

**CITY OF LEBANON, OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Issued by:  
Office of the Auditor**

**Sharee C. Dick  
City Auditor**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Lebanon, Warren County, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 through December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 29, 2007

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*City of Lebanon*  
**Comprehensive Annual Financial Report**  
*For the Year Ended December 31, 2006*

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June 7, 2007

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

We are pleased to present the nineteenth Comprehensive Annual Financial Report (CAFR) for the City of Lebanon. This report for the year ended December 31, 2006, contains the financial statements and other financial and statistical information and conforms to generally accepted accounting principles as applicable to governmental entities. It provides complete and full disclosure of all material financial aspects of the City of Lebanon ("the City").

State law requires that every general-purpose local government file with the Auditor of State and publish the availability of financial statements within 150 days of the close of each year. This report was prepared to fulfill that requirement for the year ended December 31, 2006.

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

The accounting firm of Bastin & Company, LLC has issued an unqualified ("clean") opinion of the City of Lebanon's financial statements for the year ended December 31, 2006. The Independent Auditors' Report is located at the front of the Financial Section of this report.

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

#### PROFILE OF THE GOVERNMENT AND REPORTING ENTITY

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

[www.lebanonohio.ws](http://www.lebanonohio.ws)



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.

At the beginning of each year, Council adopts a temporary budget which will give them an extension until March 30<sup>th</sup> of the current year. Council is required to adopt a final budget by no later than April 1<sup>st</sup>. Upon presentation by the City Manager of a proposed budget document to Council, Council calls and publicizes a public hearing. Council will subsequently adopt such budget, as it may have been amended, as the City's annual budget effective for the year beginning January 1.

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

## MAJOR INITIATIVES

Council and Administration are committed to providing a high quality of life for citizens and businesses located in Lebanon. Lebanon has continued an aggressive roadway reconstruction program to address our roadway improvement needs, with over \$2 million dollars being authorized in 2006 for roadway improvement projects. These projects included the reconstruction of Cincinnati Avenue (US 42), the resurfacing and repair of various City streets, the extension of Taft Drive in the Columbia Business Park, the signalization of Monroe Road at Bypass 48, and the widening of Turtlecreek Union Road. In conjunction with many of these roadway improvement projects, aging water, sanitary, and storm sewer systems were upgraded. These projects have been designed and executed to meet the needs of a growing community.

The reconstruction of Orchard Avenue Phase II began in 2006. This project includes the reconstruction of the roadway and utility upgrades to meet the increased traffic demands and repairs to aging infrastructure. Additionally, the reconstruction of Justice Drive and Silver Street are scheduled to commence in 2007. These projects total \$2.9 million in roadway improvement expenditures.

Over the past several years, the City has implemented a water main replacement and upsizing program. The City is continuing the replacement of the existing 6" water main on Warren Street and Columbus Avenue with a 12" water main. Additionally, a new 16" water main is currently being installed along Deerfield Road to enhance the water distribution system.

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

## LOCAL ECONOMY

### Print and Broadcast Media

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

### Housing

The new housing market decline had its impact on Lebanon in 2006, as with many communities in the area. New home construction was below average in 2006 with 100 new housing units. The growth rate in 2006 was 1.3%. The residential construction value for 2006 was \$15.4 million. The City anticipates a 1.5-2.5% growth trend over the next five years with residential construction valuation averaging between \$18-24 million.

### Commercial and Industrial

There was below average commercial and industrial activity in 2006. A majority of the new commercial development was along the Columbus Avenue/US-42 corridor with the construction of 65,000 sq. ft. of single site service commercial uses.

Industrial development within the City was intermittent throughout the year with single site development in Lebanon Commerce Center West and Norgal Industrial Park. The new construction at completion will total approximately 75,000 sq. ft. of floor area.

The new commercial and industrial construction activity for 2006 was \$11.5 million, down from \$17 million in 2005.

## FINANCIAL TRENDS

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

## FINANCIAL PLANNING AND POLICIES

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

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

## OTHER INFORMATION

### Independent Audit

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

## AWARDS AND ACKNOWLEDGEMENTS

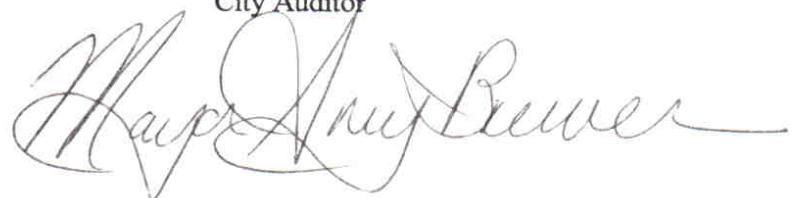
### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lebanon for its comprehensive annual financial report for the year ended December 31, 2005. This was the eighteenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements; thus, we are submitting it to GFOA for review.

### Acknowledgments

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

Sharee C. Dick  
City Auditor



Amy Brewer  
Mayor

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lebanon  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

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



President



Executive Director

CITY OF LEBANON, OHIO  
LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

MAYOR

Amy Brewer

VICE MAYOR

James Norris II

COUNCIL MEMBERS:

Amy Brewer

Jeffrey Monroe

J. Matthew Rodriguez

Ben Cole

Charleen Mahaffie Flick

Jeffrey Aylor

James Norris II

APPOINTED OFFICIALS

CITY MANAGER

George P. Clements

CITY AUDITOR

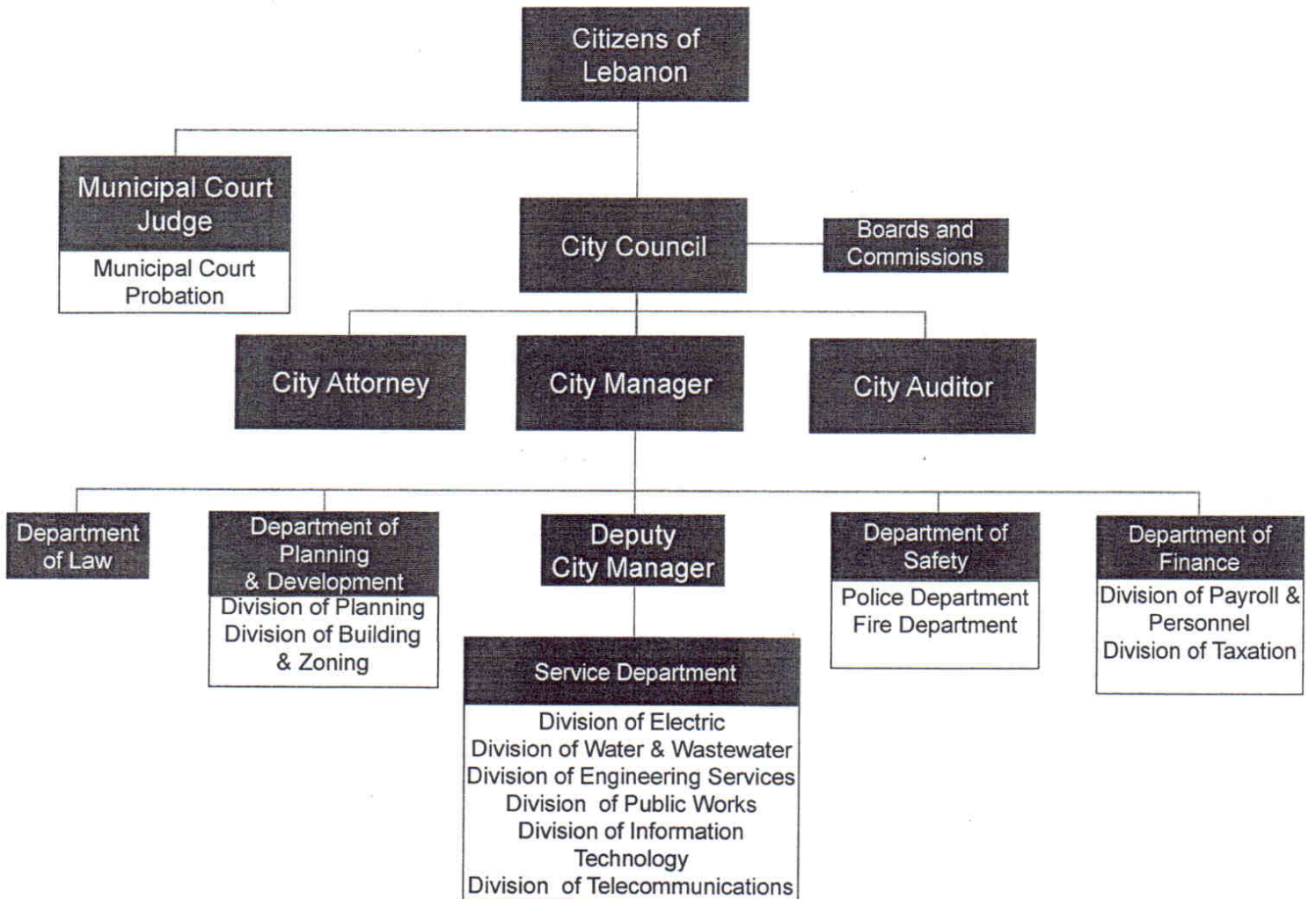
Sharee C. Dick

CITY ATTORNEY

Mark S. Yurick



# City of Lebanon Organizational Chart



# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of City Council  
City of Lebanon, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Ohio (the City) as of and for the year ended December 31, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General Fund and the Fire and Life Squad Fund 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 June 7, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Cincinnati, Ohio  
June 7, 2007



*City of Lebanon, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
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, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole, and readers are encouraged to review the transmittal letter and the basic financial statements and notes to enhance their understanding of the City's overall financial performance.

