

CITY OF LEBANON, OHIO

Audit Report Required by

Government Auditing Standards

Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Lebanon, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 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 Lebanon is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

August 1, 2005

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CITY OF LEBANON, OHIO

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Ohio (the City) as of and for the year ended December 31, 2004 and have issued our report thereon dated May 6, 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 the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that we have reported to management of the City in a separate letter dated May 6, 2005.

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
May 6, 2005

Comprehensive Annual Financial Report



City of Lebanon, Ohio

For the Year Ended December 31, 2004



Introductory Section

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**CITY OF LEBANON, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Issued by:
Office of the Auditor**

**Sharee C. Dick
City Auditor**

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**CITY OF LEBANON, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Issued by:
Office of the Auditor**

**Sharee C. Dick
City Auditor**

City of Lebanon
Comprehensive Annual Financial Report
For the Year Ended December 31, 2004

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THE CITY OF LEBANON, OHIO

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

May 6, 2005

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

We are pleased to present the seventeenth Comprehensive Annual Financial Report (CAFR) for the City of Lebanon. This report, for the year ended December 31, 2004, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the City of Lebanon ("the City"). The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the City, specifically the City Auditor's office.

This CAFR is divided into three sections as follows:

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

CITY OVERVIEW

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

CITY ORGANIZATION AND REPORTING ENTITY

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

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

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

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

ITEMS OF LOCAL INTEREST

Parks and Recreation

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

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

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

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

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

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

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

Culture and Education

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

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

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

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

Places of historic interest in the City include:

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

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

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

Transportation

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

Economic Condition and Outlook

Lebanon grew moderately in the year 2004 with the construction of 234 new housing units. There has also been a lot of commercial and industrial activity with additions to Speedway, Advics Mfg., and Quantum Metals. Tri-Health has started construction on their new 96,000 sq. ft. Ambulatory Care Facility on Lebanon Road north of Interstate 71. Creech Lawn & Landscaping have occupied their new facilities at 640 N. Broadway. Bluegrass Theaters have renovated and expanded their facilities to 7 theaters at Colony Square Shopping Center. A new Wal-Mart Supercenter was approved and started construction in 2004. Watson's Crossing III was approved, a five lot commercial subdivision in 2004, and in early 2005 Grammas Development started a new 34,400 sq. ft. strip retail center on one of the lots.

Two new companies have been approved to locate in Columbia Business Park, developed by the City of Lebanon, Ohio Premium Provisions and Nu-Tech. Heritage Investments is pending and hopes to start construction this year. JBS, Industries have occupied their new building in the Lebanon Commerce Center.

The commercial, industrial, and residential construction valuation for 2004 added in excess of \$41,000,000 to the local property tax base per building permit records. This was up from \$34,000,000 in 2003.

MAJOR INITIATIVES

The Lebanon - Countryside YMCA Trail is currently under construction and is scheduled to open in late 2005. The new 7-mile trail connects the existing Little Miami Scenic Trail to downtown Lebanon.

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

The Downtown Streetscape Improvements, partially funded with a \$600,000 Transportation Enhancement Project Grant, will commence in mid 2005. The improvements will consist of new paver sidewalks, ornamental lighting and landscaping. The project will extend the downtown streetscape theme into additional areas on East Mulberry Street from Mechanic Street to Cherry Street as well as North Broadway from Silver Street to Pleasant Street. The project includes the installation of a new way-finding system, including street signs and location maps to be installed throughout the CBD.

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

FINANCIAL INFORMATION

Basis of Accounting

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

Internal Control Structure and Budgetary Controls

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

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

OTHER INFORMATION

Independent Audit

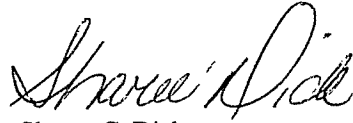
An audit team from Clark, Schaefer, Hackett & Co. has performed this year's audit. The results of the audit are presented in the Report of Independent Accountants.

Awards

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

Acknowledgments

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



Sharee C. Dick
City Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lebanon,
Ohio

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

President

Jeffrey R. Emery

Executive Director

CITY OF LEBANON, OHIO
LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

MAYOR

Amy Brewer

VICE MAYOR

Norm Dreyer II

COUNCIL MEMBERS:

Amy Brewer

Norm Dreyer II

J. Matthew Rodriguez

Ben Cole

James Hause

Jeffrey Aylor

James Norris II

APPOINTED OFFICIALS

CITY MANAGER

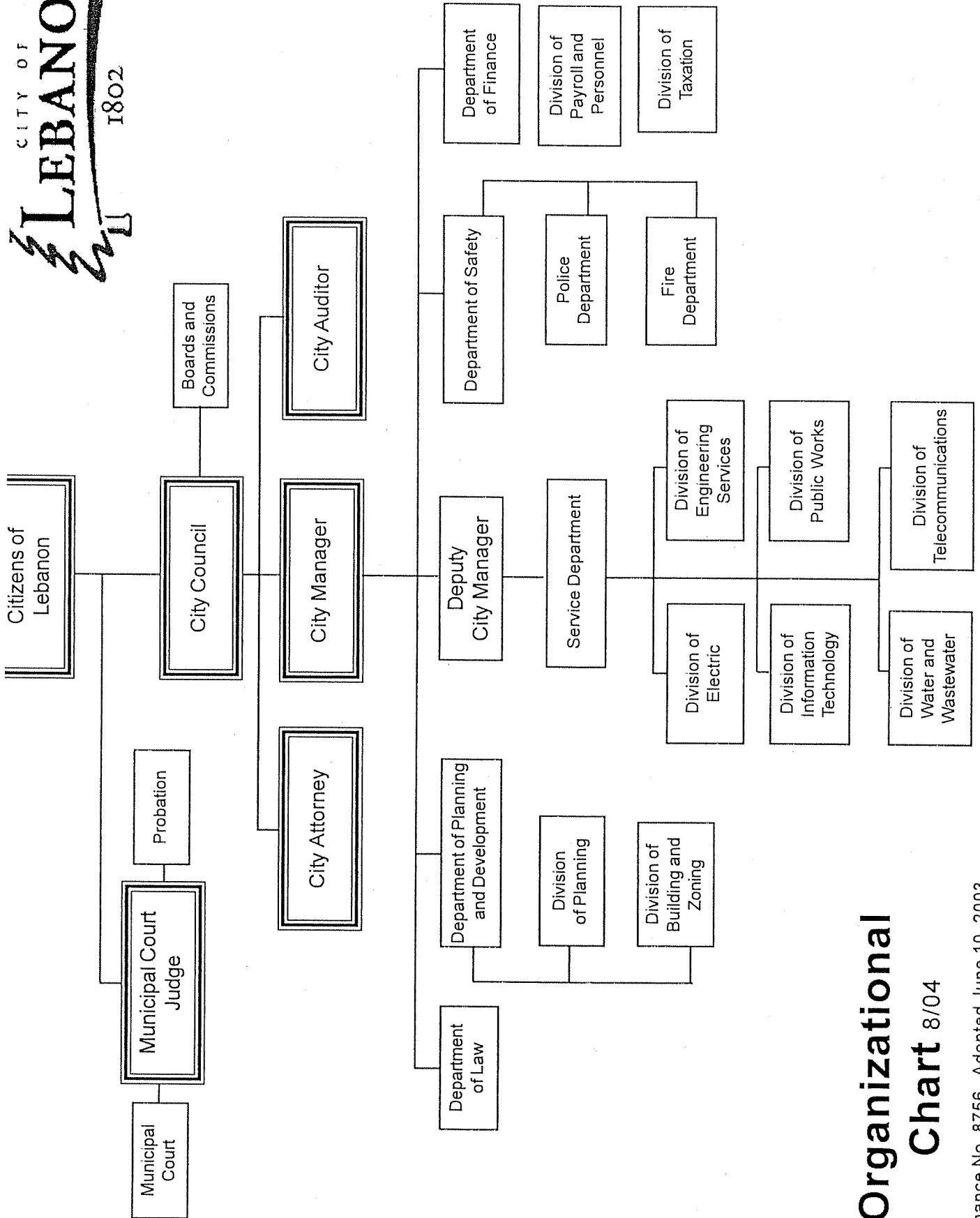
George P. Clements

CITY AUDITOR

Sharee C. Dick

CITY ATTORNEY

Mark S. Yurick



Organizational Chart 8/04

Ordinance No. 8756. Adopted June 10, 2003.



Financial Section

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

Independent Auditors' Report

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
May 6, 2005

*City of Lebanon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited*

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) of the City of Lebanon's financial performance provides an overview of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the transmittal letter, and the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

Financial Highlights

The City's total net assets increased \$11,358,223. Revenues of governmental activities exceeded expenses by \$4,493,432. This increase is due to increased activity in the City's charges for service fees, which include building, engineering and plumbing inspections fees and also property taxes, income taxes, interest earning and miscellaneous income. Net assets of business-type activities increased by \$6,864,791. This is primarily due to an increase in capital contributions related to the Main Street project and an increase in on/off fees for utility customers but also contracts payable was sufficiently lower due to the completion of the Main Street project. The addition of the Storm Water Utility Fund added net assets to business-type activities as well.

General revenues of governmental activities accounted for \$9,223,150 or 56 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$7,357,082, or 44 percent of the revenue.

The City had \$11,656,259 in expenses related to governmental activities; \$7,357,082 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primary income taxes) of \$9,223,150 were more than adequate to support these programs. The City had \$23,547,470 in expenses related to business-type activities. \$29,279,011 of program specific charges for services and capital grants, contributions and interest together with \$702,709 in general revenues more than offset the expenses.

The City's Enterprise funds reflected a total operating income of \$4,606,490 as follows: Electric Fund \$2,144,604, Sewer Fund \$405,188, Telecommunications Fund \$471,233 Water Fund \$1,274,918 and the Storm Water Utility Fund \$342,615. Only the Sanitation Fund showed an operating loss of \$32,068.

USING THIS ANNUAL REPORT

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

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

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

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

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

The City established a Storm Water Utility fund that will allow the City to address the backlog of storm water infrastructure requirements as well as to provide a funding mechanism to support unfunded OEPA mandates associated with storm water management.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Information about the City's major funds begins on page 6. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants and other funds may be established by Council at the suggestion of the City Manager or City Auditor. These funds help management control, manage, and report money received for a particular purpose or to show that the City is meeting its legal obligations. The City's major funds are General, Fire and Life Squad, Capital Improvement, Electric, Sanitation, Sewer, Telecommunications, Water and Storm Water Utility.

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

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

THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and Other Assets	\$20,248,728	\$17,481,205	\$28,673,801	\$32,837,897	\$48,922,529	\$50,319,102
Nondepreciable Capital Assets	12,107,674	15,063,585	14,625,071	11,687,557	26,732,745	26,751,142
Depreciable Capital Assets, Net	14,219,621	7,082,699	54,551,108	48,463,705	68,770,729	55,546,404
Total Assets	46,576,023	39,627,489	97,849,980	92,989,159	144,426,003	132,616,648
Liabilities:						
Current and Other Liabilities	6,088,129	2,947,667	10,456,036	10,999,559	16,544,165	13,947,226
Long-Term Liabilities:						
Due Within One Year	712,727	870,313	1,582,156	1,538,617	2,294,883	2,408,930
Due in More Than One Year	7,466,743	7,994,517	31,431,159	32,935,145	38,897,902	40,929,662
Total Liabilities	14,267,599	11,812,497	43,469,351	45,473,321	57,736,950	57,285,818
Net Assets:						
Invested in Capital Assets, Net of Related Debt	18,945,905	14,799,049	28,906,925	18,011,398	47,852,830	32,810,447
Restricted	10,544,147	10,620,391	3,334,324	3,305,947	13,878,471	13,926,338
Unrestricted	2,818,372	2,395,552	22,139,380	26,198,493	24,957,752	28,594,045
Total Net Assets	\$32,308,424	\$27,814,992	\$54,380,629	\$47,515,838	\$86,689,053	\$75,330,830

Total net assets increased \$11,358,223. Net assets of the City's governmental activities increased by \$4,493,432, while unrestricted net assets increased by \$422,820. Invested in capital assets (net of related debt issued to acquire the assets) increased by \$4,146,856. Additions in the amount of \$5,773,244 were enough to cover depreciation of \$683,615. Capital assets are used to provide services to the public and do not represent assets that may be used for future spending.

The net assets of the City's business-type activities increased by \$6,864,791. The City strives to control operational expenses for business-type activities in order to maintain stability in charges for services and closely monitors the trends of our growing community in order to adjust for budgetary issues and changes in City policy where necessary. The Council and Administration work very hard to keep the City fiscally strong. We watch our enterprise funds closely and make sure monies are budgeted to provide for proper maintenance of our equipment and facilities. Our administration and department superintendents are all involved in our budget process. Our budget is developed from the bottom up with emphasis of good stewardship of our ratepayers and taxpayers money.

Table 2 shows the changes in net assets for the year ended December 31, 2004.

Table 2
Changes in Net Assets

	<i>Governmental</i>		<i>Business Type</i>		<i>Total</i>	
	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$3,456,300	\$3,129,198	\$25,708,112	\$23,012,275	\$29,164,412	\$26,141,473
Operating Grants, Contributions and Interest	1,052,563	670,606	0	0	1,052,563	670,606
Capital Grants, Contributions, and Interest	2,848,219	4,777,038	3,570,899	1,109,473	6,419,118	5,886,511
Total Program Revenues	<u>7,357,082</u>	<u>8,576,842</u>	<u>29,279,011</u>	<u>24,121,748</u>	<u>36,636,093</u>	<u>32,698,590</u>
General Revenues:						
Property Taxes	2,428,646	2,199,757	0	0	2,428,646	2,199,757
Income Taxes	4,682,034	4,577,825	0	0	4,682,034	4,577,825
Other Taxes	791,589	855,204	0	0	791,589	855,204
Payments in Lieu of Taxes	43,237	40,322	0	0	43,237	40,322
Grants and Entitlements Not Restricted to Specific Programs	865,966	987,605	0	0	865,966	987,605
Unrestricted Contributions	6,654	1,500	0	0	6,654	1,500
Interest	210,049	144,603	235,160	224,627	445,209	369,230
Miscellaneous	194,975	60,836	467,549	408,264	662,524	469,100
Total General Revenues	<u>9,223,150</u>	<u>8,867,652</u>	<u>702,709</u>	<u>632,891</u>	<u>9,925,859</u>	<u>9,500,543</u>
Total Revenues	<u>16,580,232</u>	<u>17,444,494</u>	<u>29,981,720</u>	<u>24,754,639</u>	<u>46,561,952</u>	<u>42,199,133</u>
Program Expenses:						
General Government	3,524,592	3,532,241	0	0	3,524,592	3,532,241
Security of Persons and Property:						
Police	3,056,648	2,872,414	0	0	3,056,648	2,872,414
Fire	2,019,372	1,284,146	0	0	2,019,372	1,284,146
Public Health	255,918	192,335	0	0	255,918	192,335
Leisure Time Services	415,275	820,253	0	0	415,275	820,253
Community and Economic Development	1,264,165	990,158	0	0	1,264,165	990,158
Transportation	744,796	744,214	0	0	744,796	744,214
Interest and Fiscal Charges	375,493	407,376	0	0	375,493	407,376
Electric	0	0	11,619,684	11,827,260	11,619,684	11,827,260
Sanitation	0	0	904,097	763,404	904,097	763,404
Sewer	0	0	3,056,641	2,898,432	3,056,641	2,898,432
Telecommunications	0	0	5,498,498	4,401,577	5,498,498	4,401,577
Water	0	0	2,199,793	2,364,501	2,199,793	2,364,501
Storm Water Utility	0	0	268,757	0	268,757	0
Total Expenses	<u>11,656,259</u>	<u>10,843,137</u>	<u>23,547,470</u>	<u>22,255,174</u>	<u>35,203,729</u>	<u>33,098,311</u>
Increase in Net Assets Before Transfers	4,923,973	6,601,357	6,434,250	2,499,465	11,358,223	9,100,822
Transfers	(430,541)	114,498	430,541	(114,498)	0	0
Increase in Net Assets	4,493,432	6,715,855	6,864,791	2,384,967	11,358,223	9,100,822
Net Assets, January 1, 2004	27,814,992	21,099,137	47,515,838	45,130,871	75,330,830	66,230,008
Net Assets, December 31, 2004	<u>\$32,308,424</u>	<u>\$27,814,992</u>	<u>\$54,380,629</u>	<u>\$47,515,838</u>	<u>\$86,689,053</u>	<u>\$75,330,830</u>

Governmental Activities

The City's income tax was established in 1970 at a rate of 1 percent. The rate has not been increased even though this rate is much lower than the state average for municipalities. The City provides tax relief in the form of a full tax credit for taxes paid to another municipality. The City's income tax is the largest source of revenue for the City's General Fund. Employee withholding contributed 76.6% of the revenue received in 2004 with business earnings contributing 6.6% and individuals 16.8%. The City has mandatory filing for all residents that work regardless of their age. The revenues are allocated in the following manner: 40% General Fund, 40% Capital Improvement Fund and 20% to the General Obligation Bond Fund. This allocation begins after administration costs for the Division of Taxation has been obtained for current operating year.

Governmental program expenses for 2004 were as follows:

Table 3
Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004	Total Cost Of Services 2003	Net Cost of Services 2003
General Government	\$3,524,592	(\$792,419)	\$3,532,241	(\$1,246,595)
Security of Persons and Property:				
Police	3,056,648	(2,875,959)	2,872,414	(2,724,802)
Fire	2,019,372	(1,738,581)	1,284,146	(987,159)
Public Health	255,918	(102,483)	192,335	6,498
Leisure Time Services	415,275	(250,811)	820,253	(723,645)
Community and Economic Development	1,264,165	(1,046,379)	990,158	(490,632)
Transportation	744,796	2,882,948	744,214	4,307,416
Interest and fiscal charges	375,493	(375,493)	407,376	(407,376)
Total Expenses	<u>\$11,656,259</u>	<u>(\$4,299,177)</u>	<u>\$10,843,137</u>	<u>(\$2,266,295)</u>

When looking at the sources of income to support governmental activities, it should be noted that total program revenues are 40% of total revenues and transfers. The remaining revenues are primarily generated locally through property taxes, City income taxes, state distributions, grants and other miscellaneous income. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they have always been committed.

Business-Type Activities

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

The Electric Fund collects the fees associated with the sale and delivery of electricity within Lebanon. Various electric service charges, not associated with the sale and delivery of electricity, are also collected by this Fund. The fees collected are then used to purchase power, maintain and operate the electric generation, transmission, and distribution systems of the City, fund capital improvements projects and pay off debt service. Electric operating income increase 23.4 percent over 2003, due to the City's growth, combined with annual legislation that increased the electric rate by 1 percent.

The Sanitation Fund charges fees to citizens for the collection of residential garbage. The City outsources the actual collection by bidding the contract for services every three years. The City shifted street sweeping personnel in to the Sanitation Fund in 2004, which resulted in a net operating loss of \$32,068.

The Sewer Fund conducts the operations of the City's wastewater collection and treatment system; this includes the Regional Wastewater Treatment Facility. Money that is collected from the fees which are billed based upon number of gallons of water used are placed in this Fund for use in the maintenance of the collection system, improvements to the Treatment Plant and the payment of the debt incurred for the expansion of the facility. An important aspect of this fund's mission is to maintain the quality of the environment. As such, it is the policy of the City Council, carried out by this fund, that all OEPA standards be met or exceeded. Sewer operating income increased by \$103,000 due to continued growth and annual legislation that increased sewer rates by 3 percent.

