sanitation charges for landfill closure and postclosure care costs and is received by the City in increments as the project is completed. As of December 31, 2004, the City had received \$3,964,480 from OWDA. The City began repaying the loan in semiannual payments beginning in 1998 based on a loan amount of \$3,968,355 to be paid through 2018. An estimate of future financing requirements has been made based on the remaining loan balance of \$3,081,903 at December 31, 2004.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Ohio Water Development Authority Loans (Continued)

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive two loans of \$5,591,825 and \$21,273,840, respectively. The amounts are subject to change and have not been finalized. The interest rates on the loans are 4.14% and 3.9%, respectively, per annum. This loans are payable from water charges and are received by the City in increments as the projects are completed. As of December 31, 2004, the City had received \$5,464,939 and \$21,091,478, respectively from OWDA. Subsequent amounts will be received in future years. The City began repaying the first loan in semiannual payments beginning in 2002 based on a loan amount of \$5,591,825 to be paid through 2022. The City began repaying the second loan in semiannual payments beginning in 2003 based on a loan amount of \$21,273,840 to be paid through 2023. An estimate of future financing requirements has been made based on the loan balances of \$5,081,510 and \$19,975,631, respectively at December 31, 2004.

In 2002, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$200,000. The amount is subject to change and has not been finalized. The interest rates on the loan is 2.00%, per annum. This loan is payable from water charges and is received by the City in increments as the project is completed. As of December 31, 2004, the City had received \$180,220 from OWDA. Subsequent amounts will be received in future years. The City began repaying the loan in semiannual payments beginning in 2003 based on a loan amount of \$,200,000 to be paid through 2022. The City began repaying the second loan in semiannual payments beginning in 2003 based on a loan amount of \$200,000 to be paid through 2032. An estimate of future financing requirements has been made based on the loan balance of \$170,276 at December 31, 2004.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

B. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2004 follows:

Business-Type Activities:

Years	OWDA Loans		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2005	\$2,467,477	\$2,012,242	\$330,000	\$585,110
2006	2,586,810	1,892,909	335,000	578,510
2007	2,712,548	1,767,171	340,000	570,972
2008	2,835,517	1,644,201	350,000	562,472
2009	2,965,137	1,514,581	365,000	552,848
2010-2014	16,545,969	5,363,872	2,000,000	2,576,276
2015-2019	11,242,752	2,145,467	2,460,000	2,114,375
2020-2024	5,456,305	391,592	3,135,000	1,435,375
2025-2029	36,894	1,817	3,985,000	586,838
Totals	\$46,849,409	\$16,733,852	\$13,300,000	\$9,562,776

Governmental Activities:

Years	HUD Loan		OPWC Loan		Special Assessment Bond Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$90,000	\$34,313	\$6,086	\$0	\$13,000	\$16,625
2006	90,000	63,522	6,086	0	13,500	15,975
2007	90,000	58,347	6,086	0	14,000	15,300
2008	90,000	53,147	6,086	0	15,000	14,600
2009	90,000	47,898	6,086	0	15,500	13,850
2010-2014	450,000	157,257	30,430	0	90,500	56,775
2015-2019	220,000	25,695	30,430	0	116,000	31,725
2020-2024	0	0	9,130	0	55,000	4,150
2025-2029	0	0	0	0	0	0
Totals	\$1,120,000	\$440,179	\$100,420	\$0	\$332,500	\$169,000

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 13 - CAPITALIZED LEASES

Under capital leases the City leases four copiers, two street sweepers, two salt spreaders, two pickup trucks, a dump truck, a utility vehicle, and various building improvements. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or Governmental Activities Capital Assets and the related liability is included in the appropriate proprietary fund or in the Governmental Activities Long-Term Liabilities. The original cost of the assets acquired under capital lease was \$1,912,219.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2004:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2005	\$219,542	\$22,443
2006	216,719	2,689
2007	216,718	2,688
2008	214,399	2,688
2009	<u>212,079</u>	<u>2,016</u>
Minimum Lease Payments	1,079,457	32,524
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(149,971)</u>	<u>(3,845)</u>
Present value of minimum lease payments	<u>\$929,486</u>	<u>\$28,679</u>

NOTE 14 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, the City contracted with CNA for vehicles, property, EMT and general liability insurance while police and professional liability are protected by Columbia Company.

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

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

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The City contracts with the Industrial Advisors Bureau to review all accidents claimed through Workers' Compensation.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 14 - INSURANCE AND RISK MANAGEMENT (Continued)

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

The claims liability of \$307,890 reported in the fund at December 31, 2004 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2003	\$443,095	\$4,840,453	(\$4,869,911)	\$413,637
2004	413,637	4,705,103	(4,810,850)	307,890

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

NOTE 15 - CONSTRUCTION COMMITMENTS

As of December 31, 2004, the City had the following commitments with respect to capital improvements:

Capital Projects	Remaining Construction Commitment
South Water Treatment Plant and Wellfield	\$546,821
Rock Mill Phase II, Part 1	270,171
Rock Mill Phase II, Part 2	1,616,159
Sheridan/Hoffman Culverts	16,373
Columbus Street Culvert	17,124
Memorial Drive Upgrade	2,020,000
Rockmill Mill Phase III	18,432
Water Tank Improvements	348,400
South Ewing Street Sewer	55,000

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 16 - SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

The City has accrued a liability for landfill closure and postclosure care costs in the Sanitation Fund of \$2,057,125. These costs are funded by a sanitation rate increase that became effective April 1, 1997. The rate will remain in effect for twenty-five years to cover annual postclosure care costs. The remaining five years of postclosure care costs will be funded by \$435,002 which has been placed in a restricted account. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

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

B. Community Action Board (the "Board")

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

F. Community Corrections Board (the "Board")

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

H. FairCATS

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

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

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

NOTE 18 - CONTINGENCIES

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

For the period January 1, 2004 to December 31, 2004, the City received federal and state grants for specific purposes that are subject to reviews and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 19 - SUBSEQUENT EVENTS

On March 10, 2005, the City authorized and issued \$3,960,000 of general obligation bonds for various improvements.

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*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Cemetery Fund

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

Street Construction, Maintenance and Repair Fund

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

Parks and Recreation Fund

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

Lancaster Public Transit Program Fund

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

Family Violence Grant Fund

To account for grant funds for family drug abuse assistance and domestic violence assistance. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Law Director Victim Assistance Fund

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

Lancaster Community Development Fund

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

Law Enforcement Block Grant Fund

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

Police and Fire Pension Fund

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

City Health District Fund

To account for the monies collected for health services provided to the community and for monies received from federal, state and local governments for health protection. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because there are no assets or liabilities and there was no activity during the year.)

(Continued)

Special Revenue Funds (Continued)

Fairfield County Court Surveillance Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Law Enforcement and Education Fund

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

Municipal Court Computerization Fund

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

Municipal Court Special Projects Fund

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

Municipal Court Family Violence Fund

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

Drug Enforcement Fund

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

Community Development Block Grant Fund

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

State Highway Fund

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

Cemetery Interment Fund

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

Debt Service Fund

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

General Bond Retirement Fund

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

Special Assessment Debt Retirement Fund

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

Capital Projects Fund

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

Fire Capital Improvement Fund

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

Permanent Fund

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

Cemetery Trust Fund

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

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 2,170,454	\$ 79,099	\$ 81,143	\$ 48,198	\$ 2,378,894
Investments	222,887	0	0	714,128	937,015
Receivables (net of allowance for doubtful accounts):					
Taxes	662,742	0	0	0	662,742
Accounts	59,802	0	0	7,818	67,620
Intergovernmental	2,124,448	0	0	0	2,124,448
Interest	5,442	0	0	0	5,442
Special Assessments	0	647,646	0	0	647,646
Loans	1,241,316	0	0	0	1,241,316
Inventory of Supplies	182,873	0	0	0	182,873
Prepaid Items	12,645	0	0	0	12,645
Total Assets	\$ 6,682,609	\$ 726,745	\$ 81,143	\$ 770,144	\$ 8,260,641
Liabilities:					
Accounts Payable	\$ 260,542	\$ 0	\$ 0	\$ 0	\$ 260,542
Accrued Wages and Benefits Payable	123,843	0	0	0	123,843
Deferred Revenue	2,227,134	647,646	0	0	2,874,780
Total Liabilities	2,611,519	647,646	0	0	3,259,165
Fund Balances:					
Reserved for Encumbrances	52,351	0	0	0	52,351
Reserved for Prepaid Items	12,645	0	0	0	12,645
Reserved for Supplies Inventory	182,873	0	0	0	182,873
Reserved for Debt Service	0	79,099	0	0	79,099
Reserved for Loans Receivable	1,241,316	0	0	0	1,241,316
Reserved for Endowments	0	0	0	770,144	770,144
Unreserved, Undesignated in:					
Special Revenue Funds	2,581,905	0	0	0	2,581,905
Capital Projects Funds	0	0	81,143	0	81,143
Total Fund Balances	4,071,090	79,099	81,143	770,144	5,001,476
Total Liabilities and Funds Balances	\$ 6,682,609	\$ 726,745	\$ 81,143	\$ 770,144	\$ 8,260,641

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 1,683,268	\$ 0	\$ 0	\$ 0	\$ 1,683,268
Intergovernmental Revenues	3,119,502	0	0	0	3,119,502
Charges for Services	1,285,716	104,032	0	26,780	1,416,528
Licenses, Permits and Fees	905	0	0	0	905
Investment Earnings	34,829	0	0	0	34,829
Special Assessments	0	36,873	0	0	36,873
Fines and Forfeitures	333,671	0	0	0	333,671
All Other Revenue	149,648	0	0	0	149,648
Total Revenue	6,607,539	140,905	0	26,780	6,775,224
Expenditures:					
Current:					
Security of Persons and Property	710,142	0	0	0	710,142
Public Health and Welfare Services	637,713	0	0	0	637,713
Leisure Time Activities	1,463,661	0	0	0	1,463,661
Community Environment	569,633	0	0	0	569,633
Transportation	3,903,723	97,760	0	0	4,001,483
General Government	357,729	0	0	0	357,729
Capital Outlay	0	0	18,857	0	18,857
Debt Service:					
Principal Retirement	90,000	18,086	0	0	108,086
Interest and Fiscal Charges	107,959	17,225	0	0	125,184
Total Expenditures	7,840,560	133,071	18,857	0	7,992,488
Excess (Deficiency) of Revenues Over Expenditures	(1,233,021)	7,834	(18,857)	26,780	(1,217,264)
Other Financing Sources (Uses):					
Transfers In	1,243,035	0	0	0	1,243,035
Transfers Out	(247,050)	0	0	0	(247,050)
Other Financing Source - Capital Lease	450,000	0	0	0	450,000
Total Other Financing Sources (Uses)	1,445,985	0	0	0	1,445,985
Net Change in Fund Balances	212,964	7,834	(18,857)	26,780	228,721
Fund Balances at Beginning of Year	3,841,474	71,265	100,000	743,364	4,756,103
Increase (Decrease) in Inventory Reserve	16,652	0	0	0	16,652
Fund Balances End of Year	\$ 4,071,090	\$ 79,099	\$ 81,143	\$ 770,144	\$ 5,001,476