**Financial Highlights**

The City's total net assets increased \$9,058,756. Revenues of governmental activities exceeded expenses by \$5,847,967. As in 2005, the City continues to evaluate and increase its service fees, for charges for services, which include building, engineering and plumbing inspections fees, permit fees, and police special services. There has also been a noticeable increase in income taxes due to the explosive growth in Warren County which has resulted in job creation within the corporate limits. Also, the City's investment portfolio has shown a significant increase in interest earnings. Net assets of business-type activities increased by \$3,210,789. This is primarily due to an increase in the customer base for utilities, restructuring of utility rates, and most noticeably, interest earnings.

General revenues of governmental activities accounted for \$13,676,413 or 72 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$5,286,671, or 28 percent of the revenue.

The City had \$13,101,365 in expenses related to governmental activities; \$5,286,671 of these expenses were offset by program specific charges for services, grants, or contributions or interest. General revenues (primary income taxes) of \$13,676,413 were more than adequate to support these programs. The City had \$30,220,408 in expenses related to business-type activities. \$32,000,108 of program specific charges for services and sales, and operating and capital grants, contributions and interest together with \$1,417,337 in general revenues more than offset the expenses.

The City's Enterprise funds reflected a total operating income of \$3,041,899 as follows: Electric Fund \$1,709,454, Sewer Fund \$465,182, Telecommunications Fund \$565,221, Water Fund \$38,163 and the Storm Water Utility Fund \$363,783. Only the Sanitation Fund showed an operating loss of \$99,904.

**USING THIS ANNUAL REPORT**

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

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

## **REPORTING THE CITY AS A WHOLE**

### *Statement of net assets and the Statement of activities*

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

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

In the Statement of net assets and the Statement of activities, the City is divided into two types of activities.

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

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

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

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

**Governmental Funds** –The City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for expenditures. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be expended in the near future on services provided to our residents. The relationship (or differences) between governmental activities that is reported in the Statement of net assets and the Statement of activities is explained in the reconciliations in the governmental fund financial statements on pages 21 and 25.

**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 2006 compared to 2005.

*Table 1*  
*Net Assets*

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets:</b>						
Current and Other Assets	\$24,140,117	\$21,471,615	\$28,684,466	\$27,846,957	\$52,824,583	\$49,318,572
Nondepreciable Capital Assets	14,678,430	14,557,686	12,122,337	12,176,930	26,800,767	26,734,616
Depreciable Capital Assets, Net	28,630,822	27,160,570	68,697,840	69,105,088	97,328,662	96,265,658
<b>Total Assets</b>	<b>67,449,369</b>	<b>63,189,871</b>	<b>109,504,643</b>	<b>109,128,975</b>	<b>176,954,012</b>	<b>172,318,846</b>
<b>Liabilities:</b>						
Current and Other Liabilities	6,234,024	7,340,492	3,311,022	10,320,700	9,545,046	17,661,192
<b>Long-Term Liabilities:</b>						
Due Within One Year	785,824	763,782	2,134,437	1,699,824	2,920,261	2,463,606
Due in More Than One Year	6,536,451	7,040,494	33,823,549	30,083,605	40,360,000	37,124,099
<b>Total Liabilities</b>	<b>13,556,299</b>	<b>15,144,768</b>	<b>39,269,008</b>	<b>42,104,129</b>	<b>52,825,307</b>	<b>57,248,897</b>
<b>Net Assets:</b>						
<b>Invested in Capital Assets,</b>						
Net of Related Debt	36,430,129	34,147,382	44,045,119	42,195,263	80,475,248	76,342,645
Restricted	13,388,372	11,821,979	3,698,199	3,962,065	17,086,571	15,784,044
Unrestricted	4,074,569	2,075,742	22,492,317	20,867,518	26,566,886	22,943,260
<b>Total Net Assets</b>	<b>\$53,893,070</b>	<b>\$48,045,103</b>	<b>\$70,235,635</b>	<b>\$67,024,846</b>	<b>\$124,128,705</b>	<b>\$115,069,949</b>

Total net assets increased \$9,058,756. Net assets of the City's governmental activities increased \$5,847,967. Of this increase, \$1,998,827 was in unrestricted net assets. Invested in capital assets (net of related debt issued to acquire the assets) increased by \$2,282,747. Additions of capital assets in the amount of \$3,701,998 were enough to cover depreciation of \$2,089,004. Capital assets are used to provide services to the public and do not represent assets that may be used for future spending. Current and other assets increased \$2,668,502 mainly due to an increase in cash and cash equivalents of \$2,539,412.

The net assets of the City's business-type activities increased by \$3,210,789. The City strives to control operational expenses for business-type activities in order to maintain stability in charges for services and closely monitors the trends of the growing community in order to adjust for budgetary issues and changes in City policy where necessary. The Council and Administration are diligent in keeping the City fiscally strong. Enterprise funds are monitored closely and monies are budgeted to provide for proper maintenance of system infrastructure, equipment and facilities. Our administration has developed a strategic planning process that utilizes a five year capital improvement plan which drives our operating budget and department superintendents are all involved in the entire process. Our budget is developed from the bottom up with emphasis of good stewardship of our ratepayers' and taxpayers' money.

Table 2 shows the changes in net assets for the year ended December 31, 2006.

**Table 2**  
**Changes in Net Assets**

	<i>Governmental</i>		<i>Business Type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$3,209,500	\$3,111,359	\$31,375,476	\$29,437,707	\$34,584,976	\$32,549,066
Operating Grants, Contributions and Interest	1,038,230	1,281,441	0	0	1,038,230	1,281,441
Capital Grants, Contributions and Interest	1,038,941	5,418,486	624,632	4,676,468	1,663,573	10,094,954
<b>Total Program Revenues</b>	<b>5,286,671</b>	<b>9,811,286</b>	<b>32,000,108</b>	<b>34,114,175</b>	<b>37,286,779</b>	<b>43,925,461</b>
General Revenues:						
Property Taxes	3,314,068	3,418,309	0	0	3,314,068	3,418,309
Income Taxes	6,509,453	5,319,437	0	0	6,509,453	5,319,437
Other Taxes	858,253	855,499	0	0	858,253	855,499
Payments in Lieu of Taxes	1,181,361	872,934	0	0	1,181,361	872,934
Grants and Entitlements Not Restricted to Specific Programs	603,496	849,811	0	0	603,496	849,811
Unrestricted Contributions	3,119	29,500	0	0	3,119	29,500
Investment Earnings	822,519	486,315	942,160	530,302	1,764,679	1,016,617
Gain on Sale of Capital Assets	27,760	0	17,300	0	45,060	0
Miscellaneous	356,384	154,434	457,877	305,225	814,261	459,659
<b>Total General Revenues</b>	<b>13,676,413</b>	<b>11,986,239</b>	<b>1,417,337</b>	<b>835,527</b>	<b>15,093,750</b>	<b>12,821,766</b>
<b>Total Revenues</b>	<b>18,963,084</b>	<b>21,797,525</b>	<b>33,417,445</b>	<b>34,949,702</b>	<b>52,380,529</b>	<b>56,747,227</b>
Program Expenses:						
General Government	3,606,717	3,431,266	0	0	3,606,717	3,431,266
Security of Persons and Property:						
Police	3,258,125	3,265,548	0	0	3,258,125	3,265,548
Fire	1,985,638	1,767,049	0	0	1,985,638	1,767,049
Public Health	201,838	213,152	0	0	201,838	213,152
Leisure Time Services	440,546	265,241	0	0	440,546	265,241
Community and Economic Development	1,157,580	1,192,677	0	0	1,157,580	1,192,677
Transportation	2,077,765	2,117,570	0	0	2,077,765	2,117,570
Interest and Fiscal Charges	373,156	376,665	0	0	373,156	376,665
Electric	0	0	16,433,153	15,918,475	16,433,153	15,918,475
Sanitation	0	0	1,213,352	943,265	1,213,352	943,265
Sewer	0	0	3,389,076	3,144,530	3,389,076	3,144,530
Telecommunications	0	0	5,799,642	6,040,320	5,799,642	6,040,320
Water	0	0	2,969,131	2,106,086	2,969,131	2,106,086
Storm Water Utility	0	0	416,054	406,202	416,054	406,202
<b>Total Expenses</b>	<b>13,101,365</b>	<b>12,629,168</b>	<b>30,220,408</b>	<b>28,558,878</b>	<b>43,321,773</b>	<b>41,188,046</b>
Increase in Net Assets Before Transfers	5,861,719	9,168,357	3,197,037	6,390,824	9,058,756	15,559,181
Transfers	(13,752)	(819,916)	13,752	819,916	0	0
<b>Increase in Net Assets</b>	<b>5,847,967</b>	<b>8,348,441</b>	<b>3,210,789</b>	<b>7,210,740</b>	<b>9,058,756</b>	<b>15,559,181</b>
Net Assets, January 1	48,045,103	39,696,662	67,024,846	59,814,106	115,069,949	99,510,768
<b>Net Assets, December 31</b>	<b>\$53,893,070</b>	<b>\$48,045,103</b>	<b>\$70,235,635</b>	<b>\$67,024,846</b>	<b>\$124,128,705</b>	<b>\$115,069,949</b>

**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 71.57% of the revenue received in 2006 with business earnings contributing 11.83% and individuals 16.60%. The City has mandatory filing for all residents that work regardless of their age. The revenues are allocated in the following manner: 42% General Fund, 39% Capital Improvement Fund and 19% to the General Obligation Bond Fund. This allocation begins after administration costs for the Division of Taxation have been obtained for the current operating year. Income Taxes in the Governmental Activities increased by \$1,190,016 due to increases in employment and growth in industry in the City during the year.

Operating Grants, Contributions and Interest decreased by \$243,211. This was primarily due to a significant decrease in monies received for parks and recreation impact fees and lag time for reimbursing grants. Capital Grants, Contributions and Interest in the Governmental Activities decreased by \$4,379,545. This was due to the City having no major grant reimbursing projects completed in 2006.