The Telecommunications Fund is the fund in which the operations of various Telecommunications services are conducted. This Fund collects the fees for cable, high-speed internet, and various telephone services that the City of Lebanon Telecommunications provides. That revenue is then used to maintain and upgrade the system and its various services. Those fees also assist in paying for new construction as well as to repay the debt incurred from the addition of these services. Telecommunications operating income increased by \$468,612 due to the addition of telephone services. The City partnered with Cincinnati Bell Telephone in late 2003 to provide various telephone services to the citizens of Lebanon, and subscriber counts have continued in a rapid upward trend.

The Water Fund collects the fees charged for the sale of water within Lebanon and in several subdivisions in Turtlecreek and Union Townships. Those fees are then used to maintain lines for delivery and to treat water for further consumption. The City of Lebanon draws its water supplies from three well fields; one at the water treatment plant on Main Street, the second is on the western edge of the community between S.R. 63 and McClure Road, and the third is located along I-71 Kingsview Industrial Park. The City also maintains through this Fund a system of four storage towers to supply pressure and capacity to its system. At the end of 2004 the City awarded bid for the construction of a new storage tower which when completed will bring the total storage towers to five. This Fund's mission from the City Council is to maintain a high level of service while meeting all applicable OEPA standards. Water operating income increased 14.4 percent due to continued growth and annual legislation that increased water rates by 5 percent.

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

THE CITY'S FUNDS

Information about the City's governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$16,850,246 and expenditures of \$16,114,987. The General Fund balance increased by \$459,107.

The City has decreased its general fund operating expenditures by 15.4% since 2002. The budget adequately resources the City's key services while reducing expenditures in the General fund by 3.3% from the previous year. These expenditures reductions will allow the City to increase cash reserves for operating year 2004. This 3.3% expenditures reduction was created through a combination of program reductions and shifting of some expenditures into other funds by moving municipal service workers to the Sanitation and Storm Water Utility funds, converting full time positions to part time and reducing travel and training expenses. Economic development trends continue to be promising due to the rapid growth of Warren County and the City's success in attracting new businesses, including a Super Wal-Mart and the new Bethesda Self Health Inc. facility on Cook Road. The City's Columbia Business Park continues to strive with the addition of Everything Image and Addis Glass Fabricating.

The Capital Improvement Fund balance decreased by \$100,220 due to expenditures exceeding revenues on the near completion of the South Mechanic Street/South Cherry Street reconstruction project (\$332,000) and the Kingsview bike trail realignment project (\$369,000).

General Fund Budgeting Highlights

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

Original General fund budgeted revenues were \$7,703,570. Actual revenues received totaled \$7,516,559. The difference in expected revenues is attributed to a decrease in property taxes, income taxes, other local taxes and interest income. General fund original appropriations were \$7,348,379 with actual expenditure amounts being \$7,047,098. This is mainly attributed to unexecuted contractual services and decreased travel and training expenses.

CAPITAL ASSETS

Table 4 presents the net book value of the City's capital assets for governmental and business-type activities for 2004, compared to 2003:

Table 4
Capital Assets

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$10,759,839	\$10,287,547	\$5,243,384	\$5,388,005	\$16,003,223	\$15,675,552
Construction in Progress	1,347,835	4,776,038	9,381,687	6,299,552	10,729,522	11,075,590
Land Improvements	630,952	666,219	0	0	630,952	666,219
Buildings and Improvements	2,689,524	2,860,558	16,185,092	14,860,235	18,874,616	17,720,793
Equipment	741,578	725,912	611,957	461,138	1,353,535	1,187,050
Vehicles	1,033,067	1,161,362	526,855	643,028	1,559,922	1,804,390
Infrastructure	9,124,500	1,668,648	37,227,204	32,499,304	46,351,704	34,167,952
Totals	<u>\$26,327,295</u>	<u>\$22,146,284</u>	<u>\$69,176,179</u>	<u>\$60,151,262</u>	<u>\$95,503,474</u>	<u>\$82,297,546</u>

Administration and Council have a quality of life commitment to the citizens and businesses located in Lebanon. With this in mind, the City Council appropriated \$1,120,000 in 2004 for roadway improvements projects. This includes \$200,000 for street resurfacing, \$350,000 for street replacement, \$295,000 for sidewalks, curbs and gutter replacement, and \$275,000 for the rehabilitation of South Broadway Bridge. The City has applied for a State of Ohio Issue II Grant for the South Broadway Bridge project, which if granted, would fund 49% of the project. \$120,000 has been programmed for construction of storm water system upgrades in Oakwood Drive area to address existing drainage problems, \$250,000 in Sewer System improvements to replace existing sanitary sewer mains that have been identified through video inspection as being in poor condition, \$500,000 Water System improvements for development of additional production wells and \$800,000 for painting the North Water Tower, \$615,000 for the continued development of the Countryside YMCA Bike trail and \$115,000 for fleet replacement.

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

DEBT

Table 5 summarizes bonds and notes outstanding for at December 31, 2004 and 2003:

*Table 5
Outstanding Debt at Year End*

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Special Assessment Bonds	\$665,723	\$743,267	\$0	\$0	\$665,723	\$743,267
General Obligation Bonds	6,638,372	7,012,161	0	0	6,638,372	7,012,161
Mortgage Revenue Bonds	0	0	32,817,309	34,248,548	32,817,309	34,248,548
Bond Anticipation Notes	1,400,000	120,000	8,000,000	8,500,000	9,400,000	8,620,000
	<u>\$8,704,095</u>	<u>\$7,875,428</u>	<u>\$40,817,309</u>	<u>\$42,748,548</u>	<u>\$49,521,404</u>	<u>\$50,623,976</u>

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

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

**CITY OF LEBANON, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$13,637,777	\$20,469,484	\$34,107,261
Accounts Receivable	0	3,754,874	3,754,874
Intergovernmental Receivable	1,039,600	29,124	1,068,724
Prepaid Items	125,579	94,768	220,347
Internal Balances	49,074	(49,074)	0
Materials and Supplies Inventory	161,703	1,243,809	1,405,512
Income Taxes Receivable	991,613	0	991,613
Property and Other Local Taxes Receivable	3,000,377	0	3,000,377
Revenue in Lieu of Taxes Receivable	37,905	0	37,905
Capital Leases Receivable	52,813	0	52,813
Notes Receivable	10,849	0	10,849
Special Assessments Receivable	905,755	42,605	948,360
Cash and Cash Equivalents with Fiscal Agents	182,277	2,540,156	2,722,433
Deferred Charges	53,406	548,055	601,461
Nondepreciable Capital Assets	12,107,674	14,625,071	26,732,745
Depreciable Capital Assets, Net	14,219,621	54,551,108	68,770,729
Total Assets	46,576,023	97,849,980	144,426,003
LIABILITIES			
Accounts Payable	715,610	1,657,081	2,372,691
Accrued Wages	167,162	78,021	245,183
Intergovernmental Payable	230,371	56,496	286,867
Contracts Payable	197,352	688	198,040
Retainage Payable	123,421	75,808	199,229
Deferred Revenue	2,891,966	0	2,891,966
Accrued Interest Payable	41,876	202,848	244,724
Claims Payable	320,266	0	320,266
Notes Payable	1,400,000	8,000,000	9,400,000
Matured Interest Payable	105	0	105
Refundable Deposits	0	385,094	385,094
Long-Term Liabilities:			
Due Within One Year	712,727	1,582,156	2,294,883
Due in More Than One Year	7,466,743	31,431,159	38,897,902
Total Liabilities	14,267,599	43,469,351	57,736,950
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	18,945,905	28,906,925	47,852,830
Restricted for:			
Debt Service	4,836,043	0	4,836,043
Capital Outlay	936,388	0	936,388
Other Purposes	4,771,716	0	4,771,716
Revenue Bonds Replacement and Improvement	0	932,500	932,500
Revenue Bonds Current Debt Service	0	2,401,824	2,401,824
Unrestricted	2,818,372	22,139,380	24,957,752
Total Net Assets	\$32,308,424	\$54,380,629	\$86,689,053

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants Contributions and Interest
Governmental Activities				
General Government	\$3,524,592	\$2,732,173	\$0	\$0
Security of Persons and Property:				
Police	3,056,648	180,689	0	0
Fire	2,019,372	145,950	134,841	0
Public Health	255,918	89,641	63,794	0
Leisure Time Services	415,275	164,464	0	0
Community and Economic Development	1,264,165	143,383	74,403	0
Transportation	744,796	0	779,525	2,848,219
Interest and Fiscal Charges	375,493	0	0	0
Total Governmental Activities	<u>11,656,259</u>	<u>3,456,300</u>	<u>1,052,563</u>	<u>2,848,219</u>
Business-Type Activities				
Electric	11,619,684	13,079,140	0	0
Sanitation	904,097	865,618	0	1,109,904
Sewer	3,056,641	2,798,610	0	804,971
Telecommunications	5,550,469	5,409,918	0	0
Water	2,147,822	2,943,454	0	1,004,213
Storm Water Utility	268,757	611,372	0	651,811
Total Business-Type Activities	<u>23,547,470</u>	<u>25,708,112</u>	<u>0</u>	<u>3,570,899</u>
Total Activities	<u>\$35,203,729</u>	<u>\$29,164,412</u>	<u>\$1,052,563</u>	<u>\$6,419,118</u>

General Revenues:
 Taxes
 Property Taxes
 Income Taxes
 Other Taxes
 Payments in Lieu of Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Unrestricted Contributions
 Investment Earnings
 Gain on Sale of Capital Assets
 Miscellaneous
 Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense)Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$792,419)	\$0	(\$792,419)
(2,875,959)	0	(2,875,959)
(1,738,581)	0	(1,738,581)
(102,483)	0	(102,483)
(250,811)	0	(250,811)
(1,046,379)	0	(1,046,379)
2,882,948	0	2,882,948
<u>(375,493)</u>	<u>0</u>	<u>(375,493)</u>
<u>(4,299,177)</u>	<u>0</u>	<u>(4,299,177)</u>
0	1,459,456	1,459,456
0	1,071,425	1,071,425
0	546,940	546,940
0	(140,551)	(140,551)
0	1,799,845	1,799,845
0	994,426	994,426
<u>0</u>	<u>5,731,541</u>	<u>5,731,541</u>
<u>(4,299,177)</u>	<u>5,731,541</u>	<u>1,432,364</u>
2,428,646	0	2,428,646
4,682,034	0	4,682,034
791,589	0	791,589
43,237	0	43,237
865,966	0	865,966
6,654	0	6,654
210,049	235,160	445,209
623	1,150	1,773
194,352	466,399	660,751
<u>(430,541)</u>	<u>430,541</u>	<u>0</u>
<u>8,792,609</u>	<u>1,133,250</u>	<u>9,925,859</u>
4,493,432	6,864,791	11,358,223
<u>27,814,992</u>	<u>47,515,838</u>	<u>75,330,830</u>
<u>\$32,308,424</u>	<u>\$54,380,629</u>	<u>\$86,689,053</u>

**CITY OF LEBANON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	<u>GENERAL</u>	<u>FIRE AND LIFE SQUAD</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$1,511,565	\$1,935,740
Cash and Cash Equivalents with Fiscal Agent	0	0
Materials and Supplies Inventory	43,446	55,498
Intergovernmental Receivable	477,020	69,007
Prepaid Items	71,373	30,973
Income Taxes Receivable	711,926	0
Property and Other Local Taxes Receivable	1,010,646	1,879,805
Revenue in Lieu of Taxes Receivable	0	0
Notes Receivable	0	0
Special Assessments Receivable	0	0
Capital Lease Receivable	0	0
Advances to Other Funds	1,702,219	0
	<u>55,528,195</u>	<u>3,971,023</u>
Total Assets		
LIABILITIES:		
Accounts Payable	\$67,216	\$355,714
Accrued Wages	124,386	20,951
Contracts Payable	0	104,627
Intergovernmental Payable	158,035	24,186
Matured Interest Payable	0	0
Accrued Interest Payable	0	16,520
Interfund Payable	3,992	1,500
Retainage Payable	0	57,118
Deferred Revenue	1,749,610	1,948,812
Notes Payable	0	1,400,000
Advances From Other Funds	0	0
	<u>2,103,239</u>	<u>3,929,428</u>
Total Liabilities		
FUND BALANCES:		
Reserved:		
Reserved for Encumbrances	88,414	1,130,948
Reserved for Advances	1,702,219	0
Reserved for Notes Receivable	0	0
Unreserved, Undesignated, Reported in:		
General Fund	1,634,323	0
Special Revenue Funds (Deficit)	0	(1,089,353)
Debt Service Funds	0	0
Capital Projects Funds (Deficit)	0	0
	<u>3,424,956</u>	<u>41,595</u>
Total Fund Balances		
Total Liabilities and Fund Balances	<u>\$5,528,195</u>	<u>\$3,971,023</u>

See accompanying notes to the basic financial statements

<u>CAPITAL IMPROVEMENT</u>	<u>ALL OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$2,285,957	\$7,839,797	\$13,573,059
0	182,277	182,277
0	60,967	159,911
0	493,573	1,039,600
0	18,059	120,405
186,458	93,229	991,613
0	109,926	3,000,377
0	37,905	37,905
0	10,849	10,849
81,270	824,485	905,755
0	52,813	52,813
0	0	1,702,219
<u>\$2,553,685</u>	<u>\$9,723,880</u>	<u>\$21,776,783</u>
\$266,403	\$20,231	\$709,564
0	19,076	164,413
20,414	72,311	197,352
38	46,111	228,370
0	105	105
0	0	16,520
0	3,111	8,603
66,303	0	123,421
81,270	1,439,470	5,219,162
0	0	1,400,000
0	1,702,219	1,702,219
<u>434,428</u>	<u>3,302,634</u>	<u>9,769,729</u>
449,466	74,829	1,743,657
0	0	1,702,219
0	10,849	10,849
0	0	1,634,323
0	3,633,153	2,543,800
0	4,025,444	4,025,444
1,669,791	(1,323,029)	346,762
<u>2,119,257</u>	<u>6,421,246</u>	<u>12,007,054</u>
<u>\$2,553,685</u>	<u>\$9,723,880</u>	<u>\$21,776,783</u>

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**CITY OF LEBANON, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Total Governmental Fund Balances		\$12,007,054
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	10,695,173	
Infrastructure	9,419,304	
Construction in progress	1,347,835	
Other capital assets	9,941,527	
Accumulated depreciation	(5,144,768)	
Total capital assets		26,259,071
Internal service funds are used by management to charge the costs of insurance and automotive maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(202,171)
Adjustment of reflect the consolidation of internal service fund activities related to enterprise activity.		45,724
Some of the City's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:		
Property Taxes	103,164	
Special Assessments	905,755	
Due From Other Governments		
Charges for Services	108,747	
Shared Taxes and Local Government Revenue Assistance	807,405	
Income Taxes	311,407	
Revenue in Lieu of Taxes	37,905	
Capital Leases	52,813	
		2,327,196
Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis		53,406
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued interest on bonds	(25,356)	
Discount on bonds	15,930	
Capital leases	(46,237)	
Bonds	(7,320,025)	
Police Pension	(21,503)	
Compensated absences	(784,665)	
Total liabilities		(8,181,856)
Net Assets of Governmental Activities		<u>\$32,308,424</u>

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>GENERAL</u>	<u>FIRE AND LIFE SQUAD</u>
REVENUES:		
Property Taxes	\$979,099	\$1,303,004
Income Taxes	1,999,295	0
Other Local Taxes	747,974	0
Payments in Lieu of Taxes	0	0
Special Assessments	0	0
Charges for Services	1,811,712	145,950
Fines, Licenses and Permits	1,007,298	0
Intergovernmental	845,221	133,707
Interest	141,812	0
Contributions and Donations	6,654	0
Other	65,901	13,185
Total Revenues	<u>7,604,966</u>	<u>1,595,846</u>
EXPENDITURES:		
Current:		
General Government	3,303,478	0
Security of Persons and Property:		
Police	2,876,126	0
Fire	0	2,396,089
Public Health Services	8,737	0
Leisure Time Services	159,752	0
Community and Economic Development	721,939	0
Transportation	0	0
Capital Outlay	0	57,118
Debt Service:		
Principal Retirement	341	120,000
Interest and Fiscal Charges	925	18,489
Total Expenditures	<u>7,071,298</u>	<u>2,591,696</u>
Excess of Revenues Over (Under)		
Expenditures	<u>533,668</u>	<u>(995,850)</u>
OTHER FINANCING SOURCES AND USES:		
Proceeds from Sale of Capital Assets	0	0
Transfers In	48,265	0
Transfers Out	(122,826)	0
Total Other Financing Sources and Uses	<u>(74,561)</u>	<u>0</u>
Net Change in Fund Balance	459,107	(995,850)
Fund Balance at Beginning of Year - Restated (Note 3)	<u>2,965,849</u>	<u>1,037,445</u>
Fund Balance at End of Year	<u>\$3,424,956</u>	<u>\$41,595</u>

See accompanying notes to the basic financial statements

<u>CAPITAL IMPROVEMENT</u>	<u>ALL OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$0	\$121,906	\$2,404,009
1,799,565	899,781	4,698,641
0	43,615	791,589
0	848,321	848,321
0	154,965	154,965
0	242,114	2,199,776
0	248,254	1,255,552
2,170,852	887,505	4,037,285
0	68,205	210,017
0	33,794	40,448
93,024	37,533	209,643
<u>4,063,441</u>	<u>3,585,993</u>	<u>16,850,246</u>
78,000	36,362	3,417,840
0	72,507	2,948,633
0	0	2,396,089
0	210,620	219,357
0	148,904	308,656
0	536,869	1,258,808
94,875	734,485	829,360
3,698,827	19,038	3,774,983
13,984	480,000	614,325
2,975	324,547	346,936
<u>3,888,661</u>	<u>2,563,332</u>	<u>16,114,987</u>
<u>174,780</u>	<u>1,022,661</u>	<u>735,259</u>
0	2,204	2,204
0	574,601	622,866
(275,000)	(238,021)	(635,847)
<u>(275,000)</u>	<u>338,784</u>	<u>(10,777)</u>
(100,220)	1,361,445	724,482
<u>2,219,477</u>	<u>5,059,801</u>	<u>11,282,572</u>
<u>\$2,119,257</u>	<u>\$6,421,246</u>	<u>\$12,007,054</u>

CITY OF LEBANON, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net Change in Fund Balances - Total Governmental Funds		\$724,482
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Asset Additions	4,606,400	
Current Year Depreciation	<u>(680,056)</u>	3,926,344
Donations of capital assets are not reported in the governmental funds. However, in the statement of activities, their value at the time of donation is reported as revenue.		
	<u>677,367</u>	677,367
When capital assets are disposed of, the cost of the capital assets is removed from the capital asset account in the statement of net assets resulting in a gain on sale of capital assets in the statement of activities.		
Proceeds from Sale of Capital Assets	(2,204)	
Gain on Disposal of Capital Assets	<u>623</u>	(1,581)
Assets transferred from enterprise funds during the year to governmental activities		
Capital Assets	<u>489,477</u>	489,477
Assets transferred from governmental activities during the year to enterprise funds		
Capital Assets	<u>(907,037)</u>	(907,037)
Because some revenues will not be collected for several months after the City's year end, they are not considered "available" revenues and are deferred in the governmental funds.		
Property Taxes	24,637	
Special Assessments	(154,965)	
Due From Other Governments		
Charges for Services	(6,042)	
Shared Taxes and Local Government Revenue Assistance	17,408	
Income Taxes	(16,607)	
Revenue in Lieu of Taxes	(805,084)	
Other Revenue	<u>(8,277)</u>	(948,930)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond principal retirement	402,456	
Special assessment principal retirement	77,544	
Note principal retirement	120,000	
Police pension principal retirement	341	
Capital lease payments	<u>13,984</u>	614,325
Total long-term debt repayment		
Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities		
Accretion on Library Bonds	(27,829)	
Amortization of bond issuance costs	(2,811)	
Amortization of bond discount	<u>(838)</u>	(31,478)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Compensated Absences	102,380	
Accrued Interest	<u>2,921</u>	105,301
Total additional expenditures		
Internal service funds used by management to charge the costs of insurance and automative maintenance to individual funds are not reported in the entity-wide statement of activities. The net loss of the internal service funds is reported with governmental activities, net of the adjustment to reflect the consolidation of internal service fund activities related to business type activities.		
		<u>(154,838)</u>
Change in Net Assets of Governmental Activities		<u>\$4,493,432</u>