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Lancaster Public Transit Program Fund
Assets:				
Cash and Cash Equivalents	\$ 15,630	\$ 480,938	\$ 267,658	\$ 19,973
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	19,014	0	285,213	0
Accounts	40,975	0	13,191	2,406
Intergovernmental	0	676,666	130,000	15,105
Interest	2,675	0	0	0
Loans	0	0	0	0
Inventory of Supplies	2,720	174,906	4,522	0
Prepaid Items	1,178	7,669	3,798	0
Total Assets	\$ 82,192	\$ 1,340,179	\$ 704,382	\$ 37,484
Liabilities:				
Accounts Payable	\$ 1,630	\$ 121,957	\$ 35,309	\$ 83,462
Accrued Wages and Benefits Payable	18,603	57,208	31,780	2,352
Deferred Revenue	6,841	451,000	229,543	15,105
Total Liabilities	27,074	630,165	296,632	100,919
Fund Balances:				
Reserved for Encumbrances	0	25,700	976	0
Reserved for Prepaid Items	1,178	7,669	3,798	0
Reserved for Supplies Inventory	2,720	174,906	4,522	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	51,220	501,739	398,454	(63,435)
Total Fund Balances	55,118	710,014	407,750	(63,435)
Total Liabilities and Funds Balances	\$ 82,192	\$ 1,340,179	\$ 704,382	\$ 37,484

CITY OF LANCASTER, OHIO

<u>Law Director Victim Assistance Fund</u>	<u>Lancaster Community Development Fund</u>	<u>Law Enforcement Block Grant Fund</u>	<u>Police and Fire Pension Fund</u>	<u>Fairfield County Court Surveillance Fund</u>
\$ 31,011	\$ 46,363	\$ 25,074	\$ 0	\$ 25,401
0	0	0	0	0
0	0	0	358,515	0
0	0	0	0	0
4,074	0	0	23,000	34,768
0	0	0	0	0
0	0	0	0	0
0	725	0	0	0
0	0	0	0	0
<u>\$ 35,085</u>	<u>\$ 47,088</u>	<u>\$ 25,074</u>	<u>\$ 381,515</u>	<u>\$ 60,169</u>
\$ 0	\$ 156	\$ 0	\$ 0	\$ 278
1,609	6,998	0	0	2,646
0	0	0	381,515	17,384
<u>1,609</u>	<u>7,154</u>	<u>0</u>	<u>381,515</u>	<u>20,308</u>
0	0	0	0	0
0	0	0	0	0
0	725	0	0	0
0	0	0	0	0
33,476	39,209	25,074	0	39,861
<u>33,476</u>	<u>39,934</u>	<u>25,074</u>	<u>0</u>	<u>39,861</u>
<u>\$ 35,085</u>	<u>\$ 47,088</u>	<u>\$ 25,074</u>	<u>\$ 381,515</u>	<u>\$ 60,169</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004**

	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund	Municipal Court Computerization Fund	Municipal Court Special Projects Fund
Assets:				
Cash and Cash Equivalents	\$ 125,847	\$ 59,004	\$ 173,118	\$ 245,863
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	0	0	0	0
Intergovernmental	0	0	0	0
Interest	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 125,847	\$ 59,004	\$ 173,118	\$ 245,863
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 1,692	\$ 15,441
Accrued Wages and Benefits Payable	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	0	0	1,692	15,441
Fund Balances:				
Reserved for Encumbrances	0	0	1,595	22,159
Reserved for Prepaid Items	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	125,847	59,004	169,831	208,263
Total Fund Balances	125,847	59,004	171,426	230,422
Total Liabilities and Funds Balances	\$ 125,847	\$ 59,004	\$ 173,118	\$ 245,863

CITY OF LANCASTER, OHIO

Municipal Court Family Violence Fund	Drug Enforcement Fund	CDBG Fund	State Highway Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 18,320	\$ 143,018	\$ 195,807	\$ 264,254	\$ 33,175	\$ 2,170,454
0	0	0	0	222,887	222,887
0	0	0	0	0	662,742
0	0	0	0	3,230	59,802
0	0	1,211,277	29,558	0	2,124,448
0	0	0	1,617	1,150	5,442
0	0	1,241,316	0	0	1,241,316
0	0	0	0	0	182,873
0	0	0	0	0	12,645
<u>\$ 18,320</u>	<u>\$ 143,018</u>	<u>\$ 2,648,400</u>	<u>\$ 295,429</u>	<u>\$ 260,442</u>	<u>\$ 6,682,609</u>
\$ 617	\$ 0	\$ 0	\$ 0	\$ 0	\$ 260,542
2,647	0	0	0	0	123,843
0	0	1,102,512	20,004	3,230	2,227,134
<u>3,264</u>	<u>0</u>	<u>1,102,512</u>	<u>20,004</u>	<u>3,230</u>	<u>2,611,519</u>
63	0	1,858	0	0	52,351
0	0	0	0	0	12,645
0	0	0	0	0	182,873
0	0	1,241,316	0	0	1,241,316
14,993	143,018	302,714	275,425	257,212	2,581,905
<u>15,056</u>	<u>143,018</u>	<u>1,545,888</u>	<u>275,425</u>	<u>257,212</u>	<u>4,071,090</u>
<u>\$ 18,320</u>	<u>\$ 143,018</u>	<u>\$ 2,648,400</u>	<u>\$ 295,429</u>	<u>\$ 260,442</u>	<u>\$ 6,682,609</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Lancaster Public Transit Program Fund
Revenues:				
Taxes	\$ 82,772	\$ 0	\$ 1,241,913	\$ 0
Intergovernmental Revenues	0	1,641,777	30,000	474,596
Charges for Services	217,580	345,160	276,023	314,146
Licenses, Permits and Fees	0	0	905	0
Investment Earnings	16,728	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	0	71,280	60,906	17,462
Total Revenue	317,080	2,058,217	1,609,747	806,204
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	610,753	0	0	0
Leisure Time Activities	0	0	1,463,661	0
Community Environment	0	0	0	0
Transportation	0	3,033,142	0	870,581
General Government	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	610,753	3,033,142	1,463,661	870,581
Excess (Deficiency) of Revenues Over Expenditures	(293,673)	(974,925)	146,086	(64,377)
Other Financing Sources (Uses):				
Transfers In	294,437	906,050	0	40,000
Transfers Out	0	(191,750)	0	0
Other Financing Source - Capital Lease	0	450,000	0	0
Total Other Financing Sources (Uses)	294,437	1,164,300	0	40,000
Net Change in Fund Balances	764	189,375	146,086	(24,377)
Fund Balances at Beginning of Year	54,405	504,451	261,366	(39,058)
Increase (Decrease) in Inventory Reserve	(51)	16,188	298	0
Fund Balances End of Year	\$ 55,118	\$ 710,014	\$ 407,750	\$ (63,435)

CITY OF LANCASTER, OHIO

Family Violence Grant Fund	Law Director Victim Assistance Fund	Lancaster Community Development Fund	Law Enforcement Block Grant Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund
\$ 0	\$ 0	\$ 0	\$ 0	\$ 358,583	\$ 0
10,459	52,998	210,386	0	43,240	69,322
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>10,459</u>	<u>52,998</u>	<u>210,386</u>	<u>0</u>	<u>401,823</u>	<u>69,322</u>
25,849	37,226	0	12,529	401,823	64,531
0	0	0	0	0	0
0	0	0	0	0	0
0	0	184,207	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>25,849</u>	<u>37,226</u>	<u>184,207</u>	<u>12,529</u>	<u>401,823</u>	<u>64,531</u>
(15,390)	15,772	26,179	(12,529)	0	4,791
0	0	0	2,548	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,548</u>	<u>0</u>	<u>0</u>
(15,390)	15,772	26,179	(9,981)	0	4,791
15,390	17,704	13,538	35,055	0	35,070
0	0	217	0	0	0
<u>\$ 0</u>	<u>\$ 33,476</u>	<u>\$ 39,934</u>	<u>\$ 25,074</u>	<u>\$ 0</u>	<u>\$ 39,861</u>

(Continued)

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund	Municipal Court Computerization Fund	Municipal Court Special Projects Fund
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Licenses, Permits and Fees	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	34,951	3,365	130,981	119,058
All Other Revenue	0	0	0	0
Total Revenue	34,951	3,365	130,981	119,058
Expenditures:				
Current:				
Security of Persons and Property	75,000	0	0	0
Public Health and Welfare Services	0	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	119,733	132,216
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	75,000	0	119,733	132,216
Excess (Deficiency) of Revenues Over Expenditures	(40,049)	3,365	11,248	(13,158)
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Other Financing Source - Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(40,049)	3,365	11,248	(13,158)
Fund Balances at Beginning of Year	165,896	55,639	160,178	243,580
Increase (Decrease) in Inventory Reserve	0	0	0	0
Fund Balances End of Year	\$ 125,847	\$ 59,004	\$ 171,426	\$ 230,422

CITY OF LANCASTER, OHIO

Municipal Court Family Violence Fund	Drug Enforcement Fund	CDBG Fund	State Highway Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,683,268
0	0	513,606	73,118	0	3,119,502
103,772	0	0	0	29,035	1,285,716
0	0	0	0	0	905
0	1,783	4,848	7,940	3,530	34,829
0	45,316	0	0	0	333,671
0	0	0	0	0	149,648
<u>103,772</u>	<u>47,099</u>	<u>518,454</u>	<u>81,058</u>	<u>32,565</u>	<u>6,607,539</u>
0	93,184	0	0	0	710,142
0	0	0	0	26,960	637,713
0	0	0	0	0	1,463,661
0	0	385,426	0	0	569,633
0	0	0	0	0	3,903,723
105,780	0	0	0	0	357,729
0	0	90,000	0	0	90,000
0	0	107,959	0	0	107,959
<u>105,780</u>	<u>93,184</u>	<u>583,385</u>	<u>0</u>	<u>26,960</u>	<u>7,840,560</u>
(2,008)	(46,085)	(64,931)	81,058	5,605	(1,233,021)
0	0	0	0	0	1,243,035
0	0	0	(55,300)	0	(247,050)
0	0	0	0	0	450,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>(55,300)</u>	<u>0</u>	<u>1,445,985</u>
(2,008)	(46,085)	(64,931)	25,758	5,605	212,964
17,064	189,103	1,610,819	249,667	251,607	3,841,474
0	0	0	0	0	16,652
<u>\$ 15,056</u>	<u>\$ 143,018</u>	<u>\$ 1,545,888</u>	<u>\$ 275,425</u>	<u>\$ 257,212</u>	<u>\$ 4,071,090</u>