Governmental program expenses for 2006 were as follows:

**Table 3**  
**Governmental Activities**

	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$3,606,717	(\$1,232,604)	\$3,431,266	(\$1,138,140)
Security of Persons and Property:				
Police	3,258,125	(2,612,889)	3,265,548	(2,785,228)
Fire	1,985,638	(1,855,836)	1,767,049	(1,341,534)
Public Health	201,838	(66,284)	213,152	(40,669)
Leisure Time Services	440,546	(375,421)	265,241	1,925,515
Community and Economic Development	1,157,580	(1,156,685)	1,192,677	(1,035,823)
Transportation	2,077,765	(141,819)	2,117,570	1,974,662
Interest and Fiscal charges	373,156	(373,156)	376,665	(376,665)
<b>Total Expenses</b>	<b>\$13,101,365</b>	<b>(\$7,814,694)</b>	<b>\$12,629,168</b>	<b>(\$2,817,882)</b>

When looking at the sources of income to support governmental activities, it should be noted that total program revenues are 28% of total revenues. The remaining revenues are primarily generated locally through property taxes, City income taxes, state distributions, grants and other miscellaneous income. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they have always been committed.

General government expenses increased \$175,451 due to an increase in personal administration costs in the general fund. In late 2005 the City seconded Fire station came online which required additional staffing for operations. Leisure Time Activities increased due to park land reimbursement.

### ***Business-Type Activities***

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

Electric operations generate fees associated with the sale and delivery of electricity within Lebanon. Various electric service charges, not associated with the sale and delivery of electricity, are also generated by these operations. The fees collected are then used to purchase power, maintain and operate the electric generation, transmission, and distribution systems of the City, fund capital improvements projects and pay off debt service. Electric operating revenues increased 9 percent over 2005, due to a variety of factors including above normal growth in electric sales, an increase in charges for wholesale power and an increase in electric rates. The above normal electric sales growth rate of 8.6 percent in 2006 can be attributed to the addition of several large retail and commercial customers. It should also be noted that in July of 2006 the City entered into an asset purchase/sale agreement with Duke Energy Ohio for the purchase of the Kingsveiw Industrial Park electric grid. This purchase will allow the City to supply the industrial park users with electric thereby increasing the overall electric usage and sales for the enterprise. Annual legislation increased electric rates by 1 percent.

Sanitation operations generate fees from citizens for the collection of residential garbage. The City out sources the actual collection by bidding the contract for services every three years. Expenses exceeded revenues causing an overall decrease in net assets for 2006.

Sewer operations provide the City's wastewater collection and treatment system; this includes the Regional Wastewater Treatment Facility. Money that is collected from the fees which are billed, based upon number of gallons of water used, are used in the maintenance of the collection system, improvements to the Treatment Plant and the payment of the debt incurred for the expansion of the facility. An important aspect of this fund's mission is to maintain the quality of the environment. As such, it is the policy of the City Council, carried out by this operation, that all OEPA standards be met or exceeded. Sewer operating revenues increased by \$31,642 while operating expenses increased by \$166,488. The City continues to monitor the costs associated with wastewater treatment and changes in expenses are due to continued growth in the area. Annual legislation increases sewer rates by 3 percent, combined with contributions of assets from outside developers and other governments help to maintain the enterprise. For two consecutive years this department has received the National Association of Clear Water Agencies Silver Award, given to facilities that have less than 5 National Pollutant Discharge Elimination System violations in a calendar year.

Telecommunications operations provided various telecommunications services to citizens. These operations generate fees for cable, high-speed internet, and various telephone services that the City of Lebanon Telecommunications provides. That revenue is then used to maintain and upgrade the system and its various services. Those fees also assist in paying for new construction as well as to repay the debt incurred from the addition of these services. Telecommunications operating revenue increased by \$396,447 due to sustained cable, internet and telephone subscriber counts which indicate that the utility has achieved about its 40% saturation rate in the community. In November, voters elected to authorize City Council to negotiate the sale of the enterprise to Cincinnati Bell Extended Services. The sale was completed March of 2007.

Water operations generate the fees charged for the sale of water within Lebanon and in several subdivisions in Turtlecreek and Union Townships. Those fees are then used to maintain lines for delivery and to treat water for further consumption. The City of Lebanon draws its water supplies from four well fields; one at the water treatment plant on Main Street, the second is on the western edge of the community between S.R. 63 and McClure Road, the third is located along I-71 Kingsview Industrial Park and the fourth is just south of Mason-Morrow Road. The City maintains five water towers within its jurisdiction. This fund's mission from the City Council is to maintain a high level of service while meeting all applicable OEPA standards. Water operating revenue decreased by \$267,312 while expenses increased by \$916,420. The decrease in revenue is due to a decline in water main tap in fees. The increase in expenses was due to the purchase of supplies and materials for various water main replacement projects throughout the City in anticipation of ODOT's urban repaving program that will repave the State Routes in the summer of 2007.

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

## **THE CITY'S FUNDS**

Information about the City's governmental funds begins on page 18. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$18,992,616 and expenditures of \$15,549,721. The General Fund balance increased by \$1,117,821.

The City has decreased its General Fund operation expenditures by 9.7% since 2002. This reduction was a result of several cost control initiatives and the shifting of some program expenditures into other funds. The budget adequately resources the City's key services while increasing expenditures in the General Fund by 5.9% from the previous year. Despite this increase in expenditures, the General Fund balance increased by 27.3% from the previous year. The increase in fund balance is due largely to the continued expansion of the City's tax base. Economic development trends continue to be promising due to the continued rapid growth of Warren County and the City's fortunate location within the Cincinnati – Dayton growth corridor. The City attracted several new businesses in 2006 including; a Super Wal-Mart, the new Bethesda Self Health Inc. facility on Cook Road and the Addison McKee facility in the Kingsview Industrial Park. The City's Columbia Business Park continues to thrive and is currently home to 13 industrial and commercial facilities



The Fire and Life Squad Fund balance increased \$432,893 due to the renewal of a 5.5 mill operating levy and increased assessment values of property in our corporate limits. Monies from this new levy allowed the Fire Department to expand its current operations to another facility on Lebanon Road. Lebanon Fire Division now hosts two stations, one on Silver Street in Lebanon's central business district while station 42 is located near St. Rt. 48 close to Interstate I-71 and the surrounding industrial parks.

The Capital Improvement Fund balance increased by \$1,373,023 due mainly to the receipt of State grants for large roadway projects including the reconstruction of Cincinnati Avenue, a roadway resurfacing and concrete replacement program, and the signalization of the intersection of Monroe Road and Bypass 48.

### ***General Fund Budgeting Highlights***

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

Original General Fund budgeted revenues and other financing sources were \$8,625,803. Final General Fund budgeted revenues were \$8,625,803. Original appropriations and other financing uses were \$8,573,069 and final appropriations and other financing uses were \$8,854,268. Variances between original and final budgeted revenues and appropriations were very minimal due to the City's diligent monitoring of budget limits throughout the year. Final actual revenues and other financing sources were \$195,633 over final budgeted revenues. The increase in actual revenues is attributed to an increase in property taxes, income taxes, intergovernmental and interest income. Actual expenditures were \$472,341 less than final appropriations. This is mainly attributed to a 6% overall decrease in actual expenditures.

### **CAPITAL ASSETS**

Table 4 presents the net book value of the City's capital assets for governmental and business-type activities for 2006, compared to 2005:

**Table 4**  
**Capital Assets**

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$11,947,776	\$11,133,839	\$4,664,384	\$5,243,384	\$16,612,160	\$16,377,223
Construction in Progress	2,730,654	3,423,847	7,457,953	6,933,546	10,188,607	10,357,393
Land Improvements	560,419	595,686	0	0	560,419	595,686
Buildings and Improvements	3,311,638	3,402,392	18,683,103	19,534,562	21,994,741	22,936,954
Equipment	633,993	658,744	936,238	1,040,706	1,570,231	1,699,450
Vehicles	1,182,535	994,716	488,293	590,223	1,670,828	1,584,939
Infrastructure	22,942,237	21,509,032	48,590,206	47,939,597	71,532,443	69,448,629
Totals	<u>\$43,309,252</u>	<u>\$41,718,256</u>	<u>\$80,820,177</u>	<u>\$81,282,018</u>	<u>\$124,129,429</u>	<u>\$123,000,274</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 authorized \$2,172,016 for roadway improvement projects. These projects included the reconstruction of Cincinnati Avenue (US 42) from West Street to South Broadway Avenue; resurfacing and concrete repair of City streets; extension of Taft Drive in the Columbia Business Park; signalization of Monroe Road at the intersection of Bypass 48; widening of Turtlecreek Union Road; and improvements along North Broadway Avenue and Mechanic Street. The City expended \$397,000 towards the replacement of fleet vehicles in 2006.

The City executed several storm water system improvement projects totaling \$653,000. These projects included the installation of a new drainage system on Cincinnati Avenue, and the replacement of deteriorated curb and gutter throughout the City. The City's sanitary sewer and water master plans continue to guide infrastructure improvement projects in these utilities. In 2006, the City expended \$113,000 replacing deteriorated sanitary sewer conduit, and \$112,000 to support the extension of a sanitary sewer conduit to the new Bethesda Ambulatory Care Facility. The city executed several major water system improvement projects including the construction of a new 1 MG water storage tank to serve the City's south zone, and allocating \$918,000 towards the replacement of aging water mains throughout the City.

The City continued to upgrade the electric transmission and distribution system in 2006. Distribution and transmission system improvements totaled \$1,046,000. The City also executed \$391,000 in substation improvements to meet the electric demand of a growing community.