See accompanying notes to the basic financial statements

**CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$1,015,025	\$1,015,025	\$979,099	(\$35,926)
Income Taxes	2,035,000	2,035,000	1,957,820	(77,180)
Other Local Taxes	830,000	830,000	748,638	(81,362)
Charges for Services	1,795,400	1,795,400	1,811,477	16,077
Licenses and Permits	1,047,550	1,047,550	1,001,455	(46,095)
Intergovernmental	738,345	738,345	854,361	116,016
Interest	151,500	151,500	91,154	(60,346)
Contributions and Donations	250	250	6,654	6,404
Other	90,500	90,500	65,901	(24,599)
Total Revenues	7,703,570	7,703,570	7,516,559	(187,011)
Expenditures:				
Current:				
General Government	3,584,031	3,615,411	3,346,360	269,051
Security of Persons and Property:				
Police	2,915,808	2,911,948	2,858,281	53,667
Public Health Services	8,610	8,610	8,737	(127)
Leisure Time Services	90,784	115,900	113,098	2,802
Community and Economic Development	749,146	756,764	720,622	36,142
Total Expenditures	7,348,379	7,408,633	7,047,098	361,535
Excess of Revenues Over Expenditures	355,191	294,937	469,461	174,524
Other Financing Sources and Uses:				
Transfers In	10,000	10,000	48,265	38,265
Advances In	121,408	121,408	121,408	0
Transfers Out	(160,000)	(150,001)	(122,826)	27,175
Total Other Financing Sources and Uses	(28,592)	(18,593)	46,847	65,440
Net Change in Fund Balance	326,599	276,344	516,308	239,964
Fund Balance at Beginning of Year	705,293	705,293	705,293	0
Prior Year Encumbrances Appropriated	73,822	73,822	73,822	0
Fund Balance at End of Year	\$1,105,714	\$1,055,459	\$1,295,423	\$239,964

See accompanying notes to the basic financial statements

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**CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE AND LIFE SQUAD SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$1,387,800	\$1,387,800	\$1,303,004	(\$84,796)
Charges for Services	90,000	90,000	145,950	55,950
Intergovernmental	125,000	125,000	133,707	8,707
Other	2,100	2,100	13,185	11,085
Total Revenues	1,604,900	1,604,900	1,595,846	(9,054)
Expenditures:				
Current:				
Security of Persons and Property	1,630,249	3,347,014	3,167,340	179,674
Debt Service:				
Principal Retirement	120,000	120,000	120,000	0
Interest and Fiscal Charges	8,700	8,700	1,969	6,731
Total Debt Service	128,700	128,700	121,969	6,731
Total Expenditures	1,758,949	3,475,714	3,289,309	186,405
Excess of Revenues Over (Under) Expenditures	(154,049)	(1,870,814)	(1,693,463)	177,351
Other Financing Sources:				
Notes Issued	0	0	1,400,000	1,400,000
Net Change in Fund Balance	(154,049)	(1,870,814)	(293,463)	1,577,351
Fund Balance at Beginning of Year	856,156	856,156	856,156	0
Prior Year Encumbrances Appropriated	145,224	145,224	145,224	0
Fund Balance (Deficit) at End of Year	\$847,331	(\$869,434)	\$707,917	\$1,577,351

CITY OF LEBANON, OHIO
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	BUSINESS -TYPE ACTIVITIES		
	ELECTRIC	SANITATION	SEWER
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$7,558,461	\$688,898	\$2,698,532
Materials and Supplies Inventory	969,749	0	10,935
Accounts Receivable	2,450,124	106,283	314,403
Interfund Receivable	0	0	0
Intergovernmental Receivable	0	0	29,124
Prepaid Items	36,755	0	15,045
Special Assessments Receivable	0	0	42,605
Total Current Assets	11,015,089	795,181	3,110,644
Noncurrent Assets:			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	858,694	0	240,000
Cash and Cash Equivalents with Fiscal Agents	1,063,906	0	812,976
Deferred Charges	268,604	0	26,498
Advances to Other Funds	3,332,044	0	0
Nondepreciable Capital Assets	4,605,775	54,000	5,101,896
Depreciable Capital Assets, Net	10,564,716	1,164,722	20,685,468
Total Noncurrent Assets	20,693,739	1,218,722	26,866,838
Total Assets	31,708,828	2,013,903	29,977,482
LIABILITIES:			
Current Liabilities:			
Accounts Payable	759,800	66,099	160,474
Accrued Wages	31,985	1,618	11,978
Contracts Payable	688	0	0
Intergovernmental Payable	24,562	411	10,225
Accrued Interest Payable	22,458	0	28,583
Retainage Payable	1,489	0	22,348
Interfund Payable	154,305	67	1,016
Claims Payable	0	0	0
Notes Payable	2,750,000	0	3,500,000
Compensated Absences Payable	35,358	625	4,979
Total Current Liabilities	3,780,645	68,820	3,739,603
Current Liabilities Payable from Restricted Assets:			
Mortgage Revenue Bonds Payable	505,000	0	415,000
Accrued Interest Payable	46,717	0	35,741
Total Current Liabilities Payable from Restricted Assets	551,717	0	450,741
Long-term Liabilities:			
Advances from Other Funds	0	0	0
Compensated Absences Payable	66,811	579	12,390
Mortgage Revenue Bonds Payable	10,397,778	0	8,018,276
Long-term Liabilities Payable from Restricted Assets:			
Refundable Deposits	366,194	0	0
Total Long-term Liabilities	10,830,783	579	8,030,666
Total Liabilities	15,163,145	69,399	12,221,010
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt (Deficit)	1,786,317	1,218,722	13,880,586
Restricted for:			
Revenue Bonds			
Replacement and Improvement	492,500	0	240,000
Revenue Bonds			
Current Debt Service	1,017,189	0	777,235
Unrestricted (Deficit)	13,249,677	725,782	2,858,651
Total Net Assets (Deficit)	\$16,545,683	\$1,944,504	\$17,756,472

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

See accompanying notes to the basic financial statements

ENTERPRISE FUNDS				GOVERNMENTAL
TELECOMMUNICATIONS	WATER	STORM WATER UTILITY	TOTALS	ACTIVITIES INTERNAL SERVICE FUNDS
\$1,098,605	\$6,886,849	\$220,545	\$19,151,890	\$64,718
147,637	115,488	0	1,243,809	1,792
465,194	325,996	92,874	3,754,874	0
152,961	50,000	0	202,961	11,953
0	0	0	29,124	0
22,613	20,355	0	94,768	5,174
0	0	0	42,605	0
<u>1,887,010</u>	<u>7,398,688</u>	<u>313,419</u>	<u>24,520,031</u>	<u>83,637</u>
0	218,900	0	1,317,594	0
108,969	554,305	0	2,540,156	0
142,651	110,302	0	548,055	0
0	0	0	3,332,044	0
0	4,854,069	9,331	14,625,071	64,666
<u>5,445,037</u>	<u>15,279,882</u>	<u>1,411,283</u>	<u>54,551,108</u>	<u>3,558</u>
<u>5,696,657</u>	<u>21,017,458</u>	<u>1,420,614</u>	<u>76,914,028</u>	<u>68,224</u>
<u>7,583,667</u>	<u>28,416,146</u>	<u>1,734,033</u>	<u>101,434,059</u>	<u>151,861</u>
365,856	265,235	39,617	1,657,081	6,046
20,056	9,908	2,476	78,021	2,749
0	0	0	688	0
13,048	7,514	736	56,496	2,001
13,475	0	0	64,516	0
0	51,971	0	75,808	0
676	247	50,000	206,311	0
0	0	0	0	320,266
1,750,000	0	0	8,000,000	0
<u>10,405</u>	<u>13,433</u>	<u>2,356</u>	<u>67,156</u>	<u>2,925</u>
<u>2,173,516</u>	<u>348,308</u>	<u>95,185</u>	<u>10,206,077</u>	<u>333,987</u>
195,000	400,000	0	1,515,000	0
<u>21,307</u>	<u>34,567</u>	<u>0</u>	<u>138,332</u>	<u>0</u>
<u>216,307</u>	<u>434,567</u>	<u>0</u>	<u>1,653,332</u>	<u>0</u>
3,332,044	0	0	3,332,044	0
6,768	31,604	10,698	128,850	20,045
<u>4,898,880</u>	<u>7,987,375</u>	<u>0</u>	<u>31,302,309</u>	<u>0</u>
<u>0</u>	<u>18,900</u>	<u>0</u>	<u>385,094</u>	<u>0</u>
<u>8,237,692</u>	<u>8,037,879</u>	<u>10,698</u>	<u>35,148,297</u>	<u>20,045</u>
<u>10,627,515</u>	<u>8,820,754</u>	<u>105,883</u>	<u>47,007,706</u>	<u>354,032</u>
(1,256,192)	11,856,878	1,420,614	28,906,925	0
0	200,000	0	932,500	0
87,662	519,738	0	2,401,824	0
<u>(1,875,318)</u>	<u>7,018,776</u>	<u>207,536</u>	<u>22,185,104</u>	<u>(202,171)</u>
<u>(\$3,043,848)</u>	<u>\$19,595,392</u>	<u>\$1,628,150</u>	<u>54,426,353</u>	<u>(\$202,171)</u>
			<u>(45,724)</u>	
			<u>\$54,380,629</u>	

CITY OF LEBANON, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUSINESS -TYPE ACTIVITIES</u>		
	<u>ELECTRIC</u>	<u>SANITATION</u>	<u>SEWER</u>
OPERATING REVENUES:			
Charges for Services	\$13,079,140	\$865,618	\$2,798,610
Other	30,925	6,411	133,796
Total Operating Revenues	<u>13,110,065</u>	<u>872,029</u>	<u>2,932,406</u>
OPERATING EXPENSES:			
Personal Services	1,267,131	44,681	517,092
Contractual Services	1,288,569	855,834	1,185,141
Purchased Power	7,334,559	0	0
Supplies and Materials	64,114	0	95,731
Claims	0	0	0
Depreciation	1,002,823	3,333	708,715
Other	8,265	249	20,539
Total Operating Expenses	<u>10,965,461</u>	<u>904,097</u>	<u>2,527,218</u>
Operating Income (Loss)	<u>2,144,604</u>	<u>(32,068)</u>	<u>405,188</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	107,364	0	30,974
Other Non-Operating Revenues	0	0	0
Gain (Loss) on Disposal of Fixed Assets	1,150	0	0
Interest and Fiscal Charges	(631,007)	0	(522,183)
Other Non-Operating Expenses	0	0	0
Total Non-Operating Revenues (Expenses)	<u>(522,493)</u>	<u>0</u>	<u>(491,209)</u>
Income (Loss) Before Contributions and Transfers	1,622,111	(32,068)	(86,021)
Capital Contributions	34,393	1,109,904	939,273
Transfers In	13,752	0	0
Transfers Out	(227,057)	0	(2,975)
Change in Net Assets	1,443,199	1,077,836	850,277
Net Assets (Deficit) at Beginning of Year	<u>15,102,484</u>	<u>866,668</u>	<u>16,906,195</u>
Net Assets (Deficit) at End of Year	<u>\$16,545,683</u>	<u>\$1,944,504</u>	<u>\$17,756,472</u>

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

See accompanying notes to the basic financial statements

TELECOMMUNICATIONS	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	WATER	STORM WATER UTILITY	TOTAL	
\$5,409,918	\$2,943,454	\$611,372	\$25,708,112	\$1,855,706
236,257	6,656	0	414,045	61,500
<u>5,646,175</u>	<u>2,950,110</u>	<u>611,372</u>	<u>25,510,785</u>	<u>1,917,206</u>
730,895	384,355	126,196	3,070,350	112,571
3,469,657	784,407	107,528	7,691,136	387,085
0	0	0	7,334,559	0
47,848	30,334	2,648	240,675	159,081
0	0	0	0	1,458,675
906,181	475,259	32,341	3,128,652	3,559
20,361	837	44	50,295	0
<u>5,174,942</u>	<u>1,675,192</u>	<u>268,757</u>	<u>21,515,667</u>	<u>2,120,971</u>
<u>471,233</u>	<u>1,274,918</u>	<u>342,615</u>	<u>4,606,490</u>	<u>(203,765)</u>
5,316	91,506	0	235,160	926
52,354	0	0	52,354	0
0	0	0	1,150	0
(314,960)	(464,466)	0	(1,932,616)	0
(51,186)	0	0	(51,186)	0
<u>(308,476)</u>	<u>(372,960)</u>	<u>0</u>	<u>(1,695,138)</u>	<u>926</u>
162,757	901,958	342,615	2,911,352	(202,839)
0	1,086,227	1,308,139	4,477,936	0
0	0	0	13,752	0
0	(237,612)	(22,604)	(490,248)	0
<u>162,757</u>	<u>1,750,573</u>	<u>1,628,150</u>	<u>6,912,792</u>	<u>(202,839)</u>
<u>(3,206,605)</u>	<u>17,844,819</u>	<u>0</u>		<u>668</u>
<u>(\$3,043,848)</u>	<u>\$19,595,392</u>	<u>\$1,628,150</u>		<u>(\$202,171)</u>
			(48,001)	
			<u>\$6,864,791</u>	

**CITY OF LEBANON, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-type Activities -		
	Electric	Sanitation	Sewer
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$12,928,265	\$850,803	\$2,770,935
Cash Payments for Employee Services and Benefits	(1,248,469)	0	(507,119)
Cash Payments to Suppliers for Goods and Services	(8,731,548)	(878,446)	(1,850,514)
Cash Payments for Employee Medical, Dental, and Life Insurance Claims	0	0	0
Cash Payments for Interfund Services Provided	0	0	0
Other Operating Revenues	30,925	6,411	133,796
Other Non-Operating Revenues	0	0	0
Other Non-Operating Expenses	0	0	0
Utility Deposits Received	199,200	0	0
Utility Deposits Returned	(164,561)	0	0
Net Cash Provided by (Used for) Operating Activities	3,013,812	(21,232)	547,098
Cash Flows from Noncapital Financing Activities:			
Short-Term Advance to Another Fund	0	0	0
Short-Term Advance From Another Fund	0	0	0
Repayment of Advances from Another Fund	67,625	0	0
Transfers In	13,752	0	0
Transfers Out	(771)	0	0
Net Cash Provided by (Used for) Noncapital Financing Activities	80,606	0	0
Cash Flows from Capital and Related Financing Activities:			
Cash Received from Special Assessments	0	0	16,364
Proceeds from Sale of Fixed Assets	1,150	0	0
Acquisition of Capital Assets	(997,381)	(18,151)	(3,528,118)
Proceeds from Sale of Notes	2,750,000	0	3,500,000
Principal Paid on Notes	(3,250,000)	0	(3,500,000)
Interest Paid on Notes	(223,628)	0	(42,215)
Principal Paid on Mortgage Revenue Bonds	(480,000)	0	(400,000)
Interest and Fiscal Charges Paid on Mortgage Revenue Bonds	(389,210)	0	(446,068)
Net Cash Used for Capital and Related Financing Activities	(2,589,069)	(18,151)	(4,400,037)
Cash Flows from Investing Activities:			
Interest	105,895	0	30,974
Net Cash Provided by Investing Activities	105,895	0	30,974
Net Increase (Decrease) in Cash and Cash Equivalents	611,244	(39,383)	(3,821,965)
Cash and Cash Equivalents Beginning of Year	8,869,817	728,281	7,573,473
Cash and Cash Equivalents End of Year	\$9,481,061	\$688,898	\$3,751,508

Telecommunications	Enterprise Funds			Governmental Activities- Internal Service Funds
	Water	Storm Water Utility	Total	
\$4,944,724	\$2,915,158	\$518,498	\$24,928,383	\$0
(726,180)	(399,564)	(109,930)	(2,991,262)	(106,886)
(3,244,311)	(797,947)	(70,603)	(15,573,369)	(563,142)
0	0	0	0	(1,268,582)
0	0	0	0	1,866,193
236,257	6,656	0	414,045	61,500
52,354	0	0	52,354	0
(51,186)	0	0	(51,186)	0
0	14,825	0	214,025	0
0	(8,225)	0	(172,786)	0
<u>1,211,658</u>	<u>1,730,903</u>	<u>337,965</u>	<u>6,820,204</u>	<u>(10,917)</u>
0	(50,000)	0	(50,000)	0
0	0	50,000	50,000	0
(67,625)	0	0	0	0
0	0	0	13,752	0
0	0	0	(771)	0
<u>(67,625)</u>	<u>(50,000)</u>	<u>50,000</u>	<u>12,981</u>	<u>0</u>
0	0	0	16,364	0
0	0	0	1,150	0
(864,792)	(2,513,440)	(167,420)	(8,089,302)	0
1,750,000	0	0	8,000,000	0
(1,750,000)	0	0	(8,500,000)	0
(175,760)	0	0	(441,603)	0
(190,000)	(380,000)	0	(1,450,000)	0
(131,640)	(430,000)	0	(1,396,918)	0
<u>(1,362,192)</u>	<u>(3,323,440)</u>	<u>(167,420)</u>	<u>(11,860,309)</u>	<u>0</u>
<u>5,316</u>	<u>91,506</u>	<u>0</u>	<u>233,691</u>	<u>926</u>
<u>5,316</u>	<u>91,506</u>	<u>0</u>	<u>233,691</u>	<u>926</u>
(212,843)	(1,551,031)	220,545	(4,793,433)	(9,991)
<u>1,420,417</u>	<u>9,211,085</u>	<u>0</u>	<u>27,803,073</u>	<u>74,709</u>
<u>\$1,207,574</u>	<u>\$7,660,054</u>	<u>\$220,545</u>	<u>\$23,009,640</u>	<u>\$64,718</u>

(Continued)

CITY OF LEBANON, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Business-type Activities -		
	Electric	Sanitation	Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$2,144,604	(\$32,068)	\$405,188
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	1,002,823	3,333	708,715
Other Non-Operating Revenues	0	0	0
Other Non-Operating Expenses	0	0	0
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(150,875)	(14,815)	(27,635)
Decrease in Interfund Receivable	0	0	0
(Increase) in Intergovernmental Receivable	0	0	(40)
(Increase) Decrease in Materials and Supplies Inventory	(114,690)	0	6,139
(Increase) in Prepaids Items	(802)	0	(5,547)
Increase (Decrease) in Accounts Payable	686,691	19,018	85,207
Increase in Claims Payable	0	0	0
Decrease in Contracts Payable	(606,062)	0	(354,197)
Decrease in Contracts Payable Retainage	0	0	(279,342)
Increase in Accrued Wages Payable	11,160	1,618	4,119
Increase (Decrease) in Interfund Payable	(1,178)	67	(1,344)
Increase in Intergovernmental Payable	15,794	411	6,364
Increase in Liabilities Payable from Restricted Assets	34,639	0	0
Increase (Decrease) in Compensated Absences Payable	(8,292)	1,204	(529)
Net Cash Provided by (Used for) Operating Activities	<u>\$3,013,812</u>	<u>(\$21,232)</u>	<u>\$547,098</u>

Noncash Capital Financing Activities:

During 2004, the Sewer, Water and Storm Water Utility Enterprise Funds received sewer and water lines from developers with a fair market value of \$804,971, \$290,703 and \$532,893 respectively.