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004**

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 53,473	\$ 25,626	\$ 79,099
Receivables (net of allowance for doubtful accounts):			
Special Assessments	0	647,646	647,646
Total Assets	<u>\$ 53,473</u>	<u>\$ 673,272</u>	<u>\$ 726,745</u>
Liabilities:			
Deferred Revenue	\$ 0	\$ 647,646	\$ 647,646
Total Liabilities	<u>0</u>	<u>647,646</u>	<u>647,646</u>
Fund Balances:			
Reserved for Debt Service	53,473	25,626	79,099
Total Fund Balances	<u>53,473</u>	<u>25,626</u>	<u>79,099</u>
Total Liabilities and Funds Balances	<u>\$ 53,473</u>	<u>\$ 673,272</u>	<u>\$ 726,745</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004***

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Revenues:			
Charges for Services	\$ 0	\$ 104,032	\$ 104,032
Special Assessments	0	36,873	36,873
Total Revenue	<u>0</u>	<u>140,905</u>	<u>140,905</u>
Expenditures:			
Transportation	0	97,760	97,760
Debt Service:			
Principal Retirement	6,086	12,000	18,086
Interest and Fiscal Charges	0	17,225	17,225
Total Expenditures	<u>6,086</u>	<u>126,985</u>	<u>133,071</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,086)	13,920	7,834
Fund Balances at Beginning of Year	<u>59,559</u>	<u>11,706</u>	<u>71,265</u>
Fund Balances End of Year	<u>\$ 53,473</u>	<u>\$ 25,626</u>	<u>\$ 79,099</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 13,591,000	\$ 13,613,981	\$ 13,627,359	\$ 13,378
Intergovernmental Revenues	2,893,760	2,998,704	3,045,306	46,602
Charges for Services	1,304,400	1,700,746	2,218,732	517,986
License, Permits and Fees	23,000	23,000	19,685	(3,315)
Investment Earnings	314,000	320,480	282,440	(38,040)
Fines and Forfeitures	873,610	875,190	829,703	(45,487)
All Other Revenues	124,913	319,181	320,651	1,470
Total Revenues	<u>19,124,683</u>	<u>19,851,282</u>	<u>20,343,876</u>	<u>492,594</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	6,118,953	6,147,119	5,997,540	149,579
Operations and Maintenance	731,883	754,893	597,157	157,736
Capital Outlay	90,290	74,490	68,731	5,759
Total Police	<u>6,941,126</u>	<u>6,976,502</u>	<u>6,663,428</u>	<u>313,074</u>
Fire:				
Personal Services	6,010,010	6,015,687	5,822,862	192,825
Operations and Maintenance	402,786	412,659	364,564	48,095
Capital Outlay	99,704	98,204	95,360	2,844
Total Fire	<u>6,512,500</u>	<u>6,526,550</u>	<u>6,282,786</u>	<u>243,764</u>
Street Lighting:				
Operations and Maintenance	214,881	214,881	214,587	294
Total Street Lighting	<u>214,881</u>	<u>214,881</u>	<u>214,587</u>	<u>294</u>
Total Security of Persons and Property	<u>13,668,507</u>	<u>13,717,933</u>	<u>13,160,801</u>	<u>557,132</u>
Public Health and Welfare Services:				
Health:				
Operations and Maintenance	208,000	208,000	208,000	0
Total Health	<u>208,000</u>	<u>208,000</u>	<u>208,000</u>	<u>0</u>
Assistance to Needy:				
Operations and Maintenance	500	500	0	500
Total Assistance to Needy	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Total Public Health and Welfare Services	<u>208,500</u>	<u>208,500</u>	<u>208,000</u>	<u>500</u>

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community Environment:				
Zoning, Planning, Tree Commissions:				
Operations and Maintenance	82,857	82,857	79,380	3,477
Total Zoning, Planning, Tree Commission	82,857	82,857	79,380	3,477
Economic Development:				
Personal Services	12,480	13,630	12,899	731
Operations and Maintenance	81,909	80,759	67,549	13,210
Total Economic Development	94,389	94,389	80,448	13,941
Total Community Environment	177,246	177,246	159,828	17,418
General Government:				
Council:				
Personal Services	82,230	83,430	82,416	1,014
Operations and Maintenance	6,100	12,600	6,159	6,441
Total Council	88,330	96,030	88,575	7,455
Mayor:				
Personal Services	148,087	148,097	138,311	9,786
Operations and Maintenance	4,825	4,825	3,392	1,433
Capital Outlay	250	240	199	41
Total Mayor	153,162	153,162	141,902	11,260
Personnel:				
Personal Services	70,095	70,120	61,340	8,780
Operations and Maintenance	14,701	12,051	4,552	7,499
Capital Outlay	0	2,625	2,617	8
Total Personnel	84,796	84,796	68,509	16,287
Auditor:				
Personal Services	349,331	345,331	323,495	21,836
Operations and Maintenance	46,093	46,093	35,341	10,752
Capital Outlay	1,500	13,054	13,005	49
Total Auditor	396,924	404,478	371,841	32,637

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Treasurer:				
Personal Services	17,100	17,400	17,250	150
Operations and Maintenance	7,350	7,050	2,094	4,956
Capital Outlay	1,500	1,500	430	1,070
Total Treasurer	25,950	25,950	19,774	6,176
Law Director:				
Personal Services	422,415	413,415	382,145	31,270
Operations and Maintenance	55,083	75,033	63,878	11,155
Total Law Director	477,498	488,448	446,023	42,425
Law Director-Prosecution Contract:				
Personal Services	37,842	37,852	37,557	295
Operations and Maintenance	14,735	14,725	12,477	2,248
Total Law Director-Prosecution Contract	52,577	52,577	50,034	2,543
Law Director-Code Enforcement:				
Personal Services	56,165	58,464	58,462	2
Operations and Maintenance	9,350	20,476	19,550	926
Total Law Director-Code Enforcement	65,515	78,940	78,012	928
Municipal Court:				
Personal Services	637,524	637,709	621,944	15,765
Operations and Maintenance	52,323	62,259	58,407	3,852
Total Municipal Court	689,847	699,968	680,351	19,617
Judicial:				
Personal Services	531,677	532,146	529,820	2,326
Operations and Maintenance	66,767	52,792	51,016	1,776
Capital Outlay	2,000	15,508	15,130	378
Total Judicial	600,444	600,446	595,966	4,480
Civil Service:				
Personal Services	6,579	6,579	5,869	710
Operations and Maintenance	39,200	39,200	14,895	24,305
Total Civil Service	45,779	45,779	20,764	25,015

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
City Hall Maintenance:				
Personal Services	114,606	115,295	114,221	1,074
Operations and Maintenance	61,784	66,073	62,969	3,104
Total City Hall Maintenance	176,390	181,368	177,190	4,178
City Hall Maintenance-Annex:				
Operations and Maintenance	30,180	30,179	28,085	2,094
Total City Hall Maintenance-Annex	30,180	30,179	28,085	2,094
Service Safety Director:				
Personal Services	149,138	208,236	207,085	1,151
Operations and Maintenance	6,619	6,685	6,263	422
Total Service Safety Director	155,757	214,921	213,348	1,573
Engineer:				
Personal Services	807,400	782,853	760,284	22,569
Operations and Maintenance	93,209	95,359	46,930	48,429
Capital Outlay	18,231	17,631	11,795	5,836
Total Engineer	918,840	895,843	819,009	76,834
Certified Building Inspection:				
Personal Services	0	107,863	100,740	7,123
Operations and Maintenance	140,000	126,954	113,884	13,070
Capital Outlay	10,000	21,846	20,029	1,817
Total Certified Building Inspection	150,000	256,663	234,653	22,010
Administration Support:				
Personal Services	45,000	45,000	40,000	5,000
Operations and Maintenance	358,546	408,060	366,820	41,240
Total Administration Support	403,546	453,060	406,820	46,240
Miscellaneous:				
Personal Services	525,000	545,000	346,118	198,882
Operations and Maintenance	1,085,266	1,144,184	1,046,940	97,244
Capital Outlay	4,000	8,000	926	7,074
Total Miscellaneous	1,614,266	1,697,184	1,393,984	303,200

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Income Tax:				
Personal Services	383,390	383,443	376,983	6,460
Operations and Maintenance	372,502	370,449	359,665	10,784
Capital Outlay	1,000	3,000	2,712	288
Total Income Tax	<u>756,892</u>	<u>756,892</u>	<u>739,360</u>	<u>17,532</u>
Total General Government	<u>6,886,693</u>	<u>7,216,684</u>	<u>6,574,200</u>	<u>642,484</u>
Total Expenditures	<u>20,940,946</u>	<u>21,320,363</u>	<u>20,102,829</u>	<u>1,217,534</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,816,263)	(1,469,081)	241,047	1,710,128
Other Financing Sources (Uses):				
Transfers In	944,999	847,400	791,064	(56,336)
Transfers Out	(1,239,766)	(1,462,398)	(1,446,064)	16,334
Advances In	0	0	601,330	601,330
Advances Out	<u>0</u>	<u>(601,330)</u>	<u>(601,330)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(294,767)</u>	<u>(1,216,328)</u>	<u>(655,000)</u>	<u>561,328</u>
Net Change in Fund Balance	(2,111,030)	(2,685,409)	(413,953)	2,271,456
Fund Balance at Beginning of Year	2,396,057	2,396,057	2,396,057	0
Prior Year Encumbrances	<u>278,532</u>	<u>278,532</u>	<u>278,532</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 563,559</u>	<u>\$ (10,820)</u>	<u>\$ 2,260,636</u>	<u>\$ 2,271,456</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund – Capital Improvement Fund
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 241,026	\$ 237,383	\$ 237,383	\$ 0
Intergovernmental Revenues	0	385,340	260,340	(125,000)
All Other Revenues	0	46,293	46,293	0
Total Revenues	<u>241,026</u>	<u>669,016</u>	<u>544,016</u>	<u>(125,000)</u>
Expenditures:				
Capital Outlay	183,469	1,685,726	1,064,753	620,973
Debt Service:				
Principal Retirement	5,426,903	8,759,453	8,945,000	(185,547)
Interest and Fiscal Charges	0	117,135	117,135	0
Total Expenditures	<u>5,610,372</u>	<u>10,562,314</u>	<u>10,126,888</u>	<u>435,426</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,369,346)	(9,893,298)	(9,582,872)	310,426
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	8,670,000	8,670,000	0
Transfers In	7,211,329	7,205,297	409,079	(6,796,218)
Total Other Financing Sources (Uses)	<u>7,211,329</u>	<u>15,875,297</u>	<u>9,079,079</u>	<u>(6,796,218)</u>
Net Change in Fund Balance	1,841,983	5,981,999	(503,793)	(6,485,792)
Fund Balance at Beginning of Year	<u>1,224,232</u>	<u>1,224,232</u>	<u>1,224,232</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,066,215</u>	<u>\$ 7,206,231</u>	<u>\$ 720,439</u>	<u>\$ (6,485,792)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