The City continued to make the necessary improvements to the Telecommunications System (cable TV, high speed Internet, and telephone services) to meet increased demand for service and ensure the system was prepared for the anticipated sale to Cincinnati Bell Telephone. These improvements included the completion of the deployment of the Video on Demand (VOD) system and various extensions of the Hybrid Fiber Coax (HFC) network. The \$8.62 million sale of the system to Cincinnati Bell Telephone, approved by voters in November 2006, was completed in March 2007. The intent of this privatization effort was to reduce the City's long-term debt and the financial risks associated with operating a highly complex utility in a hyper-competitive market.

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

## DEBT

Table 5 summarizes bonds and notes outstanding at December 31, 2006 and 2005:

*Table 5  
Outstanding Debt at Year-End*

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Special Assessment Bonds	\$499,445	\$584,449	\$0	\$0	\$499,445	\$584,449
General Obligation Bonds	5,864,320	6,257,240	0	0	5,864,320	6,257,240
Mortgage Revenue Bonds	0	0	35,530,846	31,321,070	35,530,846	31,321,070
Bond Anticipation Notes	840,000	1,120,000	1,750,000	8,000,000	2,590,000	9,120,000
	<u>\$7,203,765</u>	<u>\$7,961,689</u>	<u>\$37,280,846</u>	<u>\$39,321,070</u>	<u>\$44,484,611</u>	<u>\$47,282,759</u>

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

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

### CONTACTING THE CITY'S FINANCE DEPARTMENT

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

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**CITY OF LEBANON, OHIO  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$15,836,205	\$18,205,780	\$34,041,985
Accounts Receivable, net	0	4,728,556	4,728,556
Intergovernmental Receivable	898,726	27,502	926,228
Prepaid Items	64,847	39,096	103,943
Internal Balances	(146,964)	146,964	0
Materials and Supplies Inventory	273,025	1,902,237	2,175,262
Income Taxes Receivable	1,814,462	0	1,814,462
Property and Other Local Taxes Receivable	3,340,916	0	3,340,916
Revenue in Lieu of Taxes Receivable	1,181,361	0	1,181,361
Capital Leases Receivable	47,179	0	47,179
Notes Receivable	10,399	0	10,399
Special Assessments Receivable	587,820	28,411	616,231
Cash and Cash Equivalents with Fiscal Agents	184,357	2,897,361	3,081,718
Deferred Charges	47,784	708,559	756,343
Nondepreciable Capital Assets	14,678,430	12,122,337	26,800,767
Depreciable Capital Assets, Net	28,630,822	68,697,840	97,328,662
<b>Total Assets</b>	<u>67,449,369</u>	<u>109,504,643</u>	<u>176,954,012</u>
<b>LIABILITIES</b>			
Accounts Payable	104,765	600,712	705,477
Accrued Wages	157,799	79,396	237,195
Intergovernmental Payable	596,442	104,575	701,017
Contracts Payable	51,107	52,325	103,432
Retainage Payable	170,005	115,918	285,923
Deferred Revenue	4,129,519	0	4,129,519
Accrued Interest Payable	51,029	164,207	215,236
Claims Payable	133,253	0	133,253
Notes Payable	840,000	1,750,000	2,590,000
Matured Interest Payable	105	0	105
Refundable Deposits	0	443,889	443,889
Long-Term Liabilities:			
Due Within One Year	785,824	2,134,437	2,920,261
Due in More Than One Year	6,536,451	33,823,549	40,360,000
<b>Total Liabilities</b>	<u>13,556,299</u>	<u>39,269,008</u>	<u>52,825,307</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	36,430,129	44,045,119	80,475,248
Restricted for:			
Debt Service	5,988,697	0	5,988,697
Capital Outlay	2,046,316	0	2,046,316
Security of Persons and Property	1,578,248	0	1,578,248
Leisure Time Services	150,255	0	150,255
Community and Economic Development	1,158,696	0	1,158,696
Transportation	1,576,731	0	1,576,731
Other Purposes	889,429	0	889,429
Revenue Bonds Replacement and Improvement	0	932,500	932,500
Revenue Bonds Current Debt Service	0	2,765,699	2,765,699
Unrestricted	4,074,569	22,492,317	26,566,886
<b>Total Net Assets</b>	<u>\$53,893,070</u>	<u>\$70,235,635</u>	<u>\$124,128,705</u>

See accompanying notes to the basic financial statements

**CITY OF LEBANON, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants Contributions and Interest
<b>Governmental Activities</b>				
General Government	\$3,606,717	\$2,371,502	\$2,611	\$0
Security of Persons and Property:				
Police	3,258,125	537,467	107,769	0
Fire	1,985,638	129,802	0	0
Public Health	201,838	105,554	30,000	0
Leisure Time Services	440,546	65,125	0	0
Community and Economic Development	1,157,580	0	895	0
Transportation	2,077,765	50	896,955	1,038,941
Interest and Fiscal Charges	373,156	0	0	0
Total Governmental Activities	<u>13,101,365</u>	<u>3,209,500</u>	<u>1,038,230</u>	<u>1,038,941</u>
<b>Business-Type Activities</b>				
Electric	16,433,153	17,737,799	0	0
Sanitation	1,213,352	1,107,928	0	0
Sewer	3,389,076	3,208,346	0	264,491
Telecommunications	5,799,642	5,940,724	0	0
Water	2,969,131	2,600,842	0	216,081
Storm Water Utility	416,054	779,837	0	144,060
Total Business-Type Activities	<u>30,220,408</u>	<u>31,375,476</u>	<u>0</u>	<u>624,632</u>
Total Activities	<u>\$43,321,773</u>	<u>\$34,584,976</u>	<u>\$1,038,230</u>	<u>\$1,663,573</u>

General Revenues:

- Taxes
  - Property Taxes Levied For:
    - General Purposes
    - Fire and Life Squad
    - Debt Service
    - 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
- Other
- 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>
(\$1,232,604)	\$0	(\$1,232,604)
(2,612,889)	0	(2,612,889)
(1,855,836)	0	(1,855,836)
(66,284)	0	(66,284)
(375,421)	0	(375,421)
(1,156,685)	0	(1,156,685)
(141,819)	0	(141,819)
(373,156)	0	(373,156)
<u>(7,814,694)</u>	<u>0</u>	<u>(7,814,694)</u>
0	1,304,646	1,304,646
0	(105,424)	(105,424)
0	83,761	83,761
0	141,082	141,082
0	(152,208)	(152,208)
0	507,843	507,843
<u>0</u>	<u>1,779,700</u>	<u>1,779,700</u>
<u>(7,814,694)</u>	<u>1,779,700</u>	<u>(6,034,994)</u>
1,085,029	0	1,085,029
2,107,551	0	2,107,551
121,488	0	121,488
6,509,453	0	6,509,453
858,253	0	858,253
1,181,361	0	1,181,361
603,496	0	603,496
3,119	0	3,119
822,519	942,160	1,764,679
27,760	17,300	45,060
356,384	457,877	814,261
(13,752)	13,752	0
<u>13,662,661</u>	<u>1,431,089</u>	<u>15,093,750</u>
5,847,967	3,210,789	9,058,756
<u>48,045,103</u>	<u>67,024,846</u>	<u>115,069,949</u>
<u>\$53,893,070</u>	<u>\$70,235,635</u>	<u>\$124,128,705</u>

**CITY OF LEBANON, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>GENERAL</u>	<u>FIRE AND LIFE SQUAD</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,286,410	\$1,511,752
Cash and Cash Equivalents with Fiscal Agent	0	0
Materials and Supplies Inventory	33,356	40,500
Intergovernmental Receivable	337,733	75,642
Prepaid Items	38,083	14,500
Income Taxes Receivable	1,223,221	0
Property and Other Local Taxes Receivable	1,190,418	2,101,311
Revenue in Lieu of Taxes Receivable	0	0
Notes Receivable	0	0
Interfund Receivable	0	0
Special Assessments Receivable	0	0
Capital Lease Receivable	0	0
Advances to Other Funds	1,459,403	0
	<u>1,459,403</u>	<u>0</u>
Total Assets	<u>\$7,568,624</u>	<u>\$3,743,705</u>
<b>LIABILITIES:</b>		
Accounts Payable	\$55,711	\$17,779
Accrued Wages	119,171	23,163
Contracts Payable	0	0
Intergovernmental Payable	247,322	44,703
Matured Interest Payable	0	0
Accrued Interest Payable	0	21,583
Interfund Payable	887	567
Retainage Payable	0	0
Deferred Revenue	1,938,182	2,176,953
Notes Payable	0	840,000
Advances From Other Funds	0	0
	<u>0</u>	<u>0</u>
Total Liabilities	<u>2,361,273</u>	<u>3,124,748</u>
<b>FUND BALANCES:</b>		
Reserved:		
Reserved for Encumbrances	329,411	124,059
Reserved for Advances	1,459,403	0
Unreserved, Undesignated, Reported in:		
General Fund	3,418,537	0
Special Revenue Funds	0	494,898
Debt Service Fund	0	0
Capital Projects Funds (Deficit)	0	0
	<u>0</u>	<u>0</u>
Total Fund Balances	<u>5,207,351</u>	<u>618,957</u>
Total Liabilities and Fund Balances	<u>\$7,568,624</u>	<u>\$3,743,705</u>

See accompanying notes to the basic financial statements



<u>CAPITAL IMPROVEMENT</u>	<u>ALL OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$2,257,468	\$8,070,441	\$15,126,071
0	184,357	184,357
0	197,434	271,290
0	485,351	898,726
3,594	7,779	63,956
440,743	150,498	1,814,462
0	49,187	3,340,916
0	1,181,361	1,181,361
0	10,399	10,399
0	800,000	800,000
66,784	521,036	587,820
0	47,179	47,179
0	0	1,459,403
<u>\$2,768,589</u>	<u>\$11,705,022</u>	<u>\$25,785,940</u>
\$6,996	\$24,055	\$104,541
0	13,300	155,634
6,464	44,643	51,107
0	300,813	592,838
0	105	105
0	0	21,583
800,000	1,608	803,062
56,078	113,927	170,005
66,784	1,977,753	6,159,672
0	0	840,000
0	1,459,403	1,459,403
<u>936,322</u>	<u>3,935,607</u>	<u>10,357,950</u>
1,042,718	163,858	1,660,046
0	0	1,459,403
0	0	3,418,537
0	3,370,096	3,864,994
0	5,484,816	5,484,816
789,549	(1,249,355)	(459,806)
<u>1,832,267</u>	<u>7,769,415</u>	<u>15,427,990</u>
<u>\$2,768,589</u>	<u>\$11,705,022</u>	<u>\$25,785,940</u>

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**CITY OF LEBANON, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2006**

Total Governmental Fund Balances \$15,427,990

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

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

Land	11,883,110	
Infrastructure	34,463,278	
Construction in progress	2,730,654	
Other capital assets	11,126,012	
Accumulated depreciation	<u>(16,958,468)</u>	
Total capital assets		43,244,586

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.