Capital assets donated by other governments during 2004 to the Sanitation, Water and Storm Water Utility funds were \$1,109,904, \$713,510, and \$118,918 respectively.

See accompanying notes to the basic financial statements

Enterprise Funds				Governmental
Telecommunications	Water	Storm Water Utility	Total	Activities- Internal Service Funds
\$471,233	\$1,274,918	\$342,615	\$4,606,490	(\$203,765)
906,181	475,259	32,341	3,128,652	3,559
52,354	0	0	52,354	0
(51,186)	0	0	(51,186)	0
(465,194)	(28,296)	(92,874)	(779,689)	0
0	0	0	0	10,487
0	0	0	(40)	0
144,047	7,747	0	43,243	(1,792)
(2,557)	(6,437)	0	(15,343)	(3,944)
340,317	130,834	39,617	1,301,684	(11,240)
0	0	0	0	190,093
(188,165)	(107,817)	0	(1,256,241)	0
0	(6,736)	0	(286,078)	0
7,792	3,744	2,476	30,909	1,785
(87)	40	0	(2,502)	0
7,909	4,706	736	35,920	1,222
0	6,600	0	41,239	0
(10,986)	(23,659)	13,054	(29,208)	2,678
<u>\$1,211,658</u>	<u>\$1,730,903</u>	<u>\$337,965</u>	<u>\$6,820,204</u>	<u>(\$10,917)</u>

CITY OF LEBANON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2004

ASSETS:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$11,961
Cash and Cash Equivalents in Segregated Accounts	<u>45,728</u>

Total Assets \$57,689

LIABILITIES:

Current Liabilities:

Intergovernmental Payable	\$23,354
Undistributed Monies	<u>34,335</u>

Total Liabilities \$57,689

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Fund Accounting

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

Governmental Funds

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

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

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

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

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

Proprietary Fund Types

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

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

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

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

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

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

Internal Service Funds

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

Fiduciary Funds

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Expenses/Expenditures

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

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

Budgetary Process

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Cash and Cash Equivalents

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

During 2004, investments were limited to STAROhio, City issued debt and money market mutual funds. Investments are reported at fair value which is based on quoted market prices. For investments in money market mutual funds, the fair value is determined by the fund's current share price.

STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2004.

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

Interest income is distributed to the funds according to Ohio statutory requirements and the City charter. Interest revenue credited to the General Fund during 2004 amounted to \$141,812, which includes \$128,700 assigned from other City funds.

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

Inventory of Supplies

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Restricted Assets

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

Capital Assets and Depreciation

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

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

Contributions of Capital

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The long-term liability for the Library Improvement General Obligation Bonds is not related to governmental activities because the proceeds were not used to construct a capital asset reported by the City. This liability is included in the calculation of unrestricted net assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of recreational activities, improving the living environment of the City, the operation of law enforcement programs, the operation of emergency services programs and the City's street repair/improvement programs.

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

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

The government wide statement of net assets reports \$13,878,471 of restricted net assets, of which \$1,192,289 are restricted by enabling legislation.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Operating Revenues and Expenses

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

Reserves of Fund Balance

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

Bond Discounts, Premiums/Issuance Costs

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

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

Interfund Transactions

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

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

Transfers in and out do not equal due to \$487,477 in capital assets that were transferred from enterprise funds to governmental activities.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Interfund Balances

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

Estimates

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

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

Changes in Accounting Principles

For 2004, the City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers."

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government. The implementation of this new statement had no effect on the City's financial statements for 2004.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the City's financial statements for 2004.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin resulted in the following restatement of the City's governmental fund balances for 2003:

	General Fund	Fire and Life Squad Fund	Capital Improvement Fund	All Other Governmental Funds	Total
Fund Balance, December 31, 2003, as reported	\$3,027,653	\$1,037,445	\$2,219,477	\$5,073,483	\$11,358,058
Restatement of Intergovernmental Payable	(61,804)	0	0	(13,682)	(75,486)
Fund Balance, December 31, 2003, as restated	<u>\$2,965,849</u>	<u>\$1,037,445</u>	<u>\$2,219,477</u>	<u>\$5,059,801</u>	<u>\$11,282,572</u>

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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

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

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

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

	Net Change in Fund Balance	
	General	Fire and Life Squad
	Fund	Fund
GAAP Basis	\$459,107	(\$995,850)
Revenue Accruals	(37,749)	0
Expenditure Accruals	157,726	530,209
Encumbrances	(133,526)	(1,227,822)
Unrecorded Cash	(50,658)	0
Note Proceeds	0	1,400,000
Advances	121,408	0
Budget Basis	\$516,308	(\$293,463)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Commercial paper;
5. Bankers acceptances;
6. No-load money market mutual funds investing exclusively in United States Treasury obligations provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAROhio).

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

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

Deposits

At year end, the carrying amount of the City's deposits was \$2,046,072 and the bank balance was \$2,714,717. Of the bank balance, \$100,105 was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

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

	Category 1	Fair Value
STAR Ohio	0	31,490,955
Money Market Mutual Funds	0	3,260,356
City Bonds	90,000	90,000
Total	\$90,000	\$34,841,311

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$36,887,383	\$0
Investments:		
STAR Ohio	(31,490,955)	31,490,955
Money Market Mutual Funds	(3,260,356)	3,260,356
City Bonds	(90,000)	90,000
GASB Statement 3	\$2,046,072	\$34,841,311

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003 on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2004, was \$7.65 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - PROPERTY TAXES (continued)

Category	Assessed Value
Real Property	\$257,564,430
Public Utility Real Property	76,188,890
Public Utility Tangible Personal Property	4,372,200
Tangible Personal Property	64,606,040
Total	\$402,731,560

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lebanon. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 7 - PAYMENTS IN LIEU OF TAXES

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 7 - PAYMENTS IN LIEU OF TAXES (continued)

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

NOTE 8 - INCOME TAX

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2004, the proceeds were allocated to the General Fund, the Capital Improvement Capital Projects Fund and the Debt Service Fund.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2004, consisted of property, income and other local taxes, revenue in lieu of taxes, utility accounts, special assessments, notes, intergovernmental receivables arising from grants, entitlements and shared revenues, interfund, and capital leases. Special assessments expected to be collected in more than one year for the City amount to \$777,796. The City has \$4,153 in delinquent special assessments at December 31, 2004. All receivables are considered fully collectible except utility accounts.

Accounts Receivable	Estimated Uncollectible	Net Receivable
\$4,070,254	\$315,380	\$3,754,874

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 – RECEIVABLES (continued)

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local Government Assistance	\$303,447
City of Franklin Reimbursement for Probate Court Services	108,747
Warren County Reimbursement for Baliff Services	5,102
Homestead & Rollback	179,932
Pari-Mutual Tax	15,000
Permissive Tax	66,499
Motor Vehicle Tax	210,963
Gasoline Tax	149,910
Total Governmental Activities	<u>1,039,600</u>
 <u>Business-Type Activities:</u>	
Village of South Lebanon Sewage Processing Fees	<u>29,124</u>
 Total Intergovernmental Receivables	 <u><u>\$1,068,724</u></u>

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance at 12/31/03	Additions	Deductions	Balance at 12/31/04
<u>Governmental Activities</u>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$10,287,547	\$472,292	\$0	\$10,759,839
Construction in Progress	4,776,038	0	(3,428,203)	1,347,835
Total Capital Assets, Not Being Depreciated	<u>15,063,585</u>	<u>472,292</u>	<u>(3,428,203)</u>	<u>12,107,674</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	1,007,892	0	0	1,007,892
Buildings and Improvements	4,224,895	0	0	4,224,895
Equipment	1,539,774	110,634	(67,404)	1,583,004
Vehicles	3,213,183	58,893	(114,911)	3,157,165
Infrastructure	1,766,713	8,559,628	(907,037)	9,419,304
Total Capital Assets, Being Depreciated	<u>11,752,457</u>	<u>8,729,155</u>	<u>(1,089,352)</u>	<u>19,392,260</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(341,673)	(35,267)	0	(376,940)
Buildings and Improvements	(1,364,337)	(171,034)	0	(1,535,371)
Equipment	(813,862)	(93,387)	65,823	(841,426)
Vehicles	(2,051,821)	(187,188)	114,911	(2,124,098)
Infrastructure	(98,065)	(196,739)	0	(294,804)
Total Accumulated Depreciation	<u>(4,669,758)</u>	<u>(683,615) *</u>	<u>180,734</u>	<u>(5,172,639)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,082,699</u>	<u>8,045,540</u>	<u>(908,618)</u>	<u>14,219,621</u>
Governmental Activities Capital Assets, Net	<u>\$22,146,284</u>	<u>\$8,517,832</u>	<u>(\$4,336,821)</u>	<u>\$26,327,295</u>

Additions to land and capital assets being depreciated includes \$489,477 transferred from business-type activities to governmental activities and \$677,367 in assets donated by outside entities, such as property developers. Deletions of capital assets being depreciated includes \$907,037 transferred from governmental activities to business-type activities.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 – CAPITAL ASSETS (continued)

	Balance at 12/31/03	Additions	Deductions	Balance at 12/31/04
<u>Business-Type Activities</u>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$5,365,602	\$0	(\$122,218)	\$5,243,384
Construction in Progress	6,299,552	4,338,133	(1,255,998)	9,381,687
Total Capital Assets, Not Being Depreciated	<u>11,665,154</u>	<u>4,338,133</u>	<u>(1,378,216)</u>	<u>14,625,071</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	22,641,263	2,012,811	0	24,654,074
Equipment	5,480,531	287,349	(40,224)	5,727,656
Vehicles	1,966,017	23,281	(12,855)	1,976,443
Infrastructure	45,959,318	6,897,960	0	52,857,278
Total Capital Assets, Being Depreciated	<u>76,047,129</u>	<u>9,221,401</u>	<u>(53,079)</u>	<u>85,215,451</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(7,781,028)	(687,954)	0	(8,468,982)
Equipment	(4,996,990)	(131,184)	12,475	(5,115,699)
Vehicles	(1,322,989)	(139,454)	12,855	(1,449,588)
Infrastructure	(13,460,014)	(2,170,060)	0	(15,630,074)
Total Accumulated Depreciation	<u>(27,561,021)</u>	<u>(3,128,652)</u>	<u>25,330</u>	<u>(30,664,343)</u>
Total Capital Assets, Being Depreciated, Net	<u>48,486,108</u>	<u>6,092,749</u>	<u>(27,749)</u>	<u>54,551,108</u>
Business-Type Activities Capital Assets, Net	<u>\$60,151,262</u>	<u>\$6,092,749</u>	<u>(\$149,967)</u>	<u>\$69,176,179</u>

Additions to capital assets being depreciated includes \$907,037 transferred from governmental activities to business-type activities. Deletions of land and construction in progress include \$489,477 transferred from business-type activities to governmental activities.

* Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property:	
Police	\$72,275
Fire	137,068
Community and Economic Development	210,020
Leisure Time Activities	104,390
Transportation	48,493
Public Health	39,508
General Government	71,861
Total Depreciation Expense	<u>\$683,615</u>

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$492,437, \$309,325, and \$403,416 respectively; 96.89 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$4,654 made by the City and \$2,919 made by the plan members.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

OHIO POLICE AND FIRE PENSION FUND

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2004, 2003, and 2002 were \$214,552, \$177,761, and \$197,288 respectively, equal to the required contributions for each year. The full amount has been contributed for 2003 and 2002. 75.45 percent has been contributed for 2004 with the remainder being reported as a liability.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2004, the unfunded liability of the City was \$21,503, payable in semiannual installments through the year 2030. This is an accounting liability of the City which will not vary. The liability is reported on the government-wide financial statements.

NOTE 12 - POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent for the next 8 years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$206,256. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability 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 OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

OHIO POLICE AND FIRE PENSION FUND

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$113,609 for police and \$20,177 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

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

Accumulated Unpaid Holiday Pay

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 14 - CAPITAL LEASE RECEIVABLE

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

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

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

<u>December 31,</u>	<u>Amount</u>
2005	\$6,098
2006	6,098
2007	6,098
2008	6,098
2009	6,098
2010-2014	30,490
2015-2017	<u>18,294</u>
Total Minimum Lease Payments to be Received	79,274
Less: Amount Representing Unearned Interest	<u>(26,461)</u>
Net Investment in Direct Financing Leases	<u><u>\$52,813</u></u>

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, the City contracted with Hylant MacLean for vehicle, property and general liability insurance. Cincinnati Insurance Company covers boiler and machinery, while police liability and public officials are protected by Hylant MacLean.

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

Coverage provided by the insurance follows:

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

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

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

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 15 - RISK MANAGEMENT (continued)

The City pays into the Self-Insurance Internal Service Fund \$900 per employee per month. The fund that pays the salary for the employee pays this premium which is based on historic cost information. The claims liability of \$320,266 reported in the fund at December 31, 2004, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. Estimates were calculated by using actual claims reports for several months following the balance sheet date. This estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount for the past two years were:

	<u>Balance at January 1,</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at December 31,</u>
2003	\$228,364	\$1,184,574	\$1,282,765	\$130,173
2004	130,173	1,458,675	1,268,582	320,266

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2004, follows:

	<u>Balance at January 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2004</u>
<u>Governmental Activities</u>				
Special Revenue				
Fire and Life Squad Fund				
Fire Improvement, 1.65%	\$0	\$1,400,000	\$0	\$1,400,000
<u>Business-Type Activities</u>				
Electric Fund				
Electric Systems Improvement, 3.0%	3,250,000	2,750,000	3,250,000	2,750,000
Sewer Fund				
Sewer Systems Improvement, 3.0%	3,500,000	3,500,000	3,500,000	3,500,000
Telecommunications Fund				
Telecommunication, 3.0%	750,000	750,000	750,000	750,000
Telephone System, 2.70%	1,000,000	1,000,000	1,000,000	1,000,000
Total Business-Type Activities	8,500,000	8,000,000	8,500,000	8,000,000
Total Governmental and Business-Type Activities	<u>\$8,500,000</u>	<u>\$9,400,000</u>	<u>\$8,500,000</u>	<u>\$9,400,000</u>

The notes are issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and will mature within one year. The liability for the notes is presented in the fund that received the note proceeds. All proceeds of the short-term notes, except the Fire and Life Squad Fund Fire Improvement notes, had been spent as of December 31, 2004. \$534,490 of the \$1,400,000 Fire Improvement notes had been spent as of December 31, 2004.

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2004 follows:

	Balance at January 1, 2004	Increases	Decreases	Balance at December 31, 2004	Amount Due in One Year
<u>Special Assessment Bonds:</u>					
1990 - 7.00% \$438,150 Kingsview/Henkle Drive Improvement	\$169,050	\$0	\$24,150	\$144,900	\$24,150
1991 - 6.45% \$731,080 Deerfield Road Improvement	436,410	0	41,030	395,380	44,760
1993 - 5.75% \$200,000 Henkle Drive Extension	100,000	0	10,000	90,000	10,000
1994 - 5.00% \$54,372 Pleasant Street Improvement	37,807	0	2,364	35,443	2,364
TOTAL - Special Assessment Bonds Payable	<u>743,267</u>	<u>0</u>	<u>77,544</u>	<u>665,723</u>	<u>81,274</u>
<u>Voted General Obligation Bonds:</u>					
1997 - 4.0 to 13.5% \$1,039,224 Library Improvement					
Serial Bonds - 4.0 - 4.7%	335,000	0	110,000	225,000	110,000
Capital Appreciation Bonds - 13.5%	89,224	0	0	89,224	0
Accretion on Capital Appreciation Bonds	107,973	27,829	0	135,802	0
TOTAL - Voted General Obligation Bonds Payable	<u>532,197</u>	<u>27,829</u>	<u>110,000</u>	<u>450,026</u>	<u>110,000</u>
<u>Unvoted General Obligation Bonds:</u>					
1990 - 7.00% \$196,850 Kingsview/Henkle Drive Improvement	75,950	0	10,850	65,100	10,850
1991 - 6.450% \$248,920 Deerfield Road Improvement	148,590	0	13,970	134,620	13,970

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Balance at January 1, 2004	Increases	Decreases	Balance at December 31, 2004	Amount Due in One Year
<u>Unvoted General Obligation Bonds: (continued)</u>					
1994 - 5.50% \$175,628 Pleasant Street Improvement	\$122,192	\$0	\$7,636	\$114,556	7,636
1997 - 3.90 to 5.25% \$2,700,000 Miller Road	2,145,000	0	110,000	2,035,000	115,000
2003 - 2.0 to 4.15% \$4,005,000 Road Improvement	4,005,000	0	150,000	3,855,000	155,000
Discount on Debt Issue	(16,768)	0	(838)	(15,930)	
TOTAL - Unvoted General Obligation Bonds Payable	<u>6,479,964</u>	<u>0</u>	<u>291,618</u>	<u>6,188,346</u>	<u>303,726</u>
<u>Other Long-Term Obligations</u>					
Fire Improvement Note 1.65%	120,000	0	120,000	0	0
Capital Lease Payable	60,221	0	13,984	46,237	14,675
Compensated Absences Payable	907,337	227,188	326,890	807,635	202,697
Police Pension	21,844	0	341	21,503	355
TOTAL - General Long-Term Obligations	<u>\$8,864,830</u>	<u>\$255,017</u>	<u>\$940,377</u>	<u>\$8,179,470</u>	<u>\$712,727</u>

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

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

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

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

The Library Improvement general obligation bonds included serial and capital appreciation bonds in the amounts of \$950,000 and \$89,224, respectively, with interest rates ranging from 4.0% to 13.5%. The capital appreciation bonds will mature in 2007, 2008 and 2009. The maturity amount of the capital appreciation bonds is \$125,000 in 2007, \$125,000 in 2008 and \$130,000 in 2009, for a total of \$380,000. For 2004, the capital appreciation bonds were accreted \$27,829. The Library Improvement Bond will be paid through the Debt Service Fund with property tax revenue.

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

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

The \$120,000 Fire Improvement bond anticipation notes were issued to refinance a \$240,000 bond anticipation note that was used for the purpose of acquiring land and a building for use by the fire department. The note was retired from the Fire and Life Squad special revenue fund.

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Changes in the long-term obligations reported in business-type activities of the City during 2004 were as follows:

	Balance at January 1, 2004	Increases	Decreases	Balance at December 31, 2004	Amounts Due in One Year
<u>Mortgage Revenue Bonds</u>					
1999 - 4.9 to 5.35% Sanitary Sewer	\$7,990,000	\$0	\$230,000	\$7,760,000	\$240,000
1999 - 3.75 to 5.3% Water System Improvement and Refunding	8,800,000	0	380,000	8,420,000	400,000
Deferred Amount on Refunding	(40,782)	0	(8,157)	(32,625)	
1997 - 4.0 to 4.8% Sanitary Sewer	920,000	0	170,000	750,000	175,000
Deferred Amount on Refunding	(95,904)	0	(19,180)	(76,724)	
1996 - 3.7% Electric System	3,700,000	0	205,000	3,495,000	215,000
Discount on Debt Issue	(32,009)	0	(2,462)	(29,547)	
2001 - 4.0 to 5.75% \$8,125,000 Electric System	7,605,000	0	275,000	7,330,000	290,000
Premium on Debt Issue	113,863	0	6,538	107,325	
2001 - 4.0 to 5.75% \$5,565,000 Telecommunications System	5,210,000	0	190,000	5,020,000	195,000
Premium on Debt Issue	78,380	0	4,500	73,880	
TOTAL - Mortgage Revenue Bonds Payable	34,248,548	0	1,431,239	32,817,309	1,515,000
Compensated Absences Payable	225,214	75,710	104,918	196,006	67,156
TOTAL - Enterprise Funds	<u>\$34,473,762</u>	<u>\$75,710</u>	<u>\$1,536,157</u>	<u>\$33,013,315</u>	<u>\$1,582,156</u>

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

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

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

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

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

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

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

In prior years, the City defeased Water and Sewer System Improvement Mortgage Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the City's financial statements. As of December 31, 2004, \$8,420,000 of the water bonds were unmatured and unpaid. There were no unmatured, unpaid amounts related to the sewer bonds at December 31, 2004.