CEMETERY FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 80,342	\$ 80,342	\$ 79,113	\$ (1,229)
Charges for Services	218,304	218,304	208,395	(9,909)
Investment Earnings	10,000	10,000	14,258	4,258
All Other Revenues	5,500	5,500	0	(5,500)
Total Revenues	<u>314,146</u>	<u>314,146</u>	<u>301,766</u>	<u>(12,380)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	558,349	558,784	550,370	8,414
Operations and Maintenance	80,389	74,094	59,567	14,527
Capital Outlay	2,000	14,000	12,704	1,296
Total Expenditures	<u>640,738</u>	<u>646,878</u>	<u>622,641</u>	<u>24,237</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(326,592)	(332,732)	(320,875)	11,857
Other Financing Sources (Uses):				
Transfers In	<u>330,437</u>	<u>336,437</u>	<u>294,437</u>	<u>(42,000)</u>
Total Other Financing Sources (Uses)	<u>330,437</u>	<u>336,437</u>	<u>294,437</u>	<u>(42,000)</u>
Net Change in Fund Balance	3,845	3,705	(26,438)	(30,143)
Fund Balance at Beginning of Year	38,901	38,901	38,901	0
Prior Year Encumbrances	<u>2,155</u>	<u>2,155</u>	<u>2,155</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 44,901</u>	<u>\$ 44,761</u>	<u>\$ 14,618</u>	<u>\$ (30,143)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,567,000	\$ 1,567,000	\$ 1,651,888	\$ 84,888
Charges for Services	432,000	432,000	345,160	(86,840)
All Other Revenues	11,000	11,000	71,280	60,280
Total Revenues	<u>2,010,000</u>	<u>2,010,000</u>	<u>2,068,328</u>	<u>58,328</u>
Expenditures:				
Transportation:				
Personal Services	1,858,140	1,840,092	1,683,155	156,937
Operations and Maintenance	932,165	954,712	852,367	102,345
Capital Outlay	143,643	201,143	199,886	1,257
Total Expenditures	<u>2,933,948</u>	<u>2,995,947</u>	<u>2,735,408</u>	<u>260,539</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(923,948)	(985,947)	(667,080)	318,867
Other Financing Sources (Uses):				
Transfers In	740,000	931,750	906,050	(25,700)
Transfers Out	0	(191,750)	(191,750)	0
Total Other Financing Sources (Uses)	<u>740,000</u>	<u>740,000</u>	<u>714,300</u>	<u>(25,700)</u>
Net Change in Fund Balance	(183,948)	(245,947)	47,220	293,167
Fund Balance at Beginning of Year	259,389	259,389	259,389	0
Prior Year Encumbrances	41,863	41,863	41,863	0
Fund Balance at End of Year	<u>\$ 117,304</u>	<u>\$ 55,305</u>	<u>\$ 348,472</u>	<u>\$ 293,167</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	PARKS AND RECREATION FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 1,238,133	\$ 1,238,133	\$ 1,187,025	\$ (51,108)
Intergovernmental Revenues	0	0	30,000	30,000
Charges for Services	401,267	401,267	271,132	(130,135)
Licenses, Permits and Fees	1,000	1,000	905	(95)
All Other Revenues	34,000	39,000	57,697	18,697
Total Revenues	<u>1,674,400</u>	<u>1,679,400</u>	<u>1,546,759</u>	<u>(132,641)</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	1,145,730	1,148,530	1,010,600	137,930
Operations and Maintenance	558,541	556,741	447,080	109,661
Capital Outlay	29,500	33,500	27,639	5,861
Total Expenditures	<u>1,733,771</u>	<u>1,738,771</u>	<u>1,485,319</u>	<u>253,452</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,371)	(59,371)	61,440	120,811
Fund Balance at Beginning of Year	177,665	177,665	177,665	0
Prior Year Encumbrances	8,991	8,991	8,991	0
Fund Balance at End of Year	<u>\$ 127,285</u>	<u>\$ 127,285</u>	<u>\$ 248,096</u>	<u>\$ 120,811</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

LANCASTER PUBLIC TRANSIT PROGRAM FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 588,833	\$ 474,596	\$ 474,596	\$ 0
Charges for Services	162,649	311,740	311,740	0
All Other Revenues	1,000	17,462	17,462	0
Total Revenues	<u>752,482</u>	<u>803,798</u>	<u>803,798</u>	<u>0</u>
Expenditures:				
Transportation:				
Personal Services	70,900	61,900	59,070	2,830
Operations and Maintenance	679,830	654,676	649,433	5,243
Capital Outlay	131,752	126,849	126,849	0
Total Expenditures	<u>882,482</u>	<u>843,425</u>	<u>835,352</u>	<u>8,073</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(130,000)	(39,627)	(31,554)	8,073
Other Financing Sources (Uses):				
Transfers In	40,000	40,000	40,000	0
Advances In	90,000	90,000	90,000	0
Advances Out	0	(90,000)	(90,000)	0
Total Other Financing Sources (Uses)	<u>130,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Net Change in Fund Balance	0	373	8,446	8,073
Fund Balance at Beginning of Year	<u>11,239</u>	<u>11,239</u>	<u>11,239</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 11,239</u>	<u>\$ 11,612</u>	<u>\$ 19,685</u>	<u>\$ 8,073</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	FAMILY VIOLENCE GRANT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 10,459	\$ 10,459	\$ 0
Total Revenues	<u>0</u>	<u>10,459</u>	<u>10,459</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	0	235	235	0
Operations and Maintenance	<u>187</u>	<u>26,696</u>	<u>26,696</u>	<u>0</u>
Total Expenditures	<u>187</u>	<u>26,931</u>	<u>26,931</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(187)	(16,472)	(16,472)	0
Fund Balance at Beginning of Year	16,285	16,285	16,285	0
Prior Year Encumbrances	<u>187</u>	<u>187</u>	<u>187</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 16,285</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

LAW DIRECTOR VICTIM ASSISTANCE FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 37,466	\$ 37,466	\$ 48,924	\$ 11,458
Total Revenues	<u>37,466</u>	<u>37,466</u>	<u>48,924</u>	<u>11,458</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	37,466	38,278	38,019	259
Total Expenditures	<u>37,466</u>	<u>38,278</u>	<u>38,019</u>	<u>259</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(812)	10,905	11,717
Fund Balance at Beginning of Year	<u>20,106</u>	<u>20,106</u>	<u>20,106</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 20,106</u>	<u>\$ 19,294</u>	<u>\$ 31,011</u>	<u>\$ 11,717</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
LANCASTER COMMUNITY DEVELOPMENT FUND				
Revenues:				
Intergovernmental Revenues	\$ 179,162	\$ 179,162	\$ 210,386	\$ 31,224
Total Revenues	<u>179,162</u>	<u>179,162</u>	<u>210,386</u>	<u>31,224</u>
Expenditures:				
Community Environment:				
Personal Services	187,465	187,481	185,627	1,854
Operations and Maintenance	<u>6,500</u>	<u>6,484</u>	<u>1,977</u>	<u>4,507</u>
Total Expenditures	<u>193,965</u>	<u>193,965</u>	<u>187,604</u>	<u>6,361</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,803)	(14,803)	22,782	37,585
Fund Balance at Beginning of Year	<u>23,581</u>	<u>23,581</u>	<u>23,581</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,778</u>	<u>\$ 8,778</u>	<u>\$ 46,363</u>	<u>\$ 37,585</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	LAW ENFORCEMENT BLOCK GRANT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 35,000	\$ 35,000	\$ 0	\$ (35,000)
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>0</u>	<u>(35,000)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>0</u>	<u>37,603</u>	<u>12,529</u>	<u>25,074</u>
Total Expenditures	<u>0</u>	<u>37,603</u>	<u>12,529</u>	<u>25,074</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,000	(2,603)	(12,529)	(9,926)
Other Financing Sources (Uses):				
Transfers In	<u>0</u>	<u>2,548</u>	<u>2,548</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>2,548</u>	<u>2,548</u>	<u>0</u>
Net Change in Fund Balance	35,000	(55)	(9,981)	(9,926)
Fund Balance at Beginning of Year	<u>35,055</u>	<u>35,055</u>	<u>35,055</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 70,055</u></u>	<u><u>\$ 35,000</u></u>	<u><u>\$ 25,074</u></u>	<u><u>\$ (9,926)</u></u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 360,000	\$ 360,000	\$ 358,583	\$ (1,417)
Intergovernmental Revenues	43,240	43,240	43,240	0
Total Revenues	<u>403,240</u>	<u>403,240</u>	<u>401,823</u>	<u>(1,417)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>403,240</u>	<u>403,240</u>	<u>401,823</u>	<u>1,417</u>
Total Expenditures	<u>403,240</u>	<u>403,240</u>	<u>401,823</u>	<u>1,417</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

CITY HEALTH DISTRICT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Public Health and Welfare Services:				
Operations and Maintenance	0	1,664	1,664	0
Total Expenditures	0	1,664	1,664	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,664)	(1,664)	0
Fund Balance at Beginning of Year	1,664	1,664	1,664	0
Fund Balance at End of Year	\$ 1,664	\$ 0	\$ 0	\$ 0