617,508

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

(148,243)

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	177,428	
Special Assessments	587,820	
Due From Other Governments		
Charges for Services	6,085	
Shared Taxes and Local Government Revenue Assistance	753,369	
Income Taxes	458,272	
Capital Leases	<u>47,179</u>	
		2,030,153

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

47,784

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	(29,446)	
Discount on bonds	14,254	
Capital leases	(16,162)	
Bonds	(6,378,019)	
Police Pension	(20,777)	
Compensated absences	<u>(896,558)</u>	
Total liabilities		<u>(7,326,708)</u>

Net Assets of Governmental Activities

\$53,893,070

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, 2006**

	<u>GENERAL</u>	<u>FIRE AND LIFE SQUAD</u>
REVENUES:		
Property Taxes	\$1,094,718	\$2,127,323
Income Taxes	2,904,709	0
Other Local Taxes	794,493	0
Payments in Lieu of Taxes	0	0
Special Assessments	0	0
Charges for Services	1,851,712	129,802
Fines, Licenses and Permits	942,509	0
Intergovernmental	671,640	182,404
Interest	541,931	0
Contributions and Donations	3,119	0
Other	280,674	41,375
	<u>9,085,505</u>	<u>2,480,904</u>
Total Revenues		
EXPENDITURES:		
Current:		
General Government	3,652,334	0
Security of Persons and Property:		
Police	3,403,376	0
Fire	0	2,022,690
Public Health Services	0	0
Leisure Time Services	9,246	0
Community and Economic Development	746,309	0
Transportation	0	0
Capital Outlay	101,607	0
Debt Service:		
Principal Retirement	371	0
Interest and Fiscal Charges	894	40,446
	<u>7,914,137</u>	<u>2,063,136</u>
Total Expenditures		
Excess of Revenues Over (Under)		
Expenditures	<u>1,171,368</u>	<u>417,768</u>
OTHER FINANCING SOURCES (USES):		
Proceeds from Sale of Capital Assets	19,108	15,125
Transfers In	57,495	0
Transfers Out	(130,150)	0
	<u>(53,547)</u>	<u>15,125</u>
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	1,117,821	432,893
Fund Balances at Beginning of Year	<u>4,089,530</u>	<u>186,064</u>
Fund Balances at End of Year	<u><u>\$5,207,351</u></u>	<u><u>\$618,957</u></u>

See accompanying notes to the basic financial statements

<u>CAPITAL IMPROVEMENT</u>	<u>ALL OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$0	\$122,618	\$3,344,659
2,420,050	1,112,685	6,437,444
0	62,607	857,100
0	1,181,361	1,181,361
0	152,172	152,172
0	131,892	2,113,406
0	147,500	1,090,009
813,374	983,009	2,650,427
0	254,893	796,824
0	0	3,119
16,522	27,524	366,095
<u>3,249,946</u>	<u>4,176,261</u>	<u>18,992,616</u>
0	171,185	3,823,519
0	29,086	3,432,462
0	0	2,022,690
0	175,691	175,691
0	958,598	967,844
0	568,427	1,314,736
0	769,950	769,950
784,964	1,298,030	2,184,601
15,400	515,000	530,771
1,559	284,558	327,457
<u>801,923</u>	<u>4,770,525</u>	<u>15,549,721</u>
<u>2,448,023</u>	<u>(594,264)</u>	<u>3,442,895</u>
0	15,525	49,758
0	1,388,197	1,445,692
(1,075,000)	(254,294)	(1,459,444)
<u>(1,075,000)</u>	<u>1,149,428</u>	<u>36,006</u>
1,373,023	555,164	3,478,901
459,244	7,214,251	11,949,089
<u>\$1,832,267</u>	<u>\$7,769,415</u>	<u>\$15,427,990</u>

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**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, 2006**

Net Change in Fund Balances - Total Governmental Funds		\$3,478,901
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	3,476,431	
Current Year Depreciation	<u>(2,089,004)</u>	1,387,427
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>225,567</u>	225,567
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	(49,758)	
Gain on Disposal of Capital Assets	<u>27,760</u>	(21,998)
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	(30,591)	
Other Local Taxes	1,153	
Special Assessments	(152,172)	
Due From Other Governments		
Charges for Services	6,085	
Shared Taxes and Local Government Revenue Assistance	(196,222)	
Income Taxes	72,009	
Other Revenue	<u>(9,711)</u>	(309,449)
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	429,996	
Special assessment principal retirement	85,004	
Police pension principal retirement	371	
Capital lease payments	<u>15,400</u>	530,771
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	(36,238)	
Amortization of bond issuance costs	(2,811)	
Amortization of bond discount	<u>(838)</u>	(39,887)
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	(11,339)	
Accrued Interest	<u>(5,812)</u>	(17,151)
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 income 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>613,786</u>
Change in Net Assets of Governmental Activities		<u><u>\$5,847,967</u></u>

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$1,100,050	\$1,100,050	\$1,094,718	(\$5,332)
Income Taxes	2,236,500	2,236,500	2,575,262	338,762
Other Local Taxes	1,170,000	1,170,000	795,031	(374,969)
Charges for Services	1,847,300	1,847,300	1,856,807	9,507
Licenses and Permits	1,061,550	1,061,550	940,906	(120,644)
Intergovernmental	799,500	799,500	665,555	(133,945)
Interest	176,000	176,000	411,353	235,353
Contributions and Donations	0	0	3,119	3,119
Other	53,500	53,500	280,674	227,174
<b>Total Revenues</b>	<b>8,444,400</b>	<b>8,444,400</b>	<b>8,623,425</b>	<b>179,025</b>
Expenditures:				
Current:				
General Government	3,729,893	3,966,977	3,733,359	233,618
Security of Persons and Property:				
Police	3,551,382	3,578,138	3,543,644	34,494
Leisure Time Services	117,466	163,588	157,326	6,262
Community and Economic Development	951,328	917,565	813,808	103,757
Capital Outlay	0	5,000	3,640	1,360
<b>Total Expenditures</b>	<b>8,350,069</b>	<b>8,631,268</b>	<b>8,251,777</b>	<b>379,491</b>
Excess of Revenues Over (Under) Expenditures	94,331	(186,868)	371,648	558,516
Other Financing Sources(Uses):				
Proceeds from Sale of Capital Assets	2,500	2,500	19,108	16,608
Transfers In	57,495	57,495	57,495	0
Advances In	121,408	121,408	121,408	0
Transfers Out	(223,000)	(223,000)	(130,150)	92,850
<b>Total Other Financing Sources (Uses)</b>	<b>(41,597)</b>	<b>(41,597)</b>	<b>67,861</b>	<b>109,458</b>
Net Change in Fund Balance	52,734	(228,465)	439,509	667,974
Fund Balance at Beginning of Year	1,979,362	1,979,362	1,979,362	0
Prior Year Encumbrances Appropriated	157,462	157,462	157,462	0
<b>Fund Balance at End of Year</b>	<b>\$2,189,558</b>	<b>\$1,908,359</b>	<b>\$2,576,333</b>	<b>\$667,974</b>

See accompanying notes to the basic financial statements



**CITY OF LEBANON, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FIRE AND LIFE SQUAD SPECIAL REVENUE FUND**  
**BUDGET BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$2,110,000	\$2,110,000	\$2,127,323	\$17,323
Charges for Services	150,000	150,000	129,802	(20,198)
Intergovernmental	125,000	125,000	182,404	57,404
Other	2,000	2,000	41,375	39,375
Total Revenues	<u>2,387,000</u>	<u>2,387,000</u>	<u>2,480,904</u>	<u>93,904</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>2,044,642</u>	<u>2,391,491</u>	<u>2,129,996</u>	<u>261,495</u>
Debt Service:				
Principal Retirement	1,120,000	1,120,000	1,120,000	0
Interest and Fiscal Charges	<u>42,000</u>	<u>42,000</u>	<u>41,883</u>	<u>117</u>
Total Debt Service	<u>1,162,000</u>	<u>1,162,000</u>	<u>1,161,883</u>	<u>117</u>
Total Expenditures	<u>3,206,642</u>	<u>3,553,491</u>	<u>3,291,879</u>	<u>261,612</u>
Excess of Revenues Over (Under) Expenditures	<u>(819,642)</u>	<u>(1,166,491)</u>	<u>(810,975)</u>	<u>355,516</u>
Other Financing Sources:				
Proceeds from Sale of Capital Assets	0	0	15,125	15,125
Notes Issued	840,000	840,000	840,000	0
Premium on Debt Issued	<u>0</u>	<u>0</u>	<u>2,253</u>	<u>2,253</u>
Total Other Financing Sources	<u>840,000</u>	<u>840,000</u>	<u>857,378</u>	<u>17,378</u>
Net Change in Fund Balance	20,358	(326,491)	46,403	372,894
Fund Balance at Beginning of Year	1,008,265	1,008,265	1,008,265	0
Prior Year Encumbrances Appropriated	<u>319,812</u>	<u>319,812</u>	<u>319,812</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,348,435</u>	<u>\$1,001,586</u>	<u>\$1,374,480</u>	<u>\$372,894</u>