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

As of December 31, 2004, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$40,807,334 and the unvoted debt margin was \$20,670,756.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2004, were:

Year	Governmental Activities						Business-Type Activities	
	Special Assessment Bonds		General Obligation Bonds		Capital Appreciation Bonds		Mortgage Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	81,274	42,948	413,726	261,593	0	0	1,515,000	1,659,988
2006	85,004	37,653	429,996	245,946	0	0	1,590,000	1,590,693
2007	89,916	32,118	325,084	229,538	33,313	91,687	1,650,000	1,522,148
2008	93,646	26,272	341,353	217,852	29,233	95,767	1,720,000	1,449,993
2009	97,376	20,185	352,625	204,952	26,678	103,322	1,405,000	1,373,138
2010-2014	218,507	24,503	1,856,492	802,209	0	0	8,150,000	5,759,486
2015-2019	0	0	1,680,000	395,851	0	0	9,255,000	3,426,101
2020-2024	0	0	1,030,000	106,566	0	0	7,490,000	1,052,191
Totals	<u>\$665,723</u>	<u>\$183,679</u>	<u>\$6,429,276</u>	<u>\$2,464,507</u>	<u>\$89,224</u>	<u>\$290,776</u>	<u>\$32,775,000</u>	<u>\$17,833,738</u>

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 18 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 2004, were as follows:

Interfund Receivable/Payable

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

	Receivable			
	Auto Maintenance	Tele- communications	Water	Total
General	\$3,992	\$0	\$0	\$3,992
Fire and Life Squad	1,500	0	0	1,500
Nonmajor Special Revenue Funds	3,111	0	0	3,111
Payable Electric	1,344	152,961	0	154,305
Sanitation	67	0	0	67
Sewer	1,016	0	0	1,016
Telecommunications	676	0	0	676
Water	247	0	0	247
Storm Water Utility	0	0	50,000	50,000
Total	\$11,953	\$152,961	\$50,000	\$214,914

Advances From/To Other Funds

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

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

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

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 18 - INTERFUND ASSETS/LIABILITIES (continued)

	Advances From		
	General	Electric	Total
Advances To			
Nonmajor Capital Projects	\$1,702,219	\$0	\$1,702,219
Telecommunications	0	3,332,044	3,332,044
Total	<u>\$1,702,219</u>	<u>\$3,332,044</u>	<u>\$5,034,263</u>

Transfers From/To Other Funds

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

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

	Transfers To			
	General	Nonmajor Governmental Funds	Electric	Total
Transfers From				
General	\$0	\$122,826	\$0	\$122,826
Capital Improvement	0	275,000	0	275,000
Nonmajor Governmental Funds	47,494	176,775	13,752	238,021
Electric	771	0	0	771
Total	<u>\$48,265</u>	<u>\$574,601</u>	<u>\$13,752</u>	<u>\$636,618</u>

During 2004, the governmental activities provided capital assets to the Electric, Water, Sewer and Storm Water Utility funds in the amounts of \$34,393, \$82,014, \$134,302, and \$656,328, respectively. In addition, the Electric, Water, Sewer, and Storm Water Utility enterprise funds provided capital assets to the governmental activities in the amounts of \$226,286, \$237,612, \$2,975, and \$22,604, respectively. Therefore, transfers in and out do not equal.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 19 – SIGNIFICANT CONTRACTUAL OBLIGATIONS

The City of Lebanon has entered into the following contracts as of December 31, 2004:

Contractor	Purpose	Amount Remaining
CB&I	1.0 MG S. Elevated Water Storage	\$1,471,800
CR&R Inc.	Lebanon Fire Station	559,931
John R. Jurgensen	Street Resurfacing and Construction	234,626
William Light Paving Co.	Countryside Bike Path Realignment	201,178
Finley Fire Equipment	Self Contained Breathing Apparatus	179,447
Ameritcon	General - WWTP Aeration Tanks	160,000
Trend Construction	Lebanon Fire Station	123,447
Paul Rack Exc	Warren County Water Connection	108,000
Rawdon Myers	Scada System Upgrade	103,500
Rawdon Myers	Water and Wastewater	99,000
Glenwood Electric	Electric - WWTP Aeration Tanks	87,400
Northwest Consultants	Cincinnati Avenue Reconstruction	80,325
Edwards Kelcey	S. Broadway Bridge Rehab	78,316
Trend Construction	South Mechanic/Cherry Street	76,185
EMH&T	Warren/Columbus Water Main	74,620
Wager Smith	2003 Traffic Signal Modification	64,374
ME Company	Orchard Avenue Reconstruction	51,860
UCL	Warrior Tank Painting	45,889
Floyd Browne	Columbia Business Pk- Taft Drive	42,709
LJB Inc.	Design 1.0MG Water Tower	34,321
Plangraphics	GIS Mapping	27,238
Langenheim and Thomson Co	Franklin Road Sidewalk Ext.	25,158
Adams Robinson	Glosser Rd Sanitary Sewer Flow EQ Basin (General)	14,005
Instrument & Control Systems	Glosser Rd Sanitary Sewer Flow EQ Basin (Electric)	11,061
HDR Engineering Inc.	Department of Water Emergency	6,567
Emerg Comm Network	Community Messaging System	5,000
Northwest Consultants	Engineering North Fork Sanitation Sewer Extension	1,924
John R. Jurgensen	Drake Rd Site Distance	22,577

NOTE 20 – CAPITAL LEASES – LESSEE DISCLOSURE

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

General capital assets consisting of equipment have been capitalized in the amount of \$73,547 which equaled the present value of the future minimum lease payments at the time of acquisition. Principal payments in 2004 totaled \$13,984 in the governmental funds.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 20 – CAPITAL LEASES – LESSEE DISCLOSURE (continued)

Asset	Asset Value	Accumulated Depreciation	Net Book Value
Case Wheel Loader	\$73,547	\$17,908	\$55,639

The following is a schedule of the future long-term minimum lease payments required under the capital lease, and the present value of the minimum lease payments as of December 31, 2004:

	Year Ending December 31,	Amount
	2005	\$16,959
	2006	16,959
	2007	16,959
Subtotal		50,877
Less: Amount Representing Interest		(4,640)
Present Value of Minimum Lease Payments		\$46,237

NOTE 21 - JOINTLY GOVERNED ORGANIZATION

Warren County General Health District

The Warren County General Health District, a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, including the City, oversees the operation of the District. The City contributed \$8,737 during 2004 for the operation of the District. The City does not have any financial interest in or responsibility for the District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers. You may obtain financial information from Kathy Stephenson at the Warren County General Health District, 416 S. East Street, Lebanon, Ohio 45036.

NOTE 22 - ACCOUNTABILITY AND COMPLIANCE

Accountability

At year end, the Industrial Development capital projects fund had a deficit fund balance of \$1,621,660. The deficit fund balance is a result of the application of generally accepted accounting principles to the financial reporting of this fund. Advances (long term and current) from other funds are not recognized as other financing sources, but rather as a fund liability. The deficit will be eliminated when the advance is repaid. The Telecommunications enterprise fund and the Self Insurance internal service fund had deficit net assets of \$2,506,532 and \$313,869, respectively.

CITY OF LEBANON, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 22 - ACCOUNTABILITY AND COMPLIANCE (continued)

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

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

Compliance

The following appropriation accounts had an excess of expenditures over appropriations for the year ended December 31, 2004:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Governmental Activities</u>			
General Fund			
Public Health Services			
Contractual Services	\$8,610	\$8,737	(\$127)
<u>Business-Type Activities</u>			
Telecommunications Fund			
Interest and Fiscal Charges	303,283	313,250	(9,967)
Self Insurance Fund			
Contractual Services	366,704	377,978	(11,274)

The fire and life squad and automotive maintenance funds had appropriations that exceeded estimated resources plus available balances for the year ended December 31, 2004 of \$869,434 and \$14,677, respectively.

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

NOTE 23 - CONTINGENT LIABILITIES

Litigation

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

CITY OF LEBANON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 23 - CONTINGENT LIABILITIES (continued)

Federal and State Grants

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

CITY OF LEBANON, OHIO

**COMBINING STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

CITY OF LEBANON, OHIO

NONMAJOR FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

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

NONMAJOR SPECIAL REVENUE FUNDS

Cemetery

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

Community Development

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

Court

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

Park Recreation Impact Fee

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

Parks and Recreation

To account for donations for parks and recreation.

Tax Increment Financing

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

Transportation

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

NONMAJOR DEBT SERVICE FUND

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

Continued

CITY OF LEBANON, OHIO
(Continued)

NONMAJOR FUND DESCRIPTIONS

CAPITAL PROJECTS FUNDS

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

NONMAJOR CAPITAL PROJECTS FUNDS

Cemetery Improvement

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

State Issue II

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

Industrial Development

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

**CITY OF LEBANON, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,450,075	\$3,932,215	\$457,507	\$7,839,797
Cash and Cash Equivalents with Fiscal Agents	182,172	105	0	182,277
Materials and Supplies Inventory	60,967	0	0	60,967
Intergovernmental Receivable	487,754	5,819	0	493,573
Prepaid Items	18,059	0	0	18,059
Income Taxes Receivables	0	93,229	0	93,229
Property and Other Local Taxes Receivable	0	109,926	0	109,926
Revenue in Lieu of Taxes Receivable	37,905	0	0	37,905
Notes Receivable	10,849	0	0	10,849
Special Assessments Receivable	0	824,485	0	824,485
Capital Lease Receivable	0	0	52,813	52,813
Total Assets	<u>\$4,247,781</u>	<u>\$4,965,779</u>	<u>\$510,320</u>	<u>\$9,723,880</u>
Liabilities:				
Accounts Payable	\$20,231	\$0	\$0	\$20,231
Accrued Wages	19,076	0	0	19,076
Contracts Payable	71	0	72,240	72,311
Intergovernmental Payable	46,111	0	0	46,111
Matured Interest Payable	0	105	0	105
Interfund Payable	3,111	0	0	3,111
Deferred Revenue	446,427	940,230	52,813	1,439,470
Advances from Other Funds	0	0	1,702,219	1,702,219
Total Liabilities	<u>535,027</u>	<u>940,335</u>	<u>1,827,272</u>	<u>3,302,634</u>
Fund Equity:				
Fund Balances:				
Reserved for Encumbrances	68,752	0	6,077	74,829
Reserved for Notes Receivable	10,849	0	0	10,849
Unreserved, Undesignated				
Special Revenue Funds	3,633,153	0	0	3,633,153
Debt Service Funds	0	4,025,444	0	4,025,444
Capital Project Funds (Deficit)	0	0	(1,323,029)	(1,323,029)
Total Fund Balances (Deficit)	<u>3,712,754</u>	<u>4,025,444</u>	<u>(1,316,952)</u>	<u>6,421,246</u>
Total Liabilities and Fund Equity	<u>\$4,247,781</u>	<u>\$4,965,779</u>	<u>\$510,320</u>	<u>\$9,723,880</u>

**CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Property Taxes	\$0	\$121,906	\$0	\$121,906
Income Taxes	0	899,781	0	899,781
Other Local Taxes	43,615	0	0	43,615
Payments in Lieu of Taxes	848,321	0	0	848,321
Special Assessments	0	154,965	0	154,965
Charges for Services	242,114	0	0	242,114
Fines, Licenses and Permits	248,254	0	0	248,254
Intergovernmental	881,227	6,278	0	887,505
Interest	4,296	56,648	7,261	68,205
Contributions and Donations	33,794	0	0	33,794
Other	31,435	0	6,098	37,533
Total Revenues	2,333,056	1,239,578	13,359	3,585,993
Expenditures:				
Current:				
General Government	36,362	0	0	36,362
Security of Persons and Property:				
Police	72,507	0	0	72,507
Public Health Services	176,548	0	34,072	210,620
Leisure Time Services	148,904	0	0	148,904
Community Environment	530,869	0	6,000	536,869
Transportation	641,269	0	93,216	734,485
Capital Outlay	19,038	0	0	19,038
Debt Service:				
Principal Retirement	0	480,000	0	480,000
Interest and Fiscal Charges	0	324,547	0	324,547
Total Expenditures	1,625,497	804,547	133,288	2,563,332
Excess of Revenues Over (Under) Expenditures	707,559	435,031	(119,929)	1,022,661
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,204	0	0	2,204
Transfers In	122,826	42,500	409,275	574,601
Transfers Out	(238,021)	0	0	(238,021)
Total Other Financing Sources (Uses)	(112,991)	42,500	409,275	338,784
Net Change in Fund Balance	594,568	477,531	289,346	1,361,445
Fund Balance (Deficit) at Beginning of Year	3,118,186	3,547,913	(1,606,298)	5,059,801
Fund Balance (Deficit) at End of Year	\$3,712,754	\$4,025,444	(\$1,316,952)	\$6,421,246

**CITY OF LEBANON, OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2004**

	<u>Cemetery</u>	<u>Community Development</u>	<u>Court</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$424,746	\$1,830	\$512,702
Cash and Cash Equivalents with Fiscal Agents	0	182,172	0
Materials and Supplies Inventory	759	0	0
Intergovernmental Receivable	15,000	0	0
Prepaid Items	5,189	0	0
Revenue in Lieu of Taxes Receivable	0	0	0
Notes Receivable	0	10,849	0
Total Assets	<u>\$445,694</u>	<u>\$194,851</u>	<u>\$512,702</u>
Liabilities:			
Accounts Payable	566	0	325
Accrued Wages	3,240	0	0
Contracts Payable	0	0	0
Interfund Payable	192	0	0
Intergovernmental Payable	2,596	0	0
Deferred Revenue	0	0	0
Total Liabilities	<u>6,594</u>	<u>0</u>	<u>325</u>
Fund Equity:			
Fund Balances:			
Reserved for Encumbrances	935	0	14,080
Reserved for Notes Receivable	0	10,849	0
Unreserved, Undesignated (Deficit)	438,165	184,002	498,297
Total Fund Equity	<u>439,100</u>	<u>194,851</u>	<u>512,377</u>
Total Liabilities and Fund Equity	<u>\$445,694</u>	<u>\$194,851</u>	<u>\$512,702</u>

<u>Park/Recreation Impact Fee</u>	<u>Parks and Recreation</u>	<u>Tax Increment Financing</u>	<u>Transportation</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$531,391	\$312,638	\$882,400	\$784,368	\$3,450,075
0	0	0	0	182,172
0	0	0	60,208	60,967
0	0	45,382	427,372	487,754
0	0	0	12,870	18,059
0	0	37,905	0	37,905
0	0	0	0	10,849
<u>\$531,391</u>	<u>\$312,638</u>	<u>\$965,687</u>	<u>\$1,284,818</u>	<u>\$4,247,781</u>
0	3,445	2,880	13,015	20,231
0	2,611	0	13,225	19,076
0	0	0	71	71
0	0	0	2,919	3,111
0	839	33,482	9,194	46,111
0	0	83,287	363,140	446,427
<u>0</u>	<u>6,895</u>	<u>119,649</u>	<u>401,564</u>	<u>535,027</u>
0	5,502	40,079	8,156	68,752
0	0	0	0	10,849
<u>531,391</u>	<u>300,241</u>	<u>805,959</u>	<u>875,098</u>	<u>3,633,153</u>
<u>531,391</u>	<u>305,743</u>	<u>846,038</u>	<u>883,254</u>	<u>3,712,754</u>
<u>\$531,391</u>	<u>\$312,638</u>	<u>\$965,687</u>	<u>\$1,284,818</u>	<u>\$4,247,781</u>

**CITY OF LEBANON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Cemetery</u>	<u>Community Development</u>	<u>Court</u>
Revenues			
Other Local Taxes	\$0	\$0	\$0
Payments in Lieu of Taxes	0	0	0
Charges for Services	89,621	0	9,110
Fines, Licenses and Permits	0	0	104,871
Intergovernmental	30,000	73,509	0
Interest	3,402	894	0
Contributions and Donations	33,794	0	0
Other	20	0	6,994
Total Revenues	<u>156,837</u>	<u>74,403</u>	<u>120,975</u>
Expenditures:			
Current:			
General Government	0	0	0
Security of Persons and Property			
Police	0	0	72,507
Public Health Services	176,548	0	0
Leisure Time Services	0	0	0
Community Environment	0	143,170	0
Transportation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>176,548</u>	<u>143,170</u>	<u>72,507</u>
Excess of Revenues Over (Under) Expenditures	<u>(19,711)</u>	<u>(68,767)</u>	<u>48,468</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	0	0	0
Transfers In	30,000	0	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	10,289	(68,767)	48,468
Fund Balance at Beginning of Year	<u>428,811</u>	<u>263,618</u>	<u>463,909</u>
Fund Balances at End of Year	<u>\$439,100</u>	<u>\$194,851</u>	<u>\$512,377</u>

Park/Recreation Impact Fee	Parks and Recreation	Tax Increment Financing	Transportation	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$43,615	\$43,615
0	0	848,321	0	848,321
0	143,383	0	0	242,114
143,383	0	0	0	248,254
0	0	44,293	733,425	881,227
0	0	0	0	4,296
0	0	0	0	33,794
0	0	0	24,421	31,435
<u>143,383</u>	<u>143,383</u>	<u>892,614</u>	<u>801,461</u>	<u>2,333,056</u>
0	0	36,362	0	36,362
0	0	0	0	72,507
0	0	0	0	176,548
0	148,904	0	0	148,904
0	0	387,699	0	530,869
0	0	0	641,269	641,269
0	19,038	0	0	19,038
<u>0</u>	<u>167,942</u>	<u>424,061</u>	<u>641,269</u>	<u>1,625,497</u>
<u>143,383</u>	<u>(24,559)</u>	<u>468,553</u>	<u>160,192</u>	<u>707,559</u>
0	0	0	2,204	2,204
46,413	46,413	0	0	122,826
0	0	(238,021)	0	(238,021)
<u>46,413</u>	<u>46,413</u>	<u>(238,021)</u>	<u>2,204</u>	<u>(112,991)</u>
189,796	21,854	230,532	162,396	594,568
<u>341,595</u>	<u>283,889</u>	<u>615,506</u>	<u>720,858</u>	<u>3,118,186</u>
<u>\$531,391</u>	<u>\$305,743</u>	<u>\$846,038</u>	<u>\$883,254</u>	<u>\$3,712,754</u>

**CITY OF LEBANON, OHIO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2004**

	Cemetery Improvement	State Issue II	Industrial Development	Total Nonmajor Capital Projects Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$54,113	\$322,835	\$80,559	\$457,507
Capital Lease Receivable	0	0	52,813	52,813
Total Assets	\$54,113	\$322,835	\$133,372	\$510,320
Liabilities:				
Contracts Payable	\$0	\$72,240	\$0	\$72,240
Deferred Revenue	0	0	52,813	52,813
Advances From Other Funds	0	0	1,702,219	1,702,219
Total Liabilities	0	72,240	1,755,032	1,827,272
Fund Equity:				
Fund Balances:				
Reserved for Encumbrances	0	6,077	0	6,077
Unreserved, (Deficit)	54,113	244,518	(1,621,660)	(1,323,029)
Total Fund Equity (Deficit)	54,113	250,595	(1,621,660)	(1,316,952)
Total Liabilities and Fund Equity	\$54,113	\$322,835	\$133,372	\$510,320

**CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	Cemetery Improvement	State Issue II	Industrial Development	Total Nonmajor Capital Projects Funds
Revenues:				
Interest	\$373	\$0	\$6,888	\$7,261
Other	0	0	6,098	6,098
Total Revenues	<u>373</u>	<u>0</u>	<u>12,986</u>	<u>13,359</u>
Expenditures:				
Current:				
Public Health Services	34,072	0	0	34,072
Community and Economic Development	0	0	6,000	6,000
Transportation	0	93,216	0	93,216
Total Expenditures	<u>34,072</u>	<u>93,216</u>	<u>6,000</u>	<u>133,288</u>
Excess of Revenues Over (Under) Expenditures	(33,699)	(93,216)	6,986	(119,929)
Other Financing Sources:				
Transfers In	0	275,000	134,275	409,275
Net Change in Fund Balance	(33,699)	181,784	141,261	289,346
Fund Balances (Deficit) at Beginning of Year	<u>87,812</u>	<u>68,811</u>	<u>(1,762,921)</u>	<u>(1,606,298)</u>
Fund Balances (Deficit) at End of Year	<u><u>\$54,113</u></u>	<u><u>\$250,595</u></u>	<u><u>(\$1,621,660)</u></u>	<u><u>(\$1,316,952)</u></u>

INTERNAL SERVICE FUNDS

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

Automotive Maintenance

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

Self-Insurance

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

**CITY OF LEBANON, OHIO
 COMBINING STATEMENT OF FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2004**

	<u>Automotive Maintenance</u>	<u>Self- Insurance</u>	<u>Total</u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$58,321	\$6,397	\$64,718
Materials and Supplies Inventory	1,792	0	1,792
Interfund Receivable	11,953	0	11,953
Prepaid Items	5,174	0	5,174
Total Current Assets	<u>77,240</u>	<u>6,397</u>	<u>83,637</u>
Noncurrent Assets:			
Nondepreciable Capital Assets	64,666	0	64,666
Depreciable Capital Assets, Net	3,558	0	3,558
Total Noncurrent Assets	<u>68,224</u>	<u>0</u>	<u>68,224</u>
Total Assets	<u>145,464</u>	<u>6,397</u>	<u>151,861</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	6,046	0	6,046
Accrued Salaries Payable	2,749	0	2,749
Intergovernmental Payable	2,001	0	2,001
Claims Payable	0	320,266	320,266
Compensated Absences	2,925	0	2,925
Total Current Liabilities	<u>13,721</u>	<u>320,266</u>	<u>333,987</u>
Long-term Liabilities			
Compensated Absences	20,045	0	20,045
Total Liabilities	<u>33,766</u>	<u>320,266</u>	<u>354,032</u>
Net Assets			
Unrestricted (Deficit)	111,698	(313,869)	(202,171)
Total Net Assets	<u>\$111,698</u>	<u>(\$313,869)</u>	<u>(\$202,171)</u>

**CITY OF LEBANON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Automotive Maintenance</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$315,909	\$1,539,797	\$1,855,706
Other	0	61,500	61,500
Total Operating Revenues	<u>315,909</u>	<u>1,601,297</u>	<u>1,917,206</u>
Operating Expenses:			
Personal Services	112,571	0	112,571
Contractual Services	9,107	377,978	387,085
Supplies and Materials	159,081	0	159,081
Claims	0	1,458,675	1,458,675
Depreciation	3,559	0	3,559
Total Operating Expenses	<u>284,318</u>	<u>1,836,653</u>	<u>2,120,971</u>
Operating Income (Loss)	<u>31,591</u>	<u>(235,356)</u>	<u>(203,765)</u>
Non-Operating Revenues:			
Interest	0	926	926
Total Non-Operating Revenues	<u>0</u>	<u>926</u>	<u>926</u>
Change in Net Assets	31,591	(234,430)	(202,839)
Net Assets (Deficit) at Beginning of Year	<u>80,107</u>	<u>(79,439)</u>	<u>668</u>
Net Assets (Deficit) at End of Year	<u>\$111,698</u>	<u>(\$313,869)</u>	<u>(\$202,171)</u>

**CITY OF LEBANON, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Automotive Maintenance</u>	<u>Self- Insurance</u>	<u>Total</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Payments for Employee Services and Benefits	(\$106,886)	\$0	(\$106,886)
Cash Payments to Suppliers for Goods and Services	(185,164)	(377,978)	(563,142)
Cash Payments for Employee Medical, Dental and Life Insurance Claims	0	(1,268,582)	(1,268,582)
Cash Received from Interfund Services Provided	326,396	1,539,797	1,866,193
Other Operating Revenues	0	61,500	61,500
Net Cash Provided by (Used for) Operating Activities	<u>34,346</u>	<u>(45,263)</u>	<u>(10,917)</u>
Cash Flows from Investing Activities:			
Interest	0	926	926
Net Cash Provided by Investing Activities	<u>0</u>	<u>926</u>	<u>926</u>
Net Increase (Decrease) in Cash and Cash Equivalents	34,346	(44,337)	(9,991)
Cash and Cash Equivalents Beginning of Year	<u>23,975</u>	<u>50,734</u>	<u>74,709</u>
Cash and Cash Equivalents End of Year	<u>\$58,321</u>	<u>\$6,397</u>	<u>\$64,718</u>
Reconciliation of Operating Income (Loss) to <u>Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$31,591	(\$235,356)	(\$203,765)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation	3,559	0	3,559
Changes in Assets and Liabilities:			
Decrease in Interfund Receivable	10,487	0	10,487
Increase in Materials and Supplies Inventory	(1,792)	0	(1,792)
Increase in Prepaids Items	(3,944)	0	(3,944)
Decrease in Accounts Payable	(11,240)	0	(11,240)
Increase in Claims Payable	0	190,093	190,093
Increase in Accrued Wages Payable	1,785	0	1,785
Increase in Intergovernmental Payable	1,222	0	1,222
Increase in Compensated Absences Payable	2,678	0	2,678
Net Cash Provided by (Used for) Operating Activities	<u>\$34,346</u>	<u>(\$45,263)</u>	<u>(\$10,917)</u>

AGENCY FUNDS

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

Fire Insurance Collection Fund

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

Municipal Court

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

CITY OF LEBANON, OHIO
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2004

	<u>Fire Insurance Collection</u>	<u>Municipal Court</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$11,961	\$0	\$11,961
Cash and Cash Equivalents in Segregated Accounts	<u>0</u>	<u>45,728</u>	<u>45,728</u>
Total Assets	<u><u>\$11,961</u></u>	<u><u>\$45,728</u></u>	<u><u>\$57,689</u></u>
Liabilities:			
Intergovernmental Payable	0	23,354	23,354
Undistributed Monies	<u>11,961</u>	<u>22,374</u>	<u>34,335</u>
Total Liabilities	<u><u>\$11,961</u></u>	<u><u>\$45,728</u></u>	<u><u>\$57,689</u></u>

**CITY OF LEBANON, OHIO
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance 1/1/04	Additions	Reductions	Balance 12/31/04
FIRE INSURANCE COLLECTION				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$896	\$19,000	\$7,935	\$11,961
Liabilities:				
Undistributed Monies	\$896	\$19,000	\$7,935	\$11,961
MUNICIPAL COURT				
Assets:				
Cash and Cash Equivalents in Segregated Accounts	\$56,389	\$301,537	\$312,198	\$45,728
Liabilities:				
Intergovernmental Payable	\$24,842	\$295,225	\$296,713	\$23,354
Undistributed Monies	31,547	6,312	15,485	22,374
Total Liabilities	\$56,389	\$301,537	\$312,198	\$45,728
TOTAL - ALL AGENCY				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$896	\$19,000	\$7,935	\$11,961
Cash and Cash Equivalents in Segregated Accounts	56,389	301,537	312,198	45,728
Total Assets	\$57,285	\$320,537	\$320,133	\$57,689
Liabilities:				
Intergovernmental Payable	\$24,842	\$295,225	\$296,713	\$23,354
Undistributed Monies	32,443	25,312	23,420	34,335
Total Liabilities	\$57,285	\$320,537	\$320,133	\$57,689

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$1,015,025	\$1,015,025	\$979,099	(\$35,926)
Income Taxes	2,035,000	2,035,000	1,957,820	(77,180)
Other Local Taxes	830,000	830,000	748,638	(81,362)
Charges for Services	1,795,400	1,795,400	1,811,477	16,077
Licenses and Permits	1,047,550	1,047,550	1,001,455	(46,095)
Intergovernmental	738,345	738,345	854,361	116,016
Interest	151,500	151,500	91,154	(60,346)
Contributions and Donations	250	250	6,654	6,404
Other	90,500	90,500	65,901	(24,599)
Total Revenues	7,703,570	7,703,570	7,516,559	(187,011)
Expenditures:				
Current:				
General Government				
Legislative				
Personal Services	53,313	53,313	52,348	965
Contractual Services	22,900	22,947	14,495	8,452
Supplies and Materials	11,500	12,700	11,242	1,458
Total Legislative	87,713	88,960	78,085	10,875
City Manager				
Personal Services	385,538	385,538	381,654	3,884
Contractual Services	23,750	24,128	19,367	4,761
Supplies and Materials	5,000	4,800	2,156	2,644
Total City Manager	414,288	414,466	403,177	11,289
Personnel				
Personal Services	109,267	108,767	107,066	1,701
Contractual Services	48,250	48,980	39,159	9,821
Supplies and Materials	1,250	1,250	788	462
Total Personnel	158,767	158,997	147,013	11,984
Department of Service				
Personal Services	300,132	302,932	302,820	112
Contractual Services	68,900	73,212	72,407	805
Supplies and Materials	2,500	2,810	2,788	22
Total Department of Service	371,532	378,954	378,015	939
Information Technology				
Personal Services	137,204	143,204	142,617	587
Contractual Services	61,900	57,550	52,499	5,051
Supplies and Materials	3,000	2,940	989	1,951
Total Information Technology	202,104	203,694	196,105	7,589
Finance				
Personal Services	332,836	334,836	332,458	2,378
Contractual Services	73,175	79,914	72,486	7,428
Supplies and Materials	2,000	2,900	2,738	162
Total Finance	408,011	417,650	407,682	9,968
Income Tax				
Personal Services	148,218	148,218	146,808	1,410
Contractual Services	8,450	8,450	4,525	3,925
Supplies and Materials	11,250	16,163	15,533	630
Refunds	50,000	50,000	49,942	58
Total Income Tax	217,918	222,831	216,808	6,023

(Continued)

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Law				
Personal Services	\$277,672	\$269,372	\$236,979	\$32,393
Contractual Services	205,600	206,721	170,387	36,334
Supplies and Materials	2,400	2,150	1,482	668
Total Law	485,672	478,243	408,848	69,395
Municipal Court				
Personal Services	439,299	439,299	410,911	28,388
Contractual Services	108,000	109,120	89,056	20,064
Supplies and Materials	12,500	12,425	9,533	2,892
Total Municipal Court	559,799	560,844	509,500	51,344
Parking System				
Contractual Services	5,800	5,800	0	5,800
Supplies and Materials	1,500	1,500	831	669
Capital Outlay	5,000	5,000	2,000	3,000
Total Parking System	12,300	12,300	2,831	9,469
Probation				
Personal Services	175,522	175,322	163,559	11,763
Contractual Services	6,400	6,100	3,254	2,846
Supplies and Materials	7,000	6,800	5,592	1,208
Total Probation	188,922	188,222	172,405	15,817
Building Maintenance				
Personal Services	174,405	174,405	169,660	4,745
Contractual Services	19,100	19,411	18,246	1,165
Supplies and Materials	10,000	10,000	9,687	313
Total Building Maintenance	203,505	203,816	197,593	6,223
Other General Government				
Contractual Services	266,000	277,513	219,412	58,101
Supplies and Materials	7,500	8,921	8,886	35
Total Other General Government	273,500	286,434	228,298	58,136
Total General Government	3,584,031	3,615,411	3,346,360	(269,051)
Security of Persons and Property				
Police				
Personal Services	2,624,615	2,619,900	2,574,516	45,384
Contractual Services	231,968	231,535	228,086	3,449
Supplies and Materials	59,225	60,513	55,679	4,834
Total Security of Persons and Property	2,915,808	2,911,948	2,858,281	53,667
Public Health Services				
Contractual Services	8,610	8,610	8,737	(127)
Total Public Health Services	8,610	8,610	8,737	(127)
Leisure Time Activities				
Recreation Programs				
Personal Services	46,684	46,884	46,803	81
Contractual Services	39,100	61,216	61,036	180
Supplies and Materials	5,000	5,300	5,159	141
Refunds/ Reimbursement	0	2,500	100	2,400
Total Leisure Time Activities	90,784	115,900	113,098	2,802

(Continued)

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Community Environment				
Planning and Development				
Personal Services	\$243,274	\$243,274	\$238,385	\$4,889
Contractual Services	9,250	9,250	6,925	2,325
Supplies and Materials	4,000	4,000	3,729	271
Total Planning and Development	<u>256,524</u>	<u>256,524</u>	<u>249,039</u>	<u>7,485</u>
Building and Zoning				
Personal Services	142,804	143,804	142,471	1,333
Contractual Services	111,750	112,449	87,675	24,774
Supplies and Materials	1,500	1,500	1,180	320
Total Building and Zoning	<u>256,054</u>	<u>257,753</u>	<u>231,326</u>	<u>26,427</u>
Engineer Services				
Personal Services	211,468	213,468	211,649	1,819
Contractual Services	18,100	19,746	19,371	375
Supplies and Materials	7,000	9,273	9,237	36
Total Engineer Services	<u>236,568</u>	<u>242,487</u>	<u>240,257</u>	<u>2,230</u>
Total Community Environment	<u>749,146</u>	<u>756,764</u>	<u>720,622</u>	<u>36,142</u>
Total Expenditures	<u>7,348,379</u>	<u>7,408,633</u>	<u>7,047,098</u>	<u>361,535</u>
Excess of Revenues Over (Under) Expenditures	<u>355,191</u>	<u>294,937</u>	<u>469,461</u>	<u>174,524</u>
Other Financing Sources (Uses):				
Advances In	121,408	121,408	121,408	0
Transfers In	10,000	10,000	48,265	38,265
Transfers - Out	(160,000)	(150,001)	(122,826)	27,175
Total Other Financing Sources (Uses):	<u>(28,592)</u>	<u>(18,593)</u>	<u>46,847</u>	<u>65,440</u>
Net Change in Fund Balance	326,599	276,344	516,308	239,964
Fund Balance at Beginning of Year	705,293	705,293	705,293	0
Prior Year Encumbrances Appropriated	<u>73,822</u>	<u>73,822</u>	<u>73,822</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,105,714</u>	<u>\$1,055,459</u>	<u>\$1,295,423</u>	<u>\$239,964</u>

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE AND LIFE SQUAD SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$1,387,800	\$1,387,800	\$1,303,004	(\$84,796)
Charges for Services	90,000	90,000	145,950	55,950
Intergovernmental	125,000	125,000	133,707	8,707
Other	2,100	2,100	13,185	11,085
Total Revenues	1,604,900	1,604,900	1,595,846	(9,054)
Expenditures:				
Current:				
Security of Persons and Property				
Fire Fighting, Prevention and Inspection				
Personal Services	918,349	920,314	785,196	135,118
Contractual Services	329,700	341,005	340,643	362
Supplies and Materials	45,000	46,676	44,024	2,652
Capital Outlay	337,200	2,039,019	1,997,477	41,542
Total Fire Fighting, Prevention and Inspection	1,630,249	3,347,014	3,167,340	179,674
Debt Service:				
Principal Retirement	120,000	120,000	120,000	0
Interest and Fiscal Charges	8,700	8,700	1,969	6,731
Total Debt Service	128,700	128,700	121,969	6,731
Total Expenditures	1,758,949	3,475,714	3,289,309	186,405
Excess of Revenues Over (Under) Expenditures	(154,049)	(1,870,814)	(1,693,463)	177,351
Other Financing Sources:				
Notes Issued	0	0	1,400,000	1,400,000
Net Change in Fund Balance	(154,049)	(1,870,814)	(293,463)	1,577,351
Fund Balance at Beginning of Year	856,156	856,156	856,156	0
Prior Year Encumbrances Appropriated	145,224	145,224	145,224	0
Fund Balance (Deficit) at End of Year	\$847,331	(\$869,434)	\$707,917	\$1,577,351

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Income Taxes	\$1,911,990	\$1,911,990	\$1,754,233	(\$157,757)
Intergovernmental	134,750	134,750	149,241	14,491
Other	95,500	95,500	93,024	(2,476)
Total Revenues	2,142,240	2,142,240	1,996,498	(145,742)
Expenditures:				
Current:				
General Government				
Contractual Services	78,000	78,000	78,000	0
Capital Outlay	1,826,000	2,176,555	2,176,555	0
Total Expenditures	1,904,000	2,254,555	2,254,555	0
Excess of Revenues Over (Under) Expenditures	238,240	(112,315)	(258,057)	(145,742)
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers Out	(275,000)	(275,000)	(275,000)	0
Total Other Financing Sources (Uses)	(275,000)	(275,000)	(275,000)	0
Net Change in Fund Balance	(36,760)	(387,315)	(533,057)	(145,742)
Fund Balance at Beginning of Year	1,767,805	1,767,805	1,767,805	0
Prior Year Encumbrances Appropriated	354,970	354,970	354,970	0
Fund Balance at End of Year	\$2,086,015	\$1,735,460	\$1,589,718	(\$145,742)

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
ELECTRIC FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$13,910,500	\$13,910,500	\$12,928,265	(\$982,235)
Other	116,000	116,000	30,925	(85,075)
Interest	20,000	20,000	72,597	52,597
Utility Deposits Received	125,000	125,000	199,200	74,200
Sale of Capital Assets	0	0	1,150	1,150
Notes Issued	3,000,000	3,000,000	2,770,742	(229,258)
Total Revenues	17,171,500	17,171,500	16,002,879	(1,168,621)
Expenses:				
Personal Services	1,279,847	1,279,847	1,248,694	31,153
Contractual Services	1,128,236	1,225,290	1,119,948	105,342
Supplies and Materials	159,550	770,771	77,628	693,143
Purchased Power	8,801,150	9,469,020	8,020,141	1,448,879
Other	8,000	8,500	8,265	235
Utility Deposits Returned	116,775	166,775	164,561	2,214
Capital Outlay	3,800,300	3,925,470	1,333,777	2,591,693
Debt Service:				
Principal Retirement	3,730,000	3,980,000	3,730,000	250,000
Interest and Fiscal Charges	652,340	652,340	633,580	18,760
Total Expenses	19,676,198	21,478,013	16,336,594	5,141,419
Excess of Revenues Under Expenses	(2,504,698)	(4,306,513)	(333,715)	3,972,798
Advances In	67,625	67,625	67,625	0
Transfers In	13,752	13,752	13,752	0
Transfers Out	0	(771)	(771)	0
Net Change in Fund Equity	(2,423,321)	(4,225,907)	(253,109)	3,972,798
Fund Equity at Beginning of Year	7,173,059	7,173,061	7,173,059	2
Prior Year Encumbrances Appropriated	1,289,543	1,289,543	1,289,543	0
Fund Equity at End of Year	\$6,039,281	\$4,236,697	\$8,209,493	\$3,972,800