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 68,679	\$ 68,679	\$ 69,108	\$ 429
Total Revenues	<u>68,679</u>	<u>68,679</u>	<u>69,108</u>	<u>429</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	64,235	64,235	62,407	1,828
Operations and Maintenance	<u>4,445</u>	<u>4,445</u>	<u>3,835</u>	<u>610</u>
Total Expenditures	<u>68,680</u>	<u>68,680</u>	<u>66,242</u>	<u>2,438</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	(1)	2,866	2,867
Fund Balance at Beginning of Year	<u>22,415</u>	<u>22,415</u>	<u>22,415</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 22,414</u>	<u>\$ 22,414</u>	<u>\$ 25,281</u>	<u>\$ 2,867</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 26,250	\$ 26,250	\$ 34,600	\$ 8,350
Total Revenues	<u>26,250</u>	<u>26,250</u>	<u>34,600</u>	<u>8,350</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>169,177</u>	<u>169,177</u>	<u>75,000</u>	<u>94,177</u>
Total Expenditures	<u>169,177</u>	<u>169,177</u>	<u>75,000</u>	<u>94,177</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(142,927)	(142,927)	(40,400)	102,527
Fund Balance at Beginning of Year	<u>164,840</u>	<u>164,840</u>	<u>164,840</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 21,913</u>	<u>\$ 21,913</u>	<u>\$ 124,440</u>	<u>\$ 102,527</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 3,780	\$ 3,780	\$ 3,451	\$ (329)
Total Revenues	<u>3,780</u>	<u>3,780</u>	<u>3,451</u>	<u>(329)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,780	3,780	3,451	(329)
Fund Balance at Beginning of Year	<u>55,397</u>	<u>55,397</u>	<u>55,397</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 59,177</u>	<u>\$ 59,177</u>	<u>\$ 58,848</u>	<u>\$ (329)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 145,596	\$ 145,596	\$ 129,364	\$ (16,232)
Total Revenues	<u>145,596</u>	<u>145,596</u>	<u>129,364</u>	<u>(16,232)</u>
Expenditures:				
General Government:				
Operations and Maintenance	208,512	168,512	108,214	60,298
Capital Outlay	<u>129,000</u>	<u>129,000</u>	<u>13,058</u>	<u>115,942</u>
Total Expenditures	<u>337,512</u>	<u>297,512</u>	<u>121,272</u>	<u>176,240</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(191,916)	(151,916)	8,092	160,008
Fund Balance at Beginning of Year	137,404	137,404	137,404	0
Prior Year Encumbrances	<u>14,512</u>	<u>14,512</u>	<u>14,512</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (40,000)</u>	<u>\$ 0</u>	<u>\$ 160,008</u>	<u>\$ 160,008</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUNICIPAL COURT SPECIAL PROJECTS FUND				
Revenues:				
Fines and Forfeitures	\$ 105,000	\$ 105,000	\$ 117,678	\$ 12,678
Total Revenues	<u>105,000</u>	<u>105,000</u>	<u>117,678</u>	<u>12,678</u>
Expenditures:				
General Government:				
Operations and Maintenance	114,821	134,821	74,773	60,048
Capital Outlay	<u>224,725</u>	<u>224,725</u>	<u>78,951</u>	<u>145,774</u>
Total Expenditures	<u>339,546</u>	<u>359,546</u>	<u>153,724</u>	<u>205,822</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(234,546)	(254,546)	(36,046)	218,500
Fund Balance at Beginning of Year	221,024	221,024	221,024	0
Prior Year Encumbrances	<u>14,546</u>	<u>14,546</u>	<u>14,546</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,024</u>	<u>\$ (18,976)</u>	<u>\$ 199,524</u>	<u>\$ 218,500</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

MUNICIPAL COURT FAMILY VIOLENCE FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 140,000	\$ 140,000	\$ 100,893	\$ (39,107)
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>100,893</u>	<u>(39,107)</u>
Expenditures:				
General Government:				
Personal Services	92,096	92,096	82,233	9,863
Operations and Maintenance	23,699	23,699	19,264	4,435
Capital Outlay	2,500	2,500	2,500	0
Total Expenditures	<u>118,295</u>	<u>118,295</u>	<u>103,997</u>	<u>14,298</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,705	21,705	(3,104)	(24,809)
Fund Balance at Beginning of Year	<u>11,235</u>	<u>11,235</u>	<u>11,235</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 32,940</u></u>	<u><u>\$ 32,940</u></u>	<u><u>\$ 8,131</u></u>	<u><u>\$ (24,809)</u></u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 1,783	\$ 1,783
Fines and Forfeitures	0	0	45,316	45,316
Total Revenues	<u>0</u>	<u>0</u>	<u>47,099</u>	<u>47,099</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>0</u>	<u>0</u>	<u>93,184</u>	<u>(93,184)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>93,184</u>	<u>(93,184)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	(46,085)	(46,085)
Fund Balance at Beginning of Year	<u>189,103</u>	<u>189,103</u>	<u>189,103</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 189,103</u>	<u>\$ 189,103</u>	<u>\$ 143,018</u>	<u>\$ (46,085)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004***

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,468,356	\$ 706,933	\$ 684,671	\$ (22,262)
Investment Earnings	4,000	4,000	3,229	(771)
All Other Revenues	17,200	12,200	9,726	(2,474)
Total Revenues	<u>1,489,556</u>	<u>723,133</u>	<u>697,626</u>	<u>(25,507)</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	6,000	2,448	2,448	0
Capital Outlay	1,176,323	484,460	484,460	0
Total Community Environment	<u>1,182,323</u>	<u>486,908</u>	<u>486,908</u>	<u>0</u>
Debt Service:				
Principal Retirement	90,000	90,000	90,000	0
Interest and Fiscal Charges	107,959	107,959	107,959	0
Total Debt Service	<u>197,959</u>	<u>197,959</u>	<u>197,959</u>	<u>0</u>
Total Expenditures	<u>1,380,282</u>	<u>684,867</u>	<u>684,867</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	109,274	38,266	12,759	(25,507)
Fund Balance at Beginning of Year	<u>181,190</u>	<u>181,190</u>	<u>181,190</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 290,464</u>	<u>\$ 219,456</u>	<u>\$ 193,949</u>	<u>\$ (25,507)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 55,000	\$ 55,000	\$ 74,550	\$ 19,550
Investment Earnings	10,000	10,000	7,163	(2,837)
Total Revenues	<u>65,000</u>	<u>65,000</u>	<u>81,713</u>	<u>16,713</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	65,000	65,000	81,713	16,713
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(55,300)</u>	<u>(55,300)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(55,300)</u>	<u>(55,300)</u>	<u>0</u>
Net Change in Fund Balance	65,000	9,700	26,413	16,713
Fund Balance at Beginning of Year	<u>237,841</u>	<u>237,841</u>	<u>237,841</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 302,841</u>	<u>\$ 247,541</u>	<u>\$ 264,254</u>	<u>\$ 16,713</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	CEMETERY INTERMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 0	\$ 0	\$ 29,035	\$ 29,035
Investment Earnings	9,000	9,000	3,925	(5,075)
Total Revenues	<u>9,000</u>	<u>9,000</u>	<u>32,960</u>	<u>23,960</u>
Expenditures:				
Public Health and Welfare Services:				
Operations and Maintenance	<u>36,000</u>	<u>36,000</u>	<u>26,960</u>	<u>9,040</u>
Total Expenditures	<u>36,000</u>	<u>36,000</u>	<u>26,960</u>	<u>9,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,000)	(27,000)	6,000	33,000
Other Financing Sources (Uses):				
Transfers In	<u>27,000</u>	<u>27,000</u>	<u>0</u>	<u>(27,000)</u>
Total Other Financing Sources (Uses)	<u>27,000</u>	<u>27,000</u>	<u>0</u>	<u>(27,000)</u>
Net Change in Fund Balance	0	0	6,000	6,000
Fund Balance at Beginning of Year	<u>250,062</u>	<u>250,062</u>	<u>250,062</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 250,062</u></u>	<u><u>\$ 250,062</u></u>	<u><u>\$ 256,062</u></u>	<u><u>\$ 6,000</u></u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004***

GENERAL BOND RETIREMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Debt Service:				
Principal Retirement	0	6,086	6,086	0
Total Expenditures	0	6,086	6,086	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(6,086)	(6,086)	0
Other Financing Sources (Uses):				
Transfers In	5,104,004	4,704,004	0	(4,704,004)
Transfers Out	(20,613)	(13,913)	0	13,913
Total Other Financing Sources (Uses)	5,083,391	4,690,091	0	(4,690,091)
Net Change in Fund Balance	5,083,391	4,684,005	(6,086)	(4,690,091)
Fund Balance at Beginning of Year	59,559	59,559	59,559	0
Fund Balance at End of Year	<u>\$ 5,142,950</u>	<u>\$ 4,743,564</u>	<u>\$ 53,473</u>	<u>\$ (4,690,091)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004**

SPECIAL ASSESSMENT DEBT RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 0	\$ 104,032	\$ 104,032	\$ 0
Special Assessments	40,000	40,000	36,873	(3,127)
Total Revenues	<u>40,000</u>	<u>144,032</u>	<u>140,905</u>	<u>(3,127)</u>
Expenditures:				
Transportation:				
Operations and Maintenance	0	97,760	97,760	0
Debt Service:				
Principal Retirement	0	12,000	12,000	0
Interest and Fiscal Charges	0	17,225	17,225	0
Total Expenditures	<u>0</u>	<u>126,985</u>	<u>126,985</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,000	17,047	13,920	(3,127)
Fund Balance at Beginning of Year	<u>11,706</u>	<u>11,706</u>	<u>11,706</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 51,706</u>	<u>\$ 28,753</u>	<u>\$ 25,626</u>	<u>\$ (3,127)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Capital Outlay	0	62,000	18,857	43,143
Total Expenditures	0	62,000	18,857	43,143
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(62,000)	(18,857)	43,143
Other Financing Sources (Uses):				
Transfers In	100,000	100,000	0	(100,000)
Total Other Financing Sources (Uses)	100,000	100,000	0	(100,000)
Net Change in Fund Balance	100,000	38,000	(18,857)	(56,857)
Fund Balance at Beginning of Year	100,000	100,000	100,000	0
Fund Balance at End of Year	\$ 200,000	\$ 138,000	\$ 81,143	\$ (56,857)

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 42,000	\$ 42,000	\$ 30,215	\$ (11,785)
Total Revenues	<u>42,000</u>	<u>42,000</u>	<u>30,215</u>	<u>(11,785)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	42,000	42,000	30,215	(11,785)
Fund Balance at Beginning of Year	<u>732,111</u>	<u>732,111</u>	<u>732,111</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 774,111</u>	<u>\$ 774,111</u>	<u>\$ 762,326</u>	<u>\$ (11,785)</u>

Internal Service Funds

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

Utility Collections Fund

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

Electrical Fund

To account for the operation of the electrical department for services provided for all departments within the City. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Information Services Fund