See accompanying notes to the basic financial statements

**CITY OF LEBANON, OHIO  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2006**

	BUSINESS -TYPE ACTIVITIES				ENTERPRISE
	ELECTRIC	SANITATION	SEWER	TELECOMMUNICATIONS	WATER
<b>ASSETS:</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$6,929,224	\$429,304	\$3,127,751	\$707,655	\$5,200,001
Materials and Supplies Inventory	1,510,548	0	9,878	227,193	154,618
Accounts Receivable, net	3,138,355	151,778	386,209	648,362	331,522
Interfund Receivable	4,558,561	0	17,300	0	0
Intergovernmental Receivable	0	0	27,502	0	0
Prepaid Items	14,002	155	2,557	10,037	11,915
Special Assessments Receivable	0	0	28,411	0	0
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agents	1,007,995	0	661,919	0	461,748
<b>Total Current Assets</b>	<b>17,158,685</b>	<b>581,237</b>	<b>4,261,527</b>	<b>1,593,247</b>	<b>6,159,804</b>
Noncurrent Assets:					
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents with Fiscal Agents	907,464	0	240,000	0	228,925
Deferred Charges	382,137	0	271,270	0	55,152
Advances to Other Funds	3,546,158	0	0	0	0
Nondepreciable Capital Assets	4,394,391	54,000	1,542,788	0	5,507,044
Depreciable Capital Assets, Net	10,549,855	160,297	27,171,441	5,171,764	17,042,786
<b>Total Noncurrent Assets</b>	<b>19,780,005</b>	<b>214,297</b>	<b>29,593,740</b>	<b>5,171,764</b>	<b>23,231,365</b>
<b>Total Assets</b>	<b>36,938,690</b>	<b>795,534</b>	<b>33,855,267</b>	<b>6,765,011</b>	<b>29,391,169</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	158,902	85,461	64,306	237,807	54,098
Accrued Wages	42,910	1,762	9,238	15,840	8,459
Contracts Payable	0	0	0	30,725	8,200
Intergovernmental Payable	45,776	3,157	16,591	24,795	12,153
Accrued Interest Payable	57,995	0	41,919	32,545	31,748
Retainage Payable	0	0	0	0	57,959
Interfund Payable	423	64	555	4,558,758	17,300
Claims Payable	0	0	0	0	0
Capital Leases Payable	0	0	0	52,390	0
Notes Payable	0	0	0	1,750,000	0
Compensated Absences Payable	55,268	2,250	7,803	6,486	9,081
Mortgage Revenue Bonds Payable	950,000	0	620,000	0	430,000
<b>Total Current Liabilities</b>	<b>1,311,274</b>	<b>92,694</b>	<b>760,412</b>	<b>6,709,346</b>	<b>628,998</b>
Long-term Liabilities:					
Refundable Deposits	414,964	0	0	0	28,925
Advances from Other Funds	0	0	0	3,546,158	0
Compensated Absences Payable	73,954	15,429	14,148	8,231	28,541
Mortgage Revenue Bonds Payable	15,406,038	0	10,966,119	0	7,158,689
Capital Leases Payable	0	0	0	150,381	0
<b>Total Long-term Liabilities</b>	<b>15,894,956</b>	<b>15,429</b>	<b>10,980,267</b>	<b>3,704,770</b>	<b>7,216,155</b>
<b>Total Liabilities</b>	<b>17,206,230</b>	<b>108,123</b>	<b>11,740,679</b>	<b>10,414,116</b>	<b>7,845,153</b>
<b>NET ASSETS:</b>					
Invested in Capital Assets, Net of Related Debt (Deficit)	(1,029,655)	214,297	17,399,380	3,218,993	15,016,293
Restricted for:					
Revenue Bonds					
Replacement and Improvement Revenue Bonds	492,500	0	240,000	0	200,000
Current Debt Service	950,000	0	988,241	0	827,458
Unrestricted (Deficit)	19,319,615	473,114	3,486,967	(6,868,098)	5,502,265
<b>Total Net Assets (Deficit)</b>	<b>\$19,732,460</b>	<b>\$687,411</b>	<b>\$22,114,588</b>	<b>(\$3,649,105)</b>	<b>\$21,546,016</b>

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

See accompanying notes to the basic financial statements

FUNDS		GOVERNMENTAL
STORM WATER	TOTALS	ACTIVITIES
UTILITY		INTERNAL
		SERVICE FUNDS
\$435,456	\$16,829,391	\$710,134
0	1,902,237	1,735
72,330	4,728,556	0
0	4,575,861	4,341
0	27,502	0
430	39,096	891
0	28,411	0
0	2,131,662	0
508,216	30,262,716	717,101
0	1,376,389	0
0	765,699	0
0	708,559	0
0	3,546,158	0
624,114	12,122,337	64,666
8,601,697	68,697,840	0
9,225,811	87,216,982	64,666
9,734,027	117,479,698	781,767
138	600,712	224
1,187	79,396	2,165
13,400	52,325	0
2,103	104,575	3,604
0	164,207	0
57,959	115,918	0
40	4,577,140	0
0	0	133,253
0	52,390	0
0	1,750,000	0
1,159	82,047	4,279
0	2,000,000	0
75,986	9,578,710	143,525
0	443,889	0
0	3,546,158	0
2,019	142,322	20,734
0	33,530,846	0
0	150,381	0
2,019	37,813,596	20,734
78,005	47,392,306	164,259
9,225,811	44,045,119	64,666
0	932,500	0
0	2,765,699	0
430,211	22,344,074	552,842
\$9,656,022	70,087,392	\$617,508
	148,243	
	\$70,235,635	

**CITY OF LEBANON, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUSINESS - TYPE ACTIVITIES		
	ELECTRIC	SANITATION	SEWER
<b>OPERATING REVENUES:</b>			
Charges for Services	\$17,737,799	\$1,107,928	\$3,208,346
Other	48,234	5,520	15,263
Total Operating Revenues	<u>17,786,033</u>	<u>1,113,448</u>	<u>3,223,609</u>
<b>OPERATING EXPENSES:</b>			
Personal Services	1,496,538	130,228	552,103
Contractual Services	1,834,791	1,050,470	1,036,887
Purchased Power	11,455,747	0	0
Supplies and Materials	172,352	14,706	147,309
Claims	0	0	0
Depreciation	1,111,865	17,810	1,021,118
Other	5,286	138	1,010
Total Operating Expenses	<u>16,076,579</u>	<u>1,213,352</u>	<u>2,758,427</u>
Operating Income (Loss)	<u>1,709,454</u>	<u>(99,904)</u>	<u>465,182</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest	415,224	0	183,570
Other Non-Operating Revenues	5,333	0	173,305
Gain on Sale of Capital Assets	0	0	17,300
Loss on Sale of Capital Assets	(15,102)	0	0
Interest and Fiscal Charges	(432,542)	0	(663,852)
Total Non-Operating Revenues (Expenses)	<u>(27,087)</u>	<u>0</u>	<u>(289,677)</u>
Income (Loss) Before Contributions and Transfers	1,682,367	(99,904)	175,505
Capital Contributions	0	0	264,491
Transfers In	705,320	0	69,188
Transfers Out	(69,188)	0	0
Change in Net Assets	2,318,499	(99,904)	509,184
Net Assets (Deficit) at Beginning of Year -	<u>17,413,961</u>	<u>787,315</u>	<u>21,605,404</u>
Net Assets (Deficit) at End of Year	<u>\$19,732,460</u>	<u>\$687,411</u>	<u>\$22,114,588</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	
\$5,940,724	\$2,600,842	\$779,837	\$31,375,476	\$2,294,180
144,323	2,671	0	216,011	83,523
<u>6,085,047</u>	<u>2,603,513</u>	<u>779,837</u>	<u>31,591,487</u>	<u>2,377,703</u>
878,674	407,695	62,421	3,527,659	125,671
3,573,346	782,205	134,298	8,411,997	266,135
0	0	0	11,455,747	0
0	683,734	12,053	1,030,154	11,784
0	0	0	0	1,196,689
1,043,124	690,509	207,275	4,091,701	0
24,682	1,207	7	32,330	0
<u>5,519,826</u>	<u>2,565,350</u>	<u>416,054</u>	<u>28,549,588</u>	<u>1,600,279</u>
<u>565,221</u>	<u>38,163</u>	<u>363,783</u>	<u>3,041,899</u>	<u>777,424</u>
49,338	294,028	0	942,160	26,590
63,228	0	0	241,866	0
0	0	0	17,300	0
0	(2,336)	0	(17,438)	0
(314,536)	(432,680)	0	(1,843,610)	0
<u>(201,970)</u>	<u>(140,988)</u>	<u>0</u>	<u>(659,722)</u>	<u>26,590</u>
363,251	(102,825)	363,783	2,382,177	804,014
0	216,081	144,060	624,632	0
0	0	0	774,508	0
(691,568)	0	0	(760,756)	0
<u>(328,317)</u>	<u>113,256</u>	<u>507,843</u>	<u>3,020,561</u>	<u>804,014</u>
<u>(3,320,788)</u>	<u>21,432,760</u>	<u>9,148,179</u>		<u>(186,506)</u>
<u>(\$3,649,105)</u>	<u>\$21,546,016</u>	<u>\$9,656,022</u>		<u>\$617,508</u>
			<u>190,228</u>	
			<u>\$3,210,789</u>	