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
SANITATION FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$873,040	\$873,040	\$850,803	(\$22,237)
Other	7,700	7,700	6,411	(1,289)
Total Revenues	880,740	880,740	857,214	(23,526)
Expenses:				
Personal Services	46,763	46,763	41,448	5,315
Contractual Services	832,900	879,511	836,330	43,181
Capital Outlay	18,000	24,985	20,421	4,564
Reimbursements	500	500	249	251
Total Expenses	898,163	951,759	898,448	53,311
Net Change in Fund Equity	(17,423)	(71,019)	(41,234)	29,785
Fund Equity at Beginning of Year	674,685	674,685	674,685	0
Prior Year Encumbrances Appropriated	53,596	53,596	53,596	0
Fund Equity at End of Year	\$710,858	\$657,262	\$687,047	\$29,785

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL
SEWER FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$2,825,165	\$2,825,165	\$2,770,935	(\$54,230)
Other	7,000	7,000	150,160	143,160
Interest	70,000	70,000	23,203	(46,797)
Premium on Debt Issued	0	0	26,593	26,593
Notes Issued	3,500,000	3,500,000	3,500,000	0
Total Revenues	6,402,165	6,402,165	6,470,891	68,726
Expenses:				
Personal Services	501,938	509,438	507,119	2,319
Travel Transportation	0	0	0	0
Contractual Services	943,900	1,162,694	1,132,337	30,357
Supplies and Materials	130,350	135,897	112,492	23,405
Other	2,500	22,500	20,539	1,961
Capital Outlay	723,697	4,697,655	4,628,713	68,942
Debt Service:				
Principal Retirement	3,900,000	3,900,000	3,900,000	0
Interest and Fiscal Charges	519,068	519,068	514,876	4,192
Total Expenses	6,721,453	10,947,252	10,816,076	131,176
Net Change in Fund Equity	(319,288)	(4,545,087)	(4,345,185)	199,902
Fund Equity at Beginning of Year	3,543,583	3,543,583	3,543,583	0
Prior Year Encumbrances Appropriated	4,029,891	4,029,891	4,029,891	0
Fund Equity at End of Year	\$7,254,186	\$3,028,387	\$3,228,289	\$199,902

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
TELECOMMUNICATIONS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$5,393,974	\$5,393,974	\$4,944,724	(\$449,250)
Other	218,603	218,603	288,611	70,008
Interest	5,000	5,000	4,450	(550)
Premium on Debt Issue	0	0	5,850	5,850
Total Revenues	<u>7,367,577</u>	<u>7,367,577</u>	<u>6,993,635</u>	<u>(373,942)</u>
Expenses:				
Personal Services	736,626	736,626	726,180	10,446
Contractual Services	3,124,942	3,418,530	3,395,702	22,828
Supplies and Materials	41,500	48,981	48,664	317
Other	7,500	73,000	71,786	1,214
Capital Outlay	929,080	1,008,623	901,126	107,497
Debt Service:				
Principal Retirement	1,940,000	1,940,000	1,940,000	0
Interest and Fiscal Charges	303,283	303,283	313,250	(9,967)
Total Expenses	<u>7,082,931</u>	<u>7,529,043</u>	<u>7,396,708</u>	<u>132,335</u>
Excess of Revenues Over (Under) Expenses	284,646	(161,466)	(403,073)	(241,607)
Advances Out	<u>(67,625)</u>	<u>(67,625)</u>	<u>(67,625)</u>	<u>0</u>
Net Change in Fund Equity	217,021	(229,091)	(470,698)	(241,607)
Fund Equity at Beginning of Year	1,226,412	1,226,412	1,226,412	0
Prior Year Encumbrances Appropriated	<u>194,005</u>	<u>194,005</u>	<u>194,005</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,637,438</u>	<u>\$1,191,326</u>	<u>\$949,719</u>	<u>(\$241,607)</u>

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
WATER FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$2,992,225	\$2,992,225	\$2,915,158	(\$77,067)
Utility Deposits Received	7,500	7,500	14,825	7,325
Other	2,500	2,500	6,656	4,156
Interest	105,000	105,000	68,214	(36,786)
Total Revenues	3,107,225	3,107,225	3,004,853	(102,372)
Expenses:				
Personal Services	395,403	410,403	400,034	10,369
Contractual Services	857,750	1,555,888	1,471,072	84,816
Supplies and Materials	44,200	48,207	37,756	10,451
Other	2,500	2,500	837	1,663
Utility Deposits Returned	8,225	8,225	8,225	0
Capital Outlay	3,722,500	4,598,066	3,692,202	905,864
Debt Service:				
Principal Retirement	380,000	380,000	380,000	0
Interest and Fiscal Charges	431,000	431,000	430,000	1,000
Total Expenses	5,841,578	7,434,289	6,420,126	1,014,163
Excess of Revenues Under Expenses	(2,734,353)	(4,327,064)	(3,415,273)	911,791
Advances Out	(50,000)	(50,000)	(50,000)	0
Net Change in Fund Equity	(2,784,353)	(4,377,064)	(3,465,273)	0
Fund Equity at Beginning of Year	7,545,157	7,545,157	7,545,157	0
Prior Year Encumbrances Appropriated	1,665,929	1,665,929	1,665,929	0
Fund Balance at End of Year	\$6,426,733	\$4,834,022	\$5,745,813	\$911,791

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
STORM WATER UTILITY FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$425,000	\$425,000	\$518,498	\$93,498
Expenses:				
Personal Services	125,113	125,113	109,930	15,183
Contractual Services	77,500	77,500	27,865	49,635
Supplies and Materials	5,000	5,000	4,380	620
Other	5,000	5,000	44	4,956
Capital Outlay	255,000	255,000	251,321	3,679
Total Expenses	467,613	467,613	393,540	74,073
Excess of Revenues Over (Under) Expenses	(42,613)	(42,613)	124,958	167,571
Advances In	50,000	50,000	50,000	0
Net Change in Fund Equity	7,387	7,387	174,958	167,571
Fund Equity at Beginning of Year	0	0	0	0
Fund Equity at End of Year	\$7,387	\$7,387	\$174,958	\$167,571

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$71,975	\$71,975	\$89,621	\$17,646
Intergovernmental	30,000	30,000	30,000	0
Interest	2,800	2,800	2,227	(573)
Contributions and Donations	15,000	15,000	33,794	18,794
Other	0	0	20	20
Total Revenues	<u>119,775</u>	<u>119,775</u>	<u>155,662</u>	<u>35,887</u>
Expenditures:				
Current:				
Public Health Services				
Cemetery				
Personal Services	144,223	144,223	140,767	3,456
Contractual Services	27,700	33,856	33,478	378
Supplies and Materials	4,500	4,500	3,352	1,148
Total Public Health Services	<u>176,423</u>	<u>182,579</u>	<u>177,597</u>	<u>4,982</u>
Total Expenditures	<u>176,423</u>	<u>182,579</u>	<u>177,597</u>	<u>4,982</u>
Excess of Revenues Under Expenditures	(56,648)	(62,804)	(21,935)	40,869
Other Financing Sources:				
Transfers In	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Net Change in Fund Balance	(26,648)	(32,804)	8,065	40,869
Fund Balance at Beginning of Year	413,533	413,533	413,533	0
Prior Year Encumbrances Appropriated	<u>757</u>	<u>757</u>	<u>757</u>	<u>0</u>
Fund Balance at End of Year	<u>\$387,642</u>	<u>\$381,486</u>	<u>\$422,355</u>	<u>\$40,869</u>

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Intergovernmental	\$137,000	\$137,000	\$73,509	(\$63,491)
Expenditures:				
Current:				
Community Environment				
Community Development				
Capital Outlay	145,200	145,200	143,170	2,030
Net Change in Fund Balance	(8,200)	(8,200)	(69,661)	(61,461)
Fund Balance at Beginning of Year	71,491	71,491	71,491	0
Fund Balance at End of Year	\$63,291	\$63,291	\$1,830	(\$61,461)

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COURT SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$5,000	\$5,000	\$9,110	\$4,110
Fines, Licenses and Permits	75,000	75,000	83,681	8,681
Intergovernmental	52,500	52,500	27,938	(24,562)
Other	15,000	15,000	6,994	(8,006)
Total Revenues	147,500	147,500	127,723	(19,777)
Expenditures:				
Current:				
General Government				
Municipal Court Special Project				
Contractual Services	0	12,000	12,000	0
Security of Persons and Property				
Indigent Drivers Alcohol				
Materials and Supplies	12,000	47,910	45,933	1,977
Dare				
Personal Services	2,500	2,500	0	2,500
Computerized Legal Research				
Contractual Services	5,000	5,000	0	5,000
Materials and Supplies	5,000	5,000	0	5,000
Capital Outlay	5,000	5,000	0	5,000
Total Computerized Legal Research	15,000	15,000	0	15,000
Computer Improvement				
Contractual Services	10,000	10,000	4,631	5,369
Materials and Supplies	5,000	5,000	4,754	246
Capital Outlay	21,000	21,000	19,269	1,731
Total Computer Improvement	36,000	36,000	28,654	7,346
Total Security of Persons and Property	65,500	101,410	74,587	26,823
Total Expenditures	65,500	113,410	86,587	26,823
Net Change in Fund Balance	82,000	34,090	41,136	7,046
Fund Balance at Beginning of Year	455,458	455,458	455,458	0
Fund Balance at End of Year	\$537,458	\$489,548	\$496,594	\$7,046

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK RECREATION IMPACT FEE SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Fines, Licenses and Permits	\$52,000	\$520,000	\$143,383	(\$376,617)
Total Revenues	52,000	520,000	143,383	(376,617)
Other Financing Sources:				
Transfers In	60,000	60,000	46,413	(13,587)
Net Change in Fund Balance	112,000	580,000	189,796	(390,204)
Fund Balance at Beginning of Year	341,595	341,595	341,595	0
Fund Balance at End of Year	\$453,595	\$921,595	\$531,391	(\$390,204)

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
PARKS AND RECREATION SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$50,000	\$50,000	\$143,383	\$93,383
Expenditures:				
Current:				
Leisure Time Services				
Personal Services	70,490	71,990	71,237	753
Capital Outlay	60,000	135,379	129,194	6,185
Total Expenditures	130,490	207,369	200,431	6,938
Excess of Revenues Under Expenditures	(80,490)	(157,369)	(57,048)	100,321
Other Financing Sources				
Transfers In	60,000	60,000	46,413	13,587
Net Change in Fund Balance	(20,490)	(97,369)	(10,635)	113,908
Fund Balance at Beginning of Year	174,752	174,752	174,752	0
Prior Year Encumbrances Appropriated	139,563	139,563	139,563	0
Fund Balance at End of Year	\$293,825	\$216,946	\$303,680	\$113,908

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAX INCREMENT FINANCING SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Payments in Lieu of Taxes	\$650,000	\$650,000	\$848,321	\$198,321
Intergovernmental	50,000	50,000	44,293	(5,707)
Total Revenues	<u>700,000</u>	<u>700,000</u>	<u>892,614</u>	<u>192,614</u>
Expenditures:				
Current:				
Community and Economic Development				
Supplies and Materials	90,000	184,500	167,611	16,889
Capital Outlay	0	288,000	142,694	145,306
Reimbursements	234,000	234,000	160,319	73,681
Total Community Environment	<u>324,000</u>	<u>706,500</u>	<u>470,624</u>	<u>235,876</u>
Total Expenditures	<u>324,000</u>	<u>706,500</u>	<u>470,624</u>	<u>235,876</u>
Excess of Revenues Over (Under) Expenditures	376,000	(6,500)	421,990	428,490
Other Financing Uses:				
Transfers Out	<u>(242,326)</u>	<u>(242,326)</u>	<u>(238,021)</u>	<u>4,305</u>
Net Change in Fund Balance	133,674	(248,826)	183,969	432,795
Fund Balance at Beginning of Year	<u>655,472</u>	<u>655,472</u>	<u>655,472</u>	<u>0</u>
Fund Balance at End of Year	<u>\$789,146</u>	<u>\$406,646</u>	<u>\$839,441</u>	<u>\$432,795</u>

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION SPECIAL REVENUE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Other Local Taxes	\$42,550	\$42,550	\$43,353	\$803
Intergovernmental	664,450	664,450	723,250	58,800
Other	15,000	15,000	4,648	(10,352)
Total Revenues	<u>722,000</u>	<u>722,000</u>	<u>771,251</u>	<u>49,251</u>
Expenditures:				
Current:				
Transportation				
Street Maintenance and Repair				
Personal Services	527,501	527,501	485,878	41,623
Travel Transportation	3,000	3,000	1,040	1,960
Contractual Services	86,000	91,700	82,878	8,822
Supplies and Materials	35,200	47,445	45,944	1,501
Total Street Maintenance and Repair	<u>651,701</u>	<u>669,646</u>	<u>615,740</u>	<u>53,906</u>
Division Highway Maintenance				
Contractual Services	20,000	20,000	19,918	82
Supplies and Materials	22,550	23,019	14,068	8,951
Total Division Highway Maintenance	<u>42,550</u>	<u>43,019</u>	<u>33,986</u>	<u>9,033</u>
Total Transportation	<u>694,251</u>	<u>712,665</u>	<u>649,726</u>	<u>62,939</u>
Total Expenditures	<u>694,251</u>	<u>712,665</u>	<u>649,726</u>	<u>62,939</u>
Excess of Revenue Under Expenditures	27,749	9,335	121,525	(112,190)
Other Financing Sources:				
Proceeds from Sale of Capital Assets	0	0	2,204	2,204
Net Change in Fund Balance	27,749	9,335	123,729	114,394
Fund Balance at Beginning of Year	628,869	628,869	628,869	0
Prior Year Encumbrances Appropriated	16,914	16,914	16,914	0
Fund Balance at End of Year	<u>\$673,532</u>	<u>\$655,118</u>	<u>\$769,512</u>	<u>\$114,394</u>

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$125,500	\$1,225,500	\$121,906	(\$1,103,594)
Income Taxes	782,000	782,000	877,116	95,116
Special Assessments	185,000	185,000	154,965	(30,035)
Intergovernmental	12,000	12,000	6,278	(5,722)
Interest	40,000	40,000	36,809	(3,191)
Total Revenues	<u>1,144,500</u>	<u>2,244,500</u>	<u>1,197,074</u>	<u>(1,047,426)</u>
Expenditures:				
Debt Service:				
Principal Retirement	480,000	480,000	480,000	0
Interest and Fiscal Charges	330,170	330,170	328,862	1,308
Total Expenditures	<u>810,170</u>	<u>810,170</u>	<u>808,862</u>	<u>1,308</u>
Excess of Revenues Over Expenditures	334,330	1,434,330	388,212	(1,046,118)
Other Financing Sources:				
Transfers In	42,500	42,500	42,500	0
Net Change in Fund Balance	376,830	1,476,830	430,712	(1,046,118)
Fund Balance at Beginning of Year	<u>3,481,664</u>	<u>3,481,664</u>	<u>3,481,664</u>	<u>0</u>
Fund Balance at End of Year	<u>\$3,858,494</u>	<u>\$4,958,494</u>	<u>\$3,912,376</u>	<u>(\$1,046,118)</u>

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 CEMETERY IMPROVEMENT CAPITAL PROJECTS FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Interest	\$2,000	\$2,000	\$373	(\$1,627)
Expenditures:				
Current:				
Public Health Services				
Cemetery				
Supplies and Materials	2,000	2,000	0	2,000
Capital Outlay	5,000	37,789	34,072	3,717
Total Expenditures	7,000	39,789	34,072	5,717
Net Change in Fund Balance	(5,000)	(37,789)	(33,699)	4,090
Fund Balance at Beginning of Year	53,584	53,584	53,584	0
Prior Year Encumbrances Appropriated	34,227	34,227	34,227	0
Fund Balance at End of Year	\$82,811	\$50,022	\$54,112	\$4,090

**CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STATE ISSUE II CAPITAL PROJECTS FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Expenditures:				
Capital Outlay	\$275,000	\$290,841	\$137,557	\$153,284
Other Financing Sources:				
Transfers In	275,000	275,000	275,000	0
Net Change in Fund Balance	0	(15,841)	137,443	153,284
Fund Balance at Beginning of Year	91,234	91,234	91,234	0
Prior Year Encumbrances Appropriated	15,841	15,841	15,841	0
Fund Balance at End of Year	<u>\$107,075</u>	<u>\$91,234</u>	<u>\$244,518</u>	<u>\$153,284</u>

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 INDUSTRIAL DEVELOPMENT CAPITAL PROJECTS FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Interest	\$1,000	\$1,000	\$6,478	\$5,478
Other	6,098	6,098	6,098	0
Total Revenues	7,098	7,098	12,576	5,478
Expenditures:				
Current:				
Community Environment				
Contractual Services	15,000	15,000	6,000	9,000
Excess of Revenues Over (Under) Expenditures	(7,902)	(7,902)	6,576	14,478
Other Financing Sources (Uses):				
Advances Out	(121,408)	(121,408)	(121,408)	0
Transfers In	138,580	138,580	134,275	(4,305)
Total Other Financing Sources (Uses)	17,172	17,172	12,867	(4,305)
Net Change in Fund Balance	9,270	9,270	19,443	10,173
Fund Balance at Beginning of Year	60,706	60,706	60,706	0
Fund Balance at End of Year	\$69,976	\$69,976	\$80,149	\$10,173

CITY OF LEBANON, OHIO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL
AUTOMOTIVE MAINTENANCE FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$288,700	\$288,700	\$326,396	\$37,696
Total Revenues	288,700	288,700	326,396	37,696
Expenses:				
Personal Services	119,839	119,839	106,886	12,953
Contractual Services	5,350	10,870	9,963	907
Supplies and Materials	162,300	196,644	180,078	16,566
Total Expenses	287,489	327,353	296,927	30,426
Net Change in Equity Balance	1,211	(38,653)	29,469	68,122
Fund Equity at Beginning of Year	7,272	7,272	7,272	0
Prior Year Encumbrances Appropriated	16,704	16,704	16,704	0
Fund Equity (Deficit) at End of Year	\$25,187	(\$14,677)	\$53,445	\$68,122

CITY OF LEBANON, OHIO
 SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY - BUDGET AND ACTUAL
 SELF-INSURANCE FUND
 BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$1,539,250	\$1,539,250	\$1,539,797	\$547
Other	194,000	194,000	61,500	(132,500)
Interest	1,000	1,000	495	(505)
Total Revenues	1,734,250	1,734,250	1,601,792	(132,458)
Expenses:				
Contractual Services	365,000	366,704	377,978	(11,274)
Claims	1,369,250	1,388,598	1,268,582	120,016
Total Expenses	1,734,250	1,755,302	1,646,560	108,742
Net Change in Fund Equity	0	(21,052)	(44,768)	(23,716)
Fund Equity at Beginning of Year	29,682	29,682	29,682	0
Prior Year Encumbrances Appropriated	21,052	21,052	21,052	0
Fund Equity at End of Year	\$50,734	\$29,682	\$5,966	(\$23,716)



Finance Department

Mission Statement

To develop, maintain and implement financial accounting policies and procedures; to protect and optimize the financial resources of the City; and to provide a sound accounting system for safeguarding the City's assets through the recording and reporting of financial transactions according to mandated laws and guidelines Federal law, Ohio Revised Code, Generally Accepted Accounting principles (GAAP), City of Lebanon Codified Ordinances. The departmental goals are to develop sound fiscal policies, provide sound fiscal management for the City, maintain reserves and fiscal integrity, and to protect the assets of the Citizens of Lebanon. Maintain highest level of financial reporting by retaining the Certificate of Achievement for Excellence in Financial Reporting.