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

Health Insurance Management Fund

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

CITY OF LANCASTER, OHIO

**Combining Statement of Net Assets
Internal Service Funds
December 31, 2004**

	Utilities Collection	Information Services	Health Insurance Management	Total
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 217,309	\$ 11,772	\$ 109,326	\$ 338,407
Inventory of Supplies at Cost	45,158	8,269	0	53,427
Prepaid Items	580	0	897,942	898,522
<i>Total Current Assets</i>	263,047	20,041	1,007,268	1,290,356
<i>Non Current Assets:</i>				
Capital Assets Being Depreciated, Net	135,559	77,579	0	213,138
Total Assets	398,606	97,620	1,007,268	1,503,494
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	23,558	8,079	727	32,364
Accrued Wages and Benefits	41,209	9,720	0	50,929
Claims Payable	0	0	307,890	307,890
Capital Lease Payable-Current	1,629	0	0	1,629
Compensated Absences Payable - Current	57,806	16,442	0	74,248
<i>Total Current Liabilities</i>	124,202	34,241	308,617	467,060
<i>Long Term Liabilities:</i>				
Capital Leases Payable	8,122	0	0	8,122
Compensated Absences Payable	262,195	55,965	0	318,160
Total Liabilities	394,519	90,206	308,617	793,342
Net Assets:				
Invested in Capital Assets, Net of Related Debt	125,808	77,579	0	203,387
Unrestricted	(121,721)	(70,165)	698,651	506,765
Total Net Assets	\$ 4,087	\$ 7,414	\$ 698,651	\$ 710,152

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2004**

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Total
Operating Revenues:					
Charges for Services	\$ 1,335,320	\$ 344,784	\$ 292,411	\$ 5,210,957	\$ 7,183,472
Other Operating Revenue	5,951	3,349	1,033	0	10,333
Total Operating Revenues	1,341,271	348,133	293,444	5,210,957	7,193,805
Operating Expenses:					
Personal Services	1,184,575	201,693	273,643	4,705,830	6,365,741
Contractual Services	428,718	46,007	34,020	0	508,745
Materials and Supplies	133,117	192,348	38,665	0	364,130
Depreciation	31,551	2,167	14,221	0	47,939
Total Operating Expenses	1,777,961	442,215	360,549	4,705,830	7,286,555
Operating Income (Loss)	(436,690)	(94,082)	(67,105)	505,127	(92,750)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Capital Assets	(357)	(18,701)	(1,021)	0	(20,079)
Total Nonoperating Revenues (Expenses)	(357)	(18,701)	(1,021)	0	(20,079)
Income(Loss) Before Operating Transfers	(437,047)	(112,783)	(68,126)	505,127	(112,829)
Transfers In	0	0	36,509	0	36,509
Transfers Out	0	(527,375)	0	0	(527,375)
Change in Net Assets	(437,047)	(640,158)	(31,617)	505,127	(603,695)
Net Assets Beginning of Year	441,134	640,158	39,031	193,524	1,313,847
Net Assets End of Year	\$ 4,087	\$ 0	\$ 7,414	\$ 698,651	\$ 710,152

CITY OF LANCASTER, OHIO

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2004**

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Totals
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$1,341,271	\$349,883	\$293,444	\$5,210,957	\$7,195,555
Cash Payments for Goods and Services	(592,290)	(103,286)	(62,392)	0	(757,968)
Cash Payments to and on behalf of Employees	(1,109,630)	(345,613)	(217,161)	(5,207,317)	(6,879,721)
Net Cash Provided (Used) by Operating Activities	(360,649)	(99,016)	13,891	3,640	(442,134)
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers Out to Other Funds	0	(153,248)	0	0	(153,248)
Net Cash Used by Noncapital Financing Activities	0	(153,248)	0	0	(153,248)
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Acquisition and Construction of Assets	(16,232)	0	(14,885)	0	(31,117)
Capital Lease Payments	(378)	(2,091)	0	0	(2,469)
Net Cash Used for Capital and Related Financing Activities	(16,610)	(2,091)	(14,885)	0	(33,586)
Net Increase (Decrease) in Cash and Cash Equivalents	(377,259)	(254,355)	(994)	3,640	(628,968)
Cash and Cash Equivalents at Beginning of Year	594,568	254,355	12,766	105,686	967,375
Cash and Cash Equivalents at End of Year	\$217,309	\$0	\$11,772	\$109,326	\$338,407
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	(\$436,690)	(\$94,082)	(\$67,105)	\$505,127	(\$92,750)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	31,551	2,167	14,221	0	47,939
Changes in Assets and Liabilities:					
Decrease in Accounts Receivable	0	1,750	0	0	1,750
(Increase) Decrease in Inventory	(11,128)	137,926	4,086	0	130,884
(Increase) Decrease in Prepaid Items	(65)	2,056	0	(395,742)	(393,751)
Increase (Decrease) in Accounts Payable	(18,744)	(5,025)	6,214	2	(17,553)
Increase (Decrease) in Accrued Wages and Benefits	(15,901)	(34,006)	1,522	0	(48,385)
Increase (Decrease) in Compensated Absences	90,328	(109,802)	54,953	0	35,479
Decrease in Claims Payable	0	0	0	(105,747)	(105,747)
Total Adjustments	76,041	(4,934)	80,996	(501,487)	(349,384)
Net Cash Provided (Used) by Operating Activities	(\$360,649)	(\$99,016)	\$13,891	\$3,640	(\$442,134)

Schedule of Noncash Investing, Capital and Financing Activities:

The Utilities Collection Fund entered in a capital lease obligation of \$10,129.

Fiduciary Funds

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

Agency Funds

Street Deposit Fund

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

Municipal Court Fund

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

Law Library Fund

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

CITY OF LANCASTER, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2004***

	Balance December 31, 2003	Additions	Deductions	Balance December 31, 2004
<u>Street Deposit Fund</u>				
Assets:				
Cash and Cash Equivalents	\$3,100	\$300	(\$1,500)	\$1,900
Total Assets	<u>\$3,100</u>	<u>\$300</u>	<u>(\$1,500)</u>	<u>\$1,900</u>
Liabilities:				
Due to Others	\$3,100	\$300	(\$1,500)	\$1,900
Total Liabilities	<u>\$3,100</u>	<u>\$300</u>	<u>(\$1,500)</u>	<u>\$1,900</u>
<u>Municipal Court Fund</u>				
Assets:				
Cash with Fiscal Agent	\$102,610	\$3,238,166	(\$3,214,106)	\$126,670
Total Assets	<u>\$102,610</u>	<u>\$3,238,166</u>	<u>(\$3,214,106)</u>	<u>\$126,670</u>
Liabilities:				
Due to Other Funds	\$3,392	\$1,260,697	(\$1,259,342)	\$4,747
Intergovernmental Payable	0	907,134	(907,134)	0
Due to Others	99,218	1,070,335	(1,047,630)	121,923
Total Liabilities	<u>\$102,610</u>	<u>\$3,238,166</u>	<u>(\$3,214,106)</u>	<u>\$126,670</u>
<u>Law Library Fund</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$46,081	(\$46,081)	\$0
Due from Other Funds	3,392	4,747	(3,392)	4,747
Total Assets	<u>\$3,392</u>	<u>\$50,828</u>	<u>(\$49,473)</u>	<u>\$4,747</u>
Liabilities:				
Intergovernmental Payable	\$3,392	\$50,828	(\$49,473)	\$4,747
Total Liabilities	<u>\$3,392</u>	<u>\$50,828</u>	<u>(\$49,473)</u>	<u>\$4,747</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$105,710	\$3,284,547	(\$3,261,687)	\$128,570
Due from Other Funds	3,392	4,747	(3,392)	4,747
Total Assets	<u>\$109,102</u>	<u>\$3,289,294</u>	<u>(\$3,265,079)</u>	<u>\$133,317</u>
Liabilities:				
Due to Other Funds	\$3,392	\$1,260,697	(\$1,259,342)	\$4,747
Intergovernmental Payables	3,392	957,962	(956,607)	4,747
Due to Others	102,318	1,070,635	(1,049,130)	123,823
Total Liabilities	<u>\$109,102</u>	<u>\$3,289,294</u>	<u>(\$3,265,079)</u>	<u>\$133,317</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2004***

Capital Assets:

Land	\$12,666,640
Construction in Progress	34,201
Buildings	6,433,049
Improvements Other Than Buildings	5,563,204
Vehicles	4,466,284
Equipment	4,497,457
Infrastructure	<u>12,487,163</u>
Total Net Capital Assets	<u>\$46,147,998</u>

Net Investment in Capital Assets from:

General Fund	\$11,440,257
Special Revenue Funds	32,347,233
Proprietary Funds (Gas)	7,202
Internal Services	219,789
Donated	<u>2,133,517</u>
Total Net Investment in Capital Assets	<u>\$46,147,998</u>

CITY OF LANCASTER, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2004**

Function and Activity	Land	Construction in Progress	Buildings
<u>General Government:</u>			
Council	\$0	\$0	\$0
Mayor	0	0	0
Personnel	0	0	0
City Hall	80,327	0	772,500
Auditor	0	0	0
Income Tax	0	0	0
Treasurer	0	0	0
Safety Director	0	0	0
Engineer	0	0	0
Certified Building Inspection	0	0	0
Prosecutor	0	0	0
Court-Clerk	0	0	0
Court-Judicial	0	0	7,925
Court Electronic Surveillance	0	0	0
Information Services - Internal Service	0	0	0
Total	80,327	0	780,425
<u>Security of Persons and Property:</u>			
Police	141,962	0	2,010,264
Fire	25,600	34,201	234,473
Total	167,562	34,201	2,244,737
<u>Public Health and Welfare Services:</u>			
Public Health	0	0	0
Cemetery	14,897	0	40,730
Total	14,897	0	40,730
<u>Transportation:</u>			
Public Transit	0	0	0
Street Construction	10,665,954	0	598,011
Total	10,665,954	0	598,011
<u>Community Environment:</u>			
Community Development	0	0	0
Economic Development	0	0	0
Total	0	0	0
<u>Leisure Time Activities:</u>			
Park	1,737,900	0	2,769,146
Mumaugh	0	0	0
Total	1,737,900	0	2,769,146
Total Capital Assets	\$12,666,640	\$34,201	\$6,433,049