**CITY OF LEBANON, OHIO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-type Activities -		
	Electric	Sanitation	Sewer
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$17,879,879	\$1,069,378	\$3,227,902
Cash Payments for Employee Services and Benefits	(1,445,138)	(111,615)	(566,092)
Cash Payments to Suppliers for Goods and Services	(14,170,778)	(1,049,452)	(1,387,366)
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	48,234	5,520	15,263
Other Non-Operating Revenues	5,333	0	173,305
Utility Deposits Received	193,145	0	0
Utility Deposits Returned	(177,354)	0	0
Net Cash Provided by (Used for) Operating Activities	<u>2,333,321</u>	<u>(86,169)</u>	<u>1,463,012</u>
Cash Flows from Noncapital Financing Activities:			
Repayment of Advances from Another Fund	107,925	0	0
Transfers In	705,320	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>813,245</u>	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:			
Cash Received from Special Assessments	0	0	7,152
Proceeds from Sale of Capital Assets	0	0	0
Principal Paid on Capital Leases	0	0	0
Interest Paid on Capital Leases	0	0	0
Acquisition of Capital Assets	(657,639)	(144,773)	(74,665)
Proceeds from Sale of Notes	0	0	0
Principal Paid on Notes	(2,750,000)	0	(3,500,000)
Interest Paid on Notes	(110,000)	0	(140,000)
Proceeds from Sale of Refunding Bonds	18,170,000	0	10,690,000
Premium on Refunding Bonds Issued	148,922	0	59,941
Principal Paid on Mortgage Revenue Bonds	(730,000)	0	(435,000)
Interest and Fiscal Charges Paid on Mortgage Revenue Bonds	(301,463)	0	(516,341)
Payment to Refunded Bond Escrow Agent	(15,963,376)	0	(6,792,522)
Bond issuance costs on Mortgage Revenue Bonds	<u>(391,935)</u>	<u>0</u>	<u>(264,635)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(2,585,491)</u>	<u>(144,773)</u>	<u>(966,070)</u>
Cash Flows from Investing Activities:			
Interest	<u>415,224</u>	<u>0</u>	<u>183,570</u>
Net Cash Provided by Investing Activities	<u>415,224</u>	<u>0</u>	<u>183,570</u>
Net Increase (Decrease) in Cash and Cash Equivalents	976,299	(230,942)	680,512
Cash and Cash Equivalents Beginning of Year	<u>7,868,384</u>	<u>660,246</u>	<u>3,717,399</u>
Cash and Cash Equivalents End of Year	<u>\$8,844,683</u>	<u>\$429,304</u>	<u>\$4,397,911</u>

Enterprise Funds				Governmental
Telecommunications	Water	Storm Water Utility	Total	Activities- Internal Service Funds
\$5,939,255	\$2,618,764	\$780,895	\$31,516,073	\$0
(877,177)	(401,060)	(77,235)	(3,478,317)	(125,312)
(3,692,551)	(1,721,756)	(144,801)	(22,166,704)	(278,148)
0	0	0	0	(1,395,091)
0	0	0	0	2,292,283
144,323	2,671	0	216,011	83,523
63,228	0	0	241,866	0
0	15,900	0	209,045	0
0	(11,700)	0	(189,054)	0
<u>1,577,078</u>	<u>502,819</u>	<u>558,859</u>	<u>6,348,920</u>	<u>577,255</u>
(107,925)	0	0	0	0
0	0	0	705,320	0
<u>(691,568)</u>	<u>0</u>	<u>0</u>	<u>(691,568)</u>	<u>0</u>
<u>(799,493)</u>	<u>0</u>	<u>0</u>	<u>13,752</u>	<u>0</u>
0	0	0	7,152	0
0	596,300	0	596,300	0
(50,340)	0	0	(50,340)	0
(9,208)	0	0	(9,208)	0
(807,012)	(1,322,061)	(612,813)	(3,618,963)	0
1,750,000	0	0	1,750,000	0
(1,750,000)	0	0	(8,000,000)	0
(81,576)	0	0	(331,576)	0
0	0	0	28,860,000	0
0	0	0	208,863	0
(205,000)	(415,000)	0	(1,785,000)	0
(231,934)	(398,400)	0	(1,448,138)	0
0	0	0	(22,755,898)	0
0	0	0	(656,570)	0
<u>(1,385,070)</u>	<u>(1,539,161)</u>	<u>(612,813)</u>	<u>(7,233,378)</u>	<u>0</u>
<u>49,338</u>	<u>294,028</u>	<u>0</u>	<u>942,160</u>	<u>26,590</u>
<u>49,338</u>	<u>294,028</u>	<u>0</u>	<u>942,160</u>	<u>26,590</u>
(558,147)	(742,314)	(53,954)	71,454	603,845
<u>1,265,802</u>	<u>7,030,446</u>	<u>489,410</u>	<u>21,031,687</u>	<u>106,289</u>
<u>\$707,655</u>	<u>\$6,288,132</u>	<u>\$435,456</u>	<u>\$21,103,141</u>	<u>\$710,134</u>

(Continued)

**CITY OF LEBANON, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
(Continued)

	Business-type Activities -		
	Electric	Sanitation	Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$1,709,454	(\$99,904)	\$465,182
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	1,111,865	17,810	1,021,118
Other Non-Operating Revenues	5,333	0	173,305
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	142,080	(38,550)	(705)
(Increase) in Interfund Receivable	0	0	0
Decrease in Intergovernmental Receivable	0	0	20,261
(Increase) Decrease in Materials and Supplies Inventory	(485,959)	0	14,576
Decrease in Prepaids Items	15,414	1,199	14,433
Increase (Decrease) in Accounts Payable	87,252	14,615	34,343
Decrease in Claims Payable	0	0	0
Increase (Decrease) in Contracts Payable	0	0	0
Increase (Decrease) in Contracts Payable Retainage	(10,112)	0	0
Increase (Decrease) in Accrued Wages Payable	11,557	952	(2,788)
Increase (Decrease) in Interfund Payable	321	48	233
Increase (Decrease) in Intergovernmental Payable	(286,742)	1,913	(266,588)
Increase in Refundable Deposits Payable	15,791	0	0
Increase (Decrease) in Compensated Absences Payable	17,067	15,748	(10,358)
Net Cash Provided by (Used for) Operating Activities	<u>\$2,333,321</u>	<u>(\$86,169)</u>	<u>\$1,463,012</u>

Noncash Capital Financing Activities:

During 2006, the Sewer, Water and Storm Water Utility Enterprise Funds received sewer and water lines from developers with a fair market value of \$264,491, \$216,081 and \$144,060 respectively.

The Electric Fund transferred capital assets in the amount of \$69,188 to the Sewer Fund.

See accompanying notes to the basic financial statements



Enterprise Funds				Governmental Activities- Internal Service Funds
Telecommunications	Water	Storm Water Utility	Total	
\$565,221	\$38,163	\$363,783	\$3,041,899	\$777,424
1,043,124	690,509	207,275	4,091,701	0
63,228	0	0	241,866	0
(1,469)	17,922	1,058	120,336	0
0	0	0	0	(1,897)
0	0	0	20,261	0
(22,483)	(46,723)	0	(540,589)	(136)
6,324	6,373	610	44,353	255
(109,035)	20,224	(1,368)	46,031	(348)
0	0	0	0	(198,402)
30,725	(44,090)	13,400	35	0
0	(35,923)	45,371	(664)	0
(599)	1,225	(1,213)	9,134	(192)
(54)	(101)	34	481	0
1,795	(153,283)	(58,131)	(761,036)	196
0	4,200	0	19,991	0
301	4,323	(11,960)	15,121	355
<u>\$1,577,078</u>	<u>\$502,819</u>	<u>\$558,859</u>	<u>\$6,348,920</u>	<u>\$577,255</u>

**CITY OF LEBANON, OHIO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**DECEMBER 31, 2006**

**ASSETS:**

Equity in Pooled Cash and Cash Equivalents	\$1,461
Cash in Segregated Accounts	36,841
	<hr/>
Total Assets	<u><u>\$38,302</u></u>

**LIABILITIES:**

Intergovernmental Payable	\$21,253
Undistributed Monies	17,049
	<hr/>
Total Liabilities	<u><u>\$38,302</u></u>

See accompanying notes to the basic financial statements

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006

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, 2006

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

Fund Accounting

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

Governmental Funds

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

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

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

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

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

Proprietary Fund Types

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

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

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006

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, 2006

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance 2007 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, 2006

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. During 2006, the Community Development Special Revenue Fund had no cash activity and therefore no budgetary statement is presented. 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, 2006

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

Cash and Cash Equivalents

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

During 2006, investments were limited to STAROhio, money market mutual funds, commercial paper, U.S. Treasury Notes and Bills and City issued debt. Investments are reported at fair value which is based on quoted market prices. For investments in money market mutual funds, the fair value is determined by the fund's current share price.

STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2006.

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 2006 amounted to \$541,931, which includes \$498,849 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, 2006

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, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Restricted Assets

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

Capital Assets and Depreciation

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

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

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

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

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

The City's infrastructure consists of roads, bridges, curbs, gutters, sidewalks, traffic lights and signals, electric lines, poles, transformers and switch gears, sewer lines, water lines, storm water drainage systems and telecommunications lines and equipment. The City only reports infrastructure amounts acquired after 1980.

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, 2006

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

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

Contributions of Capital

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

Net Assets

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

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

The City's electric, sewer, 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 \$17,086,571 of restricted net assets, none of which are restricted by enabling legislation.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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 and advances.