Statistical Section

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STATISTICAL SECTION

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

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

<u>Year</u>	<u>Security of Persons and Property</u>	<u>Public Health Services</u>	<u>Leisure Time Activities</u>	<u>Community Environment</u>	<u>Transportation</u>
1995	\$2,136,404	\$90,918	\$220,279	\$531,740	\$427,069
1996	2,205,916	97,100	227,566	1,167,874	423,992
1997	2,245,636	100,654	250,297	712,054	449,565
1998	2,448,728	87,075	279,607	639,912	453,111
1999	3,224,419	128,508	305,079	837,088	534,387
2000	3,791,041	114,230	467,741	781,818	596,798
2001	3,790,927	122,120	621,077	914,721	728,214
2002	4,243,831	129,133	597,933	1,160,779	781,166
2003	3,898,657	145,004	680,463	873,945	679,456
2004	5,344,722	219,357	308,656	1,258,808	829,360

Source: Auditor's Office, City of Lebanon

(1) Includes all governmental funds.

<u>General Government</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total (1)</u>
\$1,562,796	\$1,214,483	\$522,821	\$6,706,510
1,725,870	3,235,553	533,773	9,617,644
1,794,411	5,122,920	692,981	11,368,518
1,992,653	2,379,090	741,977	9,022,153
2,414,817	3,900,571	733,735	12,078,604
2,532,576	3,116,609	756,986	12,157,799
4,351,860	3,394,993	1,202,051	15,125,963
4,178,598	3,282,802	659,654	15,033,896
3,451,178	5,951,931	1,007,175	16,687,809
3,417,840	3,774,983	961,261	16,114,987

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

<u>Year</u>	<u>Taxes (1)</u>	<u>Payments in Lieu of Taxes</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Fines, Licenses and Permits</u>
1995	\$3,397,780	\$152,079	\$988,138	\$1,321,360	\$609,239
1996	3,676,516	170,584	1,457,699	1,556,517	615,384
1997	4,027,203	185,705	1,444,567	1,700,292	787,123
1998	4,712,527	209,747	1,611,701	1,731,594	823,515
1999	5,053,344	304,260	3,634,545	1,820,288	980,019
2000	5,905,747	383,995	1,892,082	1,811,072	1,063,989
2001	6,551,712	479,483	2,279,515	1,002,206	1,175,845
2002	7,205,252	603,785	1,845,069	1,448,712	1,220,332
2003	7,669,754	766,298	6,173,724	1,886,055	1,128,354
2004	7,894,239	848,321	4,037,285	2,199,776	1,255,552

Source: Auditor's Office, City of Lebanon

(1) Includes property, income and other local taxes

(2) Includes all governmental funds.

<u>Special Assessments</u>	<u>Interest</u>	<u>Contributions and Donations</u>	<u>Other</u>	<u>Total (2)</u>
\$218,731	\$864,056	\$0	\$135,178	\$7,686,561
209,249	849,356	0	204,623	8,739,928
216,130	500,452	0	179,543	9,041,015
166,284	753,912	0	290,770	10,300,050
190,612	849,336	0	316,974	13,149,378
197,895	1,065,810	0	138,732	12,459,322
174,865	642,946	0	289,332	12,595,904
179,774	256,176	0	1,596,365	14,355,465
159,732	163,479	89,217	71,279	18,107,892
154,965	210,017	40,448	209,643	16,850,246

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

<u>Year(1)</u>	<u>Security Of Persons And Property</u>	<u>Public Health</u>	<u>Leisure Time Activities</u>	<u>Community and Economic Development</u>
2003	\$4,156,560	\$192,335	\$820,253	\$990,158
2004	5,076,020	255,918	415,275	1,264,165

Source: City Financial Records - GAAP basis financial data

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

<u>Transportation</u>	<u>General Government</u>	<u>Interest And Fiscal Charges</u>	<u>Total</u>
\$744,214	\$3,532,241	\$407,376	\$10,843,137
744,796	3,524,592	375,493	11,656,259

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

Year (1)	Program Revenues					
	Charges For Services	Operating Grants, Contributions, And Interest	Capital Grants, Contributions, And Interest	Property And Other Local Taxes	Income Taxes	Payments in Lieu of Taxes
2003	\$3,129,198	\$670,606	\$4,777,038	\$3,054,961	\$4,577,825	\$40,322
2004	3,456,300	1,052,563	2,848,219	3,220,235	4,682,034	43,237

Source: City Financial Records - GAAP basis financial data

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

General Revenues

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

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

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections</u>
1995	\$1,017,680	\$988,868	\$29,990
1996	1,089,315	1,059,258	36,634
1997	1,159,680	1,125,618	31,339
1998	1,282,020	1,243,653	49,891
1999	1,383,551	1,333,675	61,504
2000	2,075,061	2,020,900	84,292
2001	2,122,809	2,059,485	50,434
2002	2,326,865	2,255,365	108,197
2003	2,439,952	2,360,446	86,104
2004	2,784,318	2,499,303	65,905

Source: County Auditor; Warren County, Ohio

<u>Total Tax Collections</u>	<u>Percent Of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage Of Accumulated Delinquent Taxes To Total Tax Levy</u>
\$1,018,858	100.0%	\$45,929	5 %
1,095,892	101.0	43,428	3
1,156,957	100.0	43,046	4
1,293,544	100.9	49,403	4
1,395,179	100.8	32,864	2
2,105,192	101.4	30,949	2
2,109,919	99.4	48,072	2
2,363,562	101.6	53,526	2
2,446,550	100.27	58,111	2
2,565,208	92.13	84,103	3

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

<u>Year</u>	<u>Assessed Real</u>	<u>Assessed Public Utility Real</u>	<u>Assessed Public Utility Tangible Personal</u>	<u>Assessed Tangible Personal</u>
1995	\$91,821,240	\$40,488,290	\$6,443,330	\$22,988,515
1996	98,719,800	40,954,260	6,273,910	24,803,624
1997	107,688,450	45,256,790	6,421,460	28,826,299
1998	132,550,330	48,844,300	6,393,050	32,506,594
1999	143,105,080	55,025,060	6,413,020	38,071,619
2000	151,321,540	59,396,390	5,765,920	41,357,405
2001	187,009,730	67,328,970	6,378,020	48,143,491
2002	198,936,450	71,077,030	4,005,040	49,118,420
2003	213,456,970	71,275,970	4,142,310	56,696,710
2004	257,564,430	76,188,890	4,372,200	64,606,040

Source: County Auditor; Warren County, Ohio

(1) This is calculated by dividing the Assessed value by the assessment percentage. The percentages for 2004 were 35 percent for real property and public utility real, 25 percent for capital assets and 24 percent of of true value inventory. Public utility tangible personal property is currently assessed at varying percentages of true value.

<u>Total</u>	<u>Estimated True Value (1)</u>	<u>Percentage Of Assessed Value To Estimated True Value</u>
\$161,741,375	\$477,303,254	34 %
170,751,594	498,344,769	34
188,192,999	559,588,710	34
220,294,274	655,561,576	34
242,614,779	725,660,100	33
257,841,255	774,033,030	33
308,860,211	926,503,714	33
323,136,940	972,494,950	33
345,571,960	1,045,016,700	33
402,731,560	1,216,973,482	33

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

<u>Collection Year</u>	<u>General Fund</u>	<u>Fire and Life Squad Fund</u>	<u>Library Bond Retirement Fund</u>	<u>Total City (1)</u>	<u>Lebanon City Schools (2)</u>
1995	\$2.82	\$3.00	\$0.80	\$6.62	\$51.13
1996	2.82	3.00	0.80	6.62	51.13
1997	2.82	3.00	0.50	6.32	51.13
1998	2.82	3.00	0.50	6.32	50.03
1999	2.82	3.00	0.50	6.32	50.03
2000	2.82	4.50	0.50	7.82	50.63
2001	2.82	4.50	0.40	7.72	50.63
2002	2.82	4.50	0.40	7.72	55.63
2003	2.82	4.50	0.40	7.72	55.63
2004	2.82	4.50	0.33	7.65	55.63

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

(2) County Auditor; Warren County, Ohio

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

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

<u>Year</u>	<u>Population</u>	<u>Assessed Value (In Thousands)</u>	<u>Gross Bonded Debt (1)</u>	<u>Debt Service Monies Available (2)</u>	<u>Debt Payable From City Income Tax</u>
1995	10,423	\$161,741	\$5,609,739	\$148,351	\$460,507
1996	10,423	170,752	10,171,905	164,784	394,068
1997	10,423	188,193	12,279,881	180,019	381,360
1998	10,423	220,294	11,732,691	170,383	368,652
1999	10,423	242,615	29,051,589	173,646	350,856
2000	16,962	257,841	27,999,619	191,652	2,781,790
2001	16,962	308,860	40,396,813	199,602	2,662,724
2002	16,962	323,137	38,830,627	219,310	2,542,388
2003	16,962	345,572	41,145,956	232,085	6,420,782
2004	16,962	402,732	39,293,500	234,744	6,139,176

(1) Excludes special assessment general obligation debt.

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

(3) Excludes unamortized premiums and discount on revenue bonds

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

Debt Payable From Payments In Lieu Of Taxes	Debt Payable From Enterprise Revenues (3)	Net General Bonded Debt	Ratio Of Net General Bonded Debt To Assessed Value	Net General Bonded Debt Per Capita
\$459,613	\$3,599,619	\$941,649	0.58	\$90
435,131	8,297,706	880,216	0.52	84.45
408,232	7,826,065	3,484,205	1.85	334.28
381,333	7,455,790	3,356,533	1.52	322.03
354,434	24,980,000	3,192,653	1.32	306.31
325,118	24,140,000	561,059	0.21	33.07
97,650	36,955,000	481,837	0.16	28.41
86,800	35,615,000	367,129	0.11	21.64
75,950	34,225,000	192,139	0.06	11.33
65,100	32,775,000	79,480	0.02	4.69

**CITY OF LEBANON, OHIO
 COMPUTATION OF OVERALL LEGAL DEBT MARGIN
 DECEMBER 31, 2004**

Assessed Value		<u>\$402,731,560</u>
Overall Debt Limit (10 1/2% of the Assessed Value)		\$42,286,814
Total Voted and Unvoted Debt Outstanding at December 31, 2004	\$49,359,223	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	665,723	
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax and Payments in Lieu of Taxes to be Applied to Debt Service	6,204,276	
Unvoted Mortgage Revenue Bonds to be Paid from Enterprise Fund Revenues	32,775,000	
Unvoted General Obligation Notes to be Paid from Enterprise Fund Revenues	<u>8,000,000</u>	
Total	1,714,224	
Less: Amount Available to Pay Non-Exempt Debt	<u>234,744</u>	
Net Subject to 10 1/2 percent Limitation		<u>1,479,480</u>
Legal debt Margin within 10 1/2 percent Limitation		<u>\$40,807,334</u>

Source: Auditor's Office, City of Lebanon

**CITY OF LEBANON, OHIO
 COMPUTATION OF UNVOTED LEGAL DEBT MARGIN
 DECEMBER 31, 2004**

Assessed Value		<u>\$402,731,560</u>
Overall Debt Limit (5 1/2% of the Assessed Value)		\$22,150,236
Total Unvoted Debt Outstanding at December 31, 2004	\$49,359,223	
Less: Exempt Debt		
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Special Assessments	665,723	
Unvoted General Obligation Bonds Issued in Anticipation of the Collection of Lawfully Available Municipal Income Tax and Payments in Lieu of Taxes to be Applied to Debt Service	6,204,276	
Unvoted Mortgage Revenue Bonds to be Paid from Enterprise Fund Revenues	32,775,000	
Unvoted General Obligation Notes to be Paid from Enterprise Fund Revenues	<u>8,000,000</u>	
Total	1,714,224	
Less: Amount Available to Pay Non-Exempt Debt	<u>234,744</u>	
Net Subject to 5 1/2 percent Limitation		<u>1,479,480</u>
Legal debt Margin within 5 1/2 percent Limitation		<u>\$20,670,756</u>

Source: Auditor's Office, City of Lebanon

**CITY OF LEBANON, OHIO
 COMPUTATION OF DIRECT AND OVERLAPPING GENERAL BONDED DEBT
 DECEMBER 31, 2004**

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable To City Of Lebanon</u>	<u>Amount Applicable To City Of Lebanon</u>
City of Lebanon	\$215,282	100.00%	\$215,282
Warren County	38,366,232	9.57%	\$3,671,648
Warren County	3,514,665	8.49%	<u>2,984</u>
Total			<u><u>\$3,889,914</u></u>

Source: Ohio Municipal Advisory Service

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

(1) Includes only general obligation bonded debt payable from property taxes less Debt Service balance.

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

<u>Year</u>	<u>Debt Principal And Interest (1)</u>	<u>General Government Expenditures</u>	<u>Ratio Of Debt Principal And Interest To General Government Expenditures</u>
1995	\$125,201	\$6,706,510	3.4
1996	126,733	9,617,644	3.2
1997	165,161	11,368,518	2.9
1998	123,702	9,022,153	2.6
1999	120,218	12,078,604	2.0
2000	116,690	12,157,799	2.0
2001	118,120	15,125,963	2.0
2002	119,205	15,033,896	1.5
2003	120,025	16,687,809	0.7
2004	125,525	16,114,987	0.8

Source: Auditor's Office, City of Lebanon

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

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

Year	Operating Revenues	Operating Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
ELECTRIC/TELECOMMUNICATIONS							
1995	\$6,798,142	\$6,673,997	\$124,145	\$0	\$0	\$0	0.0
1996	7,014,943	5,860,330	1,154,613	0	0	0	0.0
1997	7,217,373	6,013,800	1,203,573	155,000	249,795	404,795	3.0
1998	7,733,375	8,682,967	(949,592)	160,000	244,060	404,060	(2.4)
1999	8,695,819	7,004,633	1,691,186	165,000	237,660	402,660	4.2
2000	11,015,754	10,839,189	176,565	175,000	228,185	403,185	0.4
2001	14,076,889	11,846,689	2,230,200	180,000	515,133	695,133	3.2
2002	15,603,687	13,377,046	2,226,641	620,000	897,571	1,517,571	1.5
2003	16,812,728	13,355,187	3,457,541	645,000	871,723	1,516,723	2.3
2004	18,756,240	14,231,399	4,524,841	670,000	520,850	1,190,850	3.8
SEWER							
1995	\$1,467,877	\$823,588	\$644,289	\$90,000	\$148,057	\$238,057	2.7
1996	1,548,851	1,177,153	371,698	95,000	139,538	234,538	1.6
1997	1,719,824	1,116,893	602,931	125,000	80,868	205,868	2.9
1998	1,582,869	994,573	588,296	130,000	80,550	210,550	2.8
1999	1,817,875	1,224,270	593,605	135,000	329,561	464,561	1.3
2000	1,935,006	1,464,746	470,260	340,000	507,541	847,541	0.5
2001	1,840,462	606,494	1,233,968	355,000	492,750	847,750	1.5
2002	2,309,101	1,607,356	701,745	370,000	479,825	849,825	0.8
2003	2,685,253	1,892,323	792,930	380,000	462,068	842,068	0.9
2004	2,932,406	1,818,503	1,113,903	400,000	446,068	846,068	1.3
WATER							
1995	\$1,784,680	\$707,200	\$1,077,480	\$80,000	\$116,480	\$196,480	5.5
1996	1,877,081	1,260,381	616,700	85,000	111,836	196,836	3.1
1997	2,058,358	1,347,491	710,867	90,000	108,737	198,737	3.6
1998	1,903,230	725,699	1,177,531	100,000	101,082	201,083	5.9
1999	2,203,332	848,868	1,354,464	105,000	281,951	386,951	3.5
2000	2,264,674	1,139,469	1,125,205	325,000	500,109	825,109	1.4
2001	2,117,782	1,347,618	770,164	340,000	471,485	811,485	0.9
2002	2,601,406	1,398,906	1,202,500	350,000	458,068	808,068	1.5
2003	2,975,106	1,500,918	1,474,188	365,000	444,418	809,418	1.8
2004	2,950,110	1,199,936	1,750,174	380,000	430,000	810,000	2.2

Source: Auditor's Office, City of Lebanon

(1) Does not include depreciation

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

<u>Collection Year</u>	<u>Amount Billed (1)</u>	<u>Amount Collected (2)</u>	<u>Percent Collected</u>
1995	\$227,638	\$218,731	96%
1996	241,876	209,249	87
1997	247,320	216,130	87
1998	204,068	166,284	81
1999	237,258	202,679	85
2000	231,377	197,895	86
2001	208,737	174,865	84
2002	206,496	187,109	94
2003	185,427	159,732	86
2004	180,700	154,965	86

(1) County Auditor, Warren County, Ohio

(2) City's Tax Settlement Sheets

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

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate Warren County (3)</u>
1995	10,423	3,842	4.2
1996	10,423	4,214	3.9
1997	10,423	4,354	3.2
1998	10,423	4,405	2.9
1999	10,423	4,462	3.0
2000	16,962	4,496	3.0
2001	16,962	4,525	3.3
2002	16,962	4,659	3.7
2003	16,962	4,746	4.4
2004	16,962	4,714	4.3

Sources: (1) 1990 Census and 2000 Census

(2) Lebanon City School District Board of Education

(3) Ohio Bureau of Employment Services

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

Year	Property Values (2)	Residential Construction (1)		Commercial Construction (1)		City Bank Deposits (3)	County Bank Deposits (3)
		Number Of Permits	Value	Number Of Permits	Value		
1995	\$262,346,400	284	\$17,677,894	82	\$11,362,500	\$370,414,000	\$460,950,000
1996	282,056,571	351	20,637,230	78	6,356,055	379,213,000	465,584,000
1997	307,681,286	291	19,110,569	80	13,093,658	427,736,000	523,595,000
1998	378,715,229	267	15,298,503	82	16,028,448	437,918,000	521,795,000
1999	408,871,657	321	20,556,607	89	22,130,622	445,370,000	533,873,000
2000	432,347,257	268	18,796,587	87	17,792,980	453,127,000	548,623,000
2001	534,313,514	329	24,378,196	106	11,813,007	482,767,000	618,781,000
2002	568,389,857	229	26,861,699	83	13,275,492	509,111,000	612,603,000
2003	609,877,060	197	20,500,400	86	14,063,245	530,378,000	637,524,000
2004	902,951,200	192	29,516,836	78	11,660,094	543,301,000	665,965,000

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

**CITY OF LEBANON, OHIO
 PRINCIPAL TAXPAYERS
 DECEMBER 31, 2004**

Taxpayer	2004 Real Property Assessed Valuation	Percentage of Total Assessed Valuation Real Property
1. Advics Manufacturing	\$19,884,050	7.72 %
2. Johnson and Hardin	7,148,140	2.78
3. Fujitec America	6,336,060	2.46
4. Amtex, Inc.	3,657,090	1.42
5. Flint Ink Manufacturing	3,192,710	1.24
6. Cincinnati Gas and Electric	2,885,680	1.12
7. Watson Crossing	2,634,160	1.02
8. United Telephone Service	2,315,400	0.90
9. Eastern Retail Holdings	2,019,420	0.78
10. Charlie Watson Ford	1,730,890	0.67
Total Principal Taxpayers	\$51,803,600	20.11 %
Total City	\$257,564,430	

Source: County Auditor, Warren County, Ohio

**CITY OF LEBANON, OHIO
MISCELLANEOUS STATISTICS
DECEMBER 31, 2004**

Year of Incorporation	1960
Form of Government	Charter - Council/Manager
Area	12.6801 Square Miles
Miles of Streets	91.668
Number of Street Lights	1,906
Police Protection:	
Number of Stations	1
Number of Police Officers	27
Hospitals	1 Emergency Treatment Center
Education (K-12) (Public only)	
Attendance Centers	6
Number of Classrooms	283
Number of Teachers	302
Number of Students	4,714
Municipal Water Department	
Miles of Water Main	81.597
Sewers:	
Sanitary Sewers	77.243
Storm Sewer	39.52
Building Permits Issued	270
Recreation and Culture:	
Number of Parks	15
Number of Libraries	1
Employees (includes part-time firefighters)	190

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**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

CITY OF LEBANON

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 11, 2005**