CITY OF LANCASTER, OHIO

Improvements Other Than Buildings	Vehicles	Equipment	Infrastructure	Total
\$0	\$0	\$2,422	\$0	\$2,422
0	0	4,150	0	4,150
0	0	7,118	0	7,118
2,504,292	0	130,288	0	3,487,407
0	0	56,897	0	56,897
3,630	0	51,996	0	55,626
0	0	3,404	0	3,404
0	13,655	63,990	0	77,645
0	82,788	161,824	0	244,612
0	35,219	2,196	0	37,415
10,750	0	66,009	0	76,759
21,276	0	442,004	0	463,280
49,322	0	150,791	0	208,038
0	0	14,172	0	14,172
0	39,096	180,693	0	219,789
<u>2,589,270</u>	<u>170,758</u>	<u>1,337,954</u>	<u>0</u>	<u>4,958,734</u>
128,897	628,788	753,230	0	3,663,141
<u>485,788</u>	<u>1,557,255</u>	<u>715,026</u>	<u>0</u>	<u>3,052,343</u>
<u>614,685</u>	<u>2,186,043</u>	<u>1,468,256</u>	<u>0</u>	<u>6,715,484</u>
0	31,191	93,483	0	124,674
<u>96,259</u>	<u>125,178</u>	<u>212,648</u>	<u>0</u>	<u>489,712</u>
<u>96,259</u>	<u>156,369</u>	<u>306,131</u>	<u>0</u>	<u>614,386</u>
0	433,948	0	0	433,948
<u>26,626</u>	<u>1,131,158</u>	<u>919,150</u>	<u>12,487,163</u>	<u>25,828,062</u>
<u>26,626</u>	<u>1,565,106</u>	<u>919,150</u>	<u>12,487,163</u>	<u>26,262,010</u>
0	0	54,733	0	54,733
<u>0</u>	<u>0</u>	<u>10,476</u>	<u>0</u>	<u>10,476</u>
<u>0</u>	<u>0</u>	<u>65,209</u>	<u>0</u>	<u>65,209</u>
2,230,624	388,008	397,873	0	7,523,551
<u>5,740</u>	<u>0</u>	<u>2,884</u>	<u>0</u>	<u>8,624</u>
<u>2,236,364</u>	<u>388,008</u>	<u>400,757</u>	<u>0</u>	<u>7,532,175</u>
<u>\$5,563,204</u>	<u>\$4,466,284</u>	<u>\$4,497,457</u>	<u>\$12,487,163</u>	<u>\$46,147,998</u>

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2004***

Function and Activity	December 31, 2003	Transfers	Additions	Deletions	December 31, 2004
<u>General Government:</u>					
Council	\$2,422	\$0	\$0	\$0	\$2,422
Mayor	4,150	0	0	0	4,150
Personnel	8,763	0	1,434	(3,079)	7,118
City Hall	3,487,407	0	0	0	3,487,407
Auditor	56,897	0	0	0	56,897
Income Tax	56,325	0	2,258	(2,957)	55,626
Treasurer	3,404	0	0	0	3,404
Safety Director	68,451	9,194	0	0	77,645
Engineer	238,718	0	5,894	0	244,612
Certified Building Inspection	0	35,219	2,196	0	37,415
Prosecutor	73,117	(9,194)	16,449	(3,613)	76,759
Court-Clerk	464,829	0	0	(1,549)	463,280
Court-Judicial	131,549	0	76,489	0	208,038
Court-Electronic Surveillance	14,172	0	0	0	14,172
Electric - Internal Service	1,462,735	(1,350,714)	0	(112,021)	0
Information Services - Internal Service	72,909	133,480	14,885	(1,485)	219,789
Total	6,145,848	(1,182,015)	119,605	(124,704)	4,958,734
<u>Security of Persons and Property:</u>					
Police	3,606,166	9,243	49,382	(1,650)	3,663,141
Fire	3,041,188	0	11,155	0	3,052,343
Total	6,647,354	9,243	60,537	(1,650)	6,715,484
<u>Public Health and Welfare Services:</u>					
Public Health	124,674	0	0	0	124,674
Cemetery	487,370	0	15,592	(13,250)	489,712
Total	612,044	0	15,592	(13,250)	614,386
<u>Transportation:</u>					
Public Transit	350,105	0	83,843	0	433,948
Street Construction	23,082,739	1,226,424	3,512,747	(1,993,848)	25,828,062
Total	23,432,844	1,226,424	3,596,590	(1,993,848)	26,262,010
<u>Community Environment:</u>					
Community Development	52,263	0	2,470	0	54,733
Economic Development	10,476	0	0	0	10,476
Total	62,739	0	2,470	0	65,209
<u>Leisure Time Activities:</u>					
Park	7,518,551	0	5,000	0	7,523,551
Mumaugh	8,624	0	0	0	8,624
Total	7,527,175	0	5,000	0	7,532,175
Total Capital Assets	\$44,428,004	\$53,652	\$3,799,794	(\$2,133,452)	\$46,147,998

STATISTICAL SECTION



STATISTICAL TABLES

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

CITY OF LANCASTER, OHIO

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

Year	Security of Persons and Property	Public Health and Welfare	Leisure Time Activities	Community Environment	Transportation	General Government	(1) Miscellaneous	Total
1995	\$9,341	\$1,287	\$1,023	\$705	\$2,221	\$4,128	\$22	\$18,727
1996	9,650	1,359	1,066	488	2,171	3,828	14	18,576
1997	9,460	1,293	1,140	781	2,330	3,606	8	18,618
1998	10,292	1,369	1,253	1,055	2,337	3,783	6	20,095
1999	10,824	1,545	1,277	2,541	3,205	4,318	121	23,831
2000	11,299	1,674	1,394	811	3,278	4,445	292	23,193
2001	11,601	1,656	1,853	606	3,273	5,113	243	24,345
2002	12,690	1,140	1,474	958	3,062	5,247	291	24,862
2003	13,040	825	1,598	818	3,604	5,791	228	25,904
2004	13,477	846	1,464	714	4,002	6,121	233	26,857

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

(1) Includes Debt Retirement.

CITY OF LANCASTER, OHIO

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

<u>Year</u>	<u>Taxes</u>	<u>Inter-Governmental Revenues</u>	<u>Charges for Services</u>	<u>Licenses, Permits and Fees</u>	<u>Investment Earnings</u>	<u>Special Assessments</u>	<u>Fines and Forfeitures</u>	<u>All Other Revenue</u>	<u>Total</u>
1995	\$9,747	\$4,444	\$1,115	\$59	\$833	\$0	\$803	\$486	\$17,487
1996	10,095	4,458	1,192	70	749	0	843	714	18,121
1997	10,975	5,306	1,253	77	837	0	810	773	20,031
1998	12,174	5,735	1,665	132	961	0	827	918	22,412
1999	12,797	6,125	2,043	22	1,070	0	839	359	23,255
2000	13,173	6,212	2,205	31	1,357	0	903	618	24,499
2001	13,680	6,267	2,124	17	981	216	1,085	270	24,640
2002	14,285	6,359	2,141	19	459	37	1,214	296	24,810
2003	15,089	5,809	2,335	25	364	41	1,310	210	25,183
2004	15,841	6,107	3,559	11	348	37	1,176	470	27,549

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

CITY OF LANCASTER, OHIO

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

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1995	\$1,204,616	\$1,145,997	\$35,360	\$1,181,357	98.07%	\$61,899	5.14%
1996	1,473,231	1,371,964	27,110	1,399,074	94.97%	88,397	6.00%
1997	1,479,239	1,408,609	71,076	1,479,685	100.03%	63,577	4.30%
1998	1,236,332	1,204,481	25,408	1,229,889	99.48%	59,679	4.83%
1999	1,394,840	1,343,887	35,544	1,379,431	98.90%	59,076	4.24%
2000	1,516,709	1,363,847	55,930	1,419,777	93.61%	86,148	5.68%
2001	1,525,473	1,405,848	50,283	1,456,131	95.45%	88,297	5.79%
2002	1,788,684	1,628,147	52,238	1,680,385	93.95%	81,285	4.54%
2003	1,997,454	1,884,789	66,643	1,951,432	97.70%	101,531	5.08%
2004	2,205,642	2,141,996	80,256	2,222,252	100.75%	39,768	1.80%

Source: Fairfield County Auditor

CITY OF LANCASTER, OHIO

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

Collection Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1995	\$292,032,160	\$834,377,600	\$20,262,540	\$59,595,706	\$77,513,166	\$310,052,664	\$389,807,866	\$1,204,025,970	32.38%
1996	379,220,150	1,083,486,143	19,775,910	58,164,441	85,842,560	343,370,240	484,838,620	1,485,020,824	32.65%
1997	387,768,000	1,107,908,571	19,583,870	57,599,618	87,668,105	350,672,420	495,019,975	1,516,180,609	32.65%
1998	397,922,750	1,136,922,143	19,806,210	58,253,559	89,086,789	356,347,156	506,815,749	1,551,522,858	32.67%
1999	449,827,490	1,285,221,400	17,820,400	52,412,941	87,390,191	349,560,764	555,038,081	1,687,195,105	32.90%
2000	462,361,180	1,321,031,943	17,820,400	52,412,941	87,390,191	349,560,764	567,571,771	1,723,005,648	32.94%
2001	470,130,350	1,343,229,571	17,387,580	49,678,800	92,941,903	371,767,612	580,459,833	1,764,675,983	32.89%
2002	553,938,230	1,582,680,657	15,746,060	44,988,743	91,377,351	365,509,404	661,061,641	1,993,178,804	33.17%
2003	562,148,300	1,606,138,000	16,280,240	46,514,971	91,021,282	364,085,128	669,449,822	2,016,738,099	33.19%
2004	572,493,700	1,635,696,286	16,375,620	46,787,486	83,596,629	334,386,516	672,465,949	2,016,870,287	33.34%

Source: Fairfield County Auditor

CITY OF LANCASTER, OHIO

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

Collection Year	City of Lancaster		Total City	Lancaster City School District	Fairfield County	Total
	General Fund	Police and Fire Pension Fund				
1995	2.80	0.60	3.40	56.70	7.05	67.15
1996	2.80	0.60	3.40	56.70	7.05	67.15
1997	2.80	0.60	3.40	56.70	7.05	67.15
1998	2.80	0.60	3.40	64.60	7.05	75.05
1999	2.80	0.60	3.40	64.60	7.05	75.05
2000	2.80	0.60	3.40	64.60	7.05	75.05
2001	2.80	0.60	3.40	64.60	7.05	75.05
2002	2.80	0.60	3.40	64.60	7.05	75.05
2003	2.80	0.60	3.40	64.60	7.05	75.05
2004	2.80	0.60	3.40	64.60	7.05	75.05

Source: Fairfield County Auditor
Fairfield County Treasurer

CITY OF LANCASTER, OHIO

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

<u>Collection Year</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>Percent Collected</u>
1995	\$8,630	\$7,885	91.37%
1996	2,897	0	0.00%
1997	0	0	0.00%
1998	0	0	0.00%
1999	0	0	0.00%
2000	0	0	0.00%
2001 (1)	0	215,585	0.00%
2002	38,170	37,480	98.19%
2003	38,170	37,214	97.50%
2004	38,170	36,872	96.60%

Source: Fairfield County Auditor

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

CITY OF LANCASTER, OHIO

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2004**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$672,465,949	\$672,465,949
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	70,608,925	36,985,627
Applicable City Debt Outstanding (2)	4,710,000	4,710,000
Less: Applicable Debt Service Fund Amounts	<u>(53,473)</u>	<u>(53,473)</u>
Net Indebtedness Subject to Limitation	<u>4,656,527</u>	<u>4,656,527</u>
Legal Debt Margin	<u><u>\$65,952,398</u></u>	<u><u>\$32,329,100</u></u>

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

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

CITY OF LANCASTER, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
DECEMBER 31, 2004**

<u>Jurisdiction</u>		<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Lancaster (2)</u>	<u>Amount Applicable to City of Lancaster</u>
Direct				
City of Lancaster (1)	(a)	\$4,656,527	100.00%	\$4,656,527
Overlapping Subdivisions				
Lancaster City School District	(b)	0	81.18%	0
Fairfield County	(b)	13,135,000	26.07%	3,424,295
				<u>3,424,295</u>
				<u><u>\$8,080,822</u></u>
Total				

(1) Includes general obligation notes.

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

Source:

(a) City of Lancaster Auditor's Office.

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

CITY OF LANCASTER, OHIO

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

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirement	Coverage
1995	\$3,770,664	\$2,831,331	\$939,333	\$0	0.00
1996	4,087,721	3,023,730	1,063,991	0	0.00
1997	4,167,866	3,006,192	1,161,674	0	0.00
1998	4,438,947	2,942,331	1,496,616	0	0.00
1999	4,622,468	3,461,560	1,160,908	0	0.00
2000	5,180,962	3,187,048	1,993,914	0	0.00
2001	5,776,886	3,761,913	2,014,973	0	0.00
2002	6,638,113	4,252,663	2,385,450	0	0.00
2003	6,854,809	4,300,565	2,554,244	0	0.00
2004	8,286,110	5,236,639	3,049,471	82,221	37.09

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

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

CITY OF LANCASTER, OHIO

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

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirement	Coverage
1995	\$4,876,118	\$2,155,250	\$2,720,868	\$0	0.00
1996	5,302,185	3,128,786	2,173,399	0	0.00
1997	5,449,829	2,896,980	2,552,849	0	0.00
1998	5,346,551	2,819,346	2,527,205	0	0.00
1999	5,409,066	2,530,025	2,879,041	0	0.00
2000	5,829,627	2,819,329	3,010,298	0	0.00
2001	5,776,979	3,052,172	2,724,807	0	0.00
2002	6,373,850	3,277,736	3,096,114	0	0.00
2003	6,433,722	3,528,703	2,905,019	0	0.00
2004	7,174,132	3,752,201	3,421,931	51,054	67.03

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

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

CITY OF LANCASTER, OHIO

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>	<u>Population (1)</u>		<u>Housing Statistics (1)</u>			
	<u>City of Lancaster</u>	<u>Fairfield County</u>	<u>City of Lancaster</u>	<u>1990</u>	<u>2000 (a)</u>	<u>2004</u>
1995	36,195	117,556				
1996	36,535	119,182	Total Housing Units	15,186	15,891	16,361
1997	37,826	131,809				
1998	38,254	136,351	Owner Occupied	60%	59%	60%
1999	38,983	126,723				
2000	a) 35,335	122,759	Vacancy Rate	5.2%	5.1%	6.5%
2001	35,600	124,950				
2002	35,860	127,150				
2003	36,120	132,500				
2004	36,380	136,100				

Source: (1) Lancaster Community Development Department estimates.

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

CITY OF LANCASTER, OHIO

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Year	Labor Force (1)		Employment (1)		Unemployment Rate			
	City of Lancaster	Fairfield County	City of Lancaster	Fairfield County	City of Lancaster	Fairfield County	State of Ohio	United States
1995	18,300	57,100	17,200	54,600	5.06%	4.03%	4.08%	5.06%
1996	19,500	60,800	18,600	59,300	4.07%	3.71%	4.86%	5.42%
1997	20,000	62,600	19,100	60,600	4.20%	3.20%	4.55%	4.95%
1998	20,400	63,500	19,600	61,600	3.09%	3.00%	4.30%	4.50%
1999	20,800	65,400	20,000	65,500	3.80%	2.90%	4.20%	4.20%
2000	21,600	68,700	20,900	66,600	4.50%	3.40%	4.30%	4.60%
2001	22,300	69,800	21,400	67,900	3.70%	2.80%	4.20%	4.80%
2002	22,600	70,500	21,300	67,500	5.50%	4.20%	5.00%	5.00%
2003	22,000	67,600	20,500	63,800	6.70%	6.00%	5.70%	5.70%
2004	18,300	67,700	17,000	64,600	7.00%	4.60%	5.90%	5.40%

(1) Estimates

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

CITY OF LANCASTER, OHIO

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

Year	Residential (1)		Commercial (1)		Bank Deposits (2) (in Thousands)
	Number of Permits	Property Value	Number of Permits	Property Value	
1995	97	\$11,161,223	14	\$4,916,116	\$149,434
1996	117	14,114,049	47	18,869,600	163,183
1997	165	20,187,790	54	6,004,000	172,771
1998	176	23,901,412	3	1,290,000	190,113
1999	134	18,635,408	63	25,723,471	247,807
2000	125	17,619,415	100	11,044,336	286,562
2001	122	14,375,874	57	1,753,961	329,912
2002	127	18,108,013	42	17,445,500	370,588
2003	150	22,961,571	11	31,040,000	387,312
2004	140	24,427,373	21	10,835,000	399,572

(1) Source: City of Lancaster Engineering Department.

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

CITY OF LANCASTER, OHIO

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)
DECEMBER 31, 2004**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Collection Year Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Anchor Hocking Glass Consumer	Glass	\$10,887,620	13.02%
2. Ralcorp Holdings, Inc.	Food	6,736,060	8.06%
3. McDermott Inc.	Electronics	6,017,830	7.20%
4. Crown Cork and Seal Company	Glass Closures	4,095,740	4.90%
5. Lancaster Glass	Glass	2,805,350	3.36%
6. SQM North America Corp.	Chemical	1,834,460	2.19%
7. Bob Boyd Ford Inc	Retail Automobile	1,818,610	2.18%
8. International Paper	Paper	1,730,370	2.07%
9. Taylor Chevrolet	Retail Automobile	1,717,130	2.05%
10. Dysart Corp.	Packaging	1,634,730	1.96%
	Subtotal	39,277,900	46.99%
	All Others	44,318,729	53.01%
	Total	<u>\$83,596,629</u>	<u>100.00%</u>

Based on valuation of property taxes collected in 2004.
Source: Fairfield County Auditor - Land and Buildings.

CITY OF LANCASTER, OHIO

**PRINCIPAL TAXPAYERS (REAL PROPERTY AND PUBLIC UTILITY PERSONAL PROPERTY TAX)
DECEMBER 31, 2004**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Collection Year Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Glimcher Holdings	Property	\$37,805,180	6.42%
2. Ohio Power Company	Utility-Electric	22,870,760	3.88%
3. Anchor Hocking Glass Corporation	Glass	10,578,300	1.80%
4. RP River Valley LLC	Property	9,410,020	1.60%
5. Ohio Bell Telephone Company	Utility-Telephone	9,246,160	1.57%
6. Lancaster Phase One Group	Property	7,965,600	1.35%
7. Plaza Inc A New York Group	Property	6,559,600	1.11%
8. Lowes Home Centers Inc	Retail Home Improvement	5,456,340	0.93%
9. Hocking Valley Mall LLC	Retail	5,180,020	0.88%
10. Riverview Medical Office	Health	5,058,080	0.86%
	Subtotal	120,130,060	20.40%
	All Others	468,739,260	79.60%
	Total	<u>\$588,869,320</u>	<u>100.00%</u>

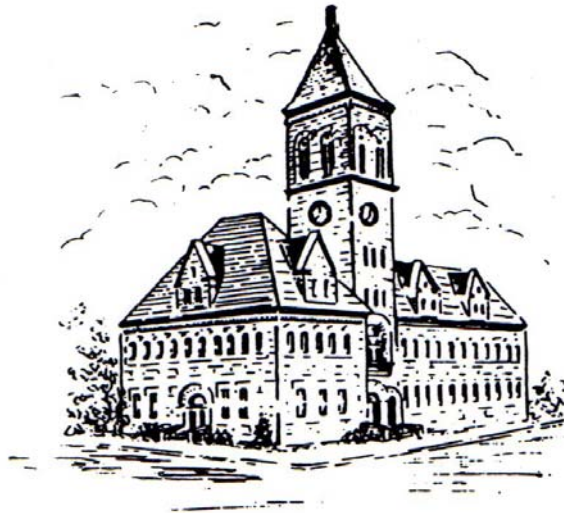
Based on valuation of property taxes collected in 2004.
Source: Fairfield County Auditor - Land and Buildings.

CITY OF LANCASTER, OHIO

MISCELLANEOUS STATISTICS DECEMBER 31, 2004

Date of Incorporation	1831	Police Services:	Water System:		
Form of Government	Mayor/ Council	Number of Stations	Number of Purification Plants	2	
Area (square miles)	16.547	Number of Police Personnel and Officers	Miles of Water Mains	162	
Facilities and Services:		Number of Patrol Units	Number of Fire Hydrants	1,425	
Miles of Streets	143.7	Number of Call Received	Number of Service Connections	14,275	
Number of Street Lights	2,355	Number of Call Received	Average Daily Consumption (gallons)	5,166.0	
Electric Illuminated Signals	92	Traffic Citations Issued	Maximum Daily Capacity of Plant (gallons)	16.5	
		Parking Tickets Written			
		Motor Vehicle Accidents	Sewerage System:		
Recreation and Culture:		Fire/Emergency Medical Services:	Number of Treatment Plants	1	
Number of Parks	26	Number of Stations	Miles of Sanitary Sewers	170	
Park Area (acres)	701	Number of Fire Personnel and Officers	Miles of Storm Sewers	50	
Number of Ball Fields:		Number of Calls Answered	Number of Service Connections	13,885	
Lighted	4	Number of Calls Answered	Average Daily Treatment (gallons)	7 M	
Unlighted	22	Number of Inspections	Maximum Daily Capacity of Treatment (gallons)	12.5M	
Number of Tennis Courts:		Number of Fire Runs			
Unlighted	10	Number of Medic Runs	Education *:		
Number of Libraries	1	Transportation:			
(Operated by Fairfield County)		Air:			
Number of Cemeteries	5	Airports			
Cemetery Area (Acres)	150	Freight Airlines			
Hospitals:		Land:			
Number of Hospitals	1	Trucking Firms			
Number of Patient Beds	222	Bus Lines			
Number of Bassinets	23	Rail:			
		Railroad Systems			
			Public	Private/ Parochial	
			Elementary Schools	9	3
			Elementary School Students	3,387	964
			Elementary School Instructors	226	60
			Junior High/Middle Schools	2	
			Junior High/Middle School Students	1,002	
			Junior High/Middle School Instructor:	108	
			Secondary Schools	2	2
			Secondary School Students	1,750	499
			Secondary School Instructors	110	40
			Colleges	2	
			College Students	1,664	

* Total School District data provided by the
Lancaster City School District and other private schools.





**Auditor of State
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CITY OF LANCASTER

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**