Bond Discounts, Premiums/Issuance Costs

On the government-wide financial statements (and in the enterprise funds), bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line (bonds outstanding) method, which approximates the effective interest method. Bond premiums/discounts are presented as additions/reductions to the face amount of bonds payable. Issuance costs are amortized on a straight-line basis over the term of the bonds and are reported as deferred charges. Capital appreciation bonds are accreted each year for the compounded interest accrued during the year.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the period in which the debt is issued.

Gain/Loss on Advance Refunding

On the government-wide financial statements (and in the enterprise funds), an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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.

Interfund Balances

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

Estimates

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For 2006, the City has implemented *GASB Statement No. 44*, "Economic Condition Reporting: The Statistical Section", an amendment of NCGA Statement 1 and *GASB Statement No. 47*, "Accounting for Termination Benefits."

*GASB Statement No. 44* defines the requirements for the statistical tables in the Comprehensive Annual Financial Report.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

*GASB Statement No. 47* establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the City's financial statements for 2006.

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/payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.
7. The change in fair value of investments is not included on the budget basis operating statement. This amount is included on the GAAP basis operating statement.



CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

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

	Net Change in Fund Balance	
	General	Fire and Life Squad
	<u>Fund</u>	<u>Fund</u>
GAAP Basis	\$1,117,821	\$432,893
Revenue Accruals	(256,191)	0
Expenditure Accruals	21,421	28,529
Encumbrances	(359,061)	(137,272)
Note Proceeds	0	840,000
Principal Retirement	0	(1,120,000)
Premium on Debt Issued	0	2,253
Advances	121,408	0
Unrecorded Cash	(90,593)	0
Net Increase in Fair Value of Investments - 2006	(222,861)	
Net Increase in Fair Value of Investments - 2005	107,565	0
Budget Basis	<u>\$439,509</u>	<u>\$46,403</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

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.

CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,495,747 of the City's bank balance of \$8,695,852 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2006, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$15,808,202	Average 35 Days
Fifth Third Institutional Government Money Market Mutual Fund	79,576	Average 90 Days
Fifth Third Institutional Money Market Mutual Fund	2,756,402	Average 90 Days
General Electric Commercial Paper	2,000,000	Less than one year
U.S. Treasury Notes	8,030,504	Less than one year
U.S. Treasury Bills	579,957	Less than one year
Total Investments	<u>\$29,254,641</u>	

Interest Rate Risk

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

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. Of the City's total investments, 6.8 percent is invested in General Electric Commercial Paper.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - PROPERTY TAXES (continued)

2006 tangible personal property taxes are levied after October 1, 2005 on the value as of December 31, 2005. Collections are made in 2006. In prior years, tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2006, was \$8.65 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$316,984,840
Public Utility Real Property	100,602,500
Public Utility Tangible Personal Property	4,088,390
Tangible Personal Property	33,300,715
Total	\$454,976,445

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, 2006, 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 2006 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7 - PAYMENTS IN LIEU OF TAXES

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

A receivable for the amount of the payments has been recorded in the Tax Increment Financing Special Revenue Fund with a corresponding credit to deferred revenue. 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 2006, 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, 2006, consisted of intergovernmental receivables, income, property and other local taxes, revenue in lieu of taxes, notes, interfund, special assessments, utility accounts, and capital leases. Special assessments expected to be collected in more than one year for the City amount to \$463,808. The City has \$5,356 in delinquent special assessments at December 31, 2006. All receivables are considered fully collectible except utility accounts.

<u>Receivable</u>	<u>Uncollectible</u>	<u>Receivable</u>
\$5,262,420	\$533,864	\$4,728,556

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 – RECEIVABLES (continued)

A summary of intergovernmental receivables follows:

Governmental Activities:

Local Government Assistance	\$291,902
Warren County Reimbursement for Baliff Services	6,085
Homestead & Rollback	120,027
Para-Mutual Tax	15,000
Permissive Tax	110,804
Motor Vehicle Tax	176,954
Gasoline Tax	<u>177,954</u>
Total Governmental Activities	<u>898,726</u>

Business-Type Activities:

Village of South Lebanon Sewage Processing Fees	<u>27,502</u>
Total Intergovernmental Receivables	<u><u>\$926,228</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, 2006

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance at 12/31/05	Additions	Deductions	Balance at 12/31/06
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$11,133,839	\$813,937	\$0	\$11,947,776
Construction in Progress	3,423,847	1,725,458	(2,418,651)	2,730,654
Total Capital Assets, Not Being Depreciated	<u>14,557,686</u>	<u>2,539,395</u>	<u>(2,418,651)</u>	<u>14,678,430</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	1,007,892	0	0	1,007,892
Buildings and Improvements	5,125,562	98,468	0	5,224,030
Equipment	1,532,440	69,557	(141,996)	1,460,001
Vehicles	3,320,126	397,829	(283,866)	3,434,089
Infrastructure	31,447,878	3,015,400	0	34,463,278
Total Capital Assets, Being Depreciated	<u>42,433,898</u>	<u>3,581,254</u>	<u>(425,862)</u>	<u>45,589,290</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(412,206)	(35,267)	0	(447,473)
Buildings and Improvements	(1,723,170)	(189,222)	0	(1,912,392)
Equipment	(873,696)	(80,932)	128,620	(826,008)
Vehicles	(2,325,410)	(201,388)	275,244	(2,251,554)
Infrastructure	(9,938,846)	(1,582,195)	0	(11,521,041)
Total Accumulated Depreciation	<u>(15,273,328)</u>	<u>(2,089,004) *</u>	<u>403,864</u>	<u>(16,958,468)</u>
Total Capital Assets, Being Depreciated, Net	<u>27,160,570</u>	<u>1,492,250</u>	<u>(21,998)</u>	<u>28,630,822</u>
Governmental Activities Capital Assets, Net	<u>\$41,718,256</u>	<u>\$4,031,645</u>	<u>(\$2,440,649)</u>	<u>\$43,309,252</u>

Additions to capital assets being depreciated include \$225,567 in assets donated by outside entities, such as property developers.



CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 10 – CAPITAL ASSETS (continued)**

	Balance at 12/31/05	Additions	Deductions	Balance at 12/31/06
<b><u>Business-Type Activities</u></b>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$5,243,384	\$0	(\$579,000)	\$4,664,384
Construction in Progress	6,933,546	2,103,407	(1,579,000)	7,457,953
Total Capital Assets, Not Being Depreciated	<u>12,176,930</u>	<u>2,103,407</u>	<u>(2,158,000)</u>	<u>12,122,337</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	28,838,416	23,700	(164,975)	28,697,141
Equipment	6,245,886	53,250	(7,788)	6,291,348
Vehicles	2,148,181	49,943	(42,850)	2,155,274
Infrastructure	67,358,078	3,574,998	0	70,933,076
Total Capital Assets, Being Depreciated	<u>104,590,561</u>	<u>3,701,891</u>	<u>(215,613)</u>	<u>108,076,839</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(9,303,854)	(860,057)	149,873	(10,014,038)
Equipment	(5,205,180)	(155,382)	5,452	(5,355,110)
Vehicles	(1,557,958)	(151,873)	42,850	(1,666,981)
Infrastructure	(19,418,481)	(2,924,389)	0	(22,342,870)
Total Accumulated Depreciation	<u>(35,485,473)</u>	<u>(4,091,701)</u>	<u>198,175</u>	<u>(39,378,999)</u>
Total Capital Assets, Being Depreciated, Net	<u>69,105,088</u>	<u>(389,810)</u>	<u>(17,438)</u>	<u>68,697,840</u>
Business-Type Activities Capital Assets, Net	<u>\$81,282,018</u>	<u>(\$389,810)</u>	<u>(\$596,438)</u>	<u>\$80,820,177</u>

\* Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property:	
Police	\$56,446
Fire	174,717
Community and Economic Development	171,416
Leisure Time Activities	103,295
Transportation	1,470,498
Public Health	36,173
General Government	76,459
Total Depreciation Expense	<u>\$2,089,004</u>

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 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. The City's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.43 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, 2006, 2005, and 2004 were \$489,996, \$495,963 and \$492,437 respectively; 96.91 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$16,952 made by the City and \$11,136 made by the plan members.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension 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 OP&F for 2006, 2005, and 2004 were \$245,161, \$227,614, and \$214,552. The full amount has been contributed for 2005 and 2004. 76.44 percent has been contributed for 2006.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 local government employer contribution rate was 9.2 percent of covered payroll (12.43 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$239,672. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

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

The 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 11.75 percent of covered payroll and the total firefighter employer contribution rate is 16.25 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$130,430 for police and \$22,612 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

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, 2006, the unfunded liability of the City was \$20,777, payable in semiannual installments through the year 2030. This is an accounting liability of the City which will not vary. The liability is reported on the government-wide financial statements.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

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

Accumulated Unpaid Holiday Pay

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

NOTE 14 - CAPITAL LEASE RECEIVABLE

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

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.

CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 14 - CAPITAL LEASE RECEIVABLE (continued)

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, anticipated payments related to leases receivable is classified as revenue.

<u>December 31,</u>	<u>Amount</u>
2007	\$6,098
2008	6,098
2009	6,098
2010	6,098
2011	6,098
2012-2016	30,490
2017	<u>6,098</u>
Total Minimum Lease Payments to be Received	67,078
Less: Amount Representing Unearned Interest	<u>(19,899)</u>
Net Investment in Direct Financing Leases	<u><u>\$47,179</u></u>

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2006, the City contracted with Hylant MacLean for vehicle, property and general liability insurance. Cincinnati Insurance Company covers boiler and machinery, while police liability and public officials are protected by Hylant MacLean.

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

Coverage provided by the insurance follows:

CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 15 - RISK MANAGEMENT (continued)

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

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

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

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

The City pays into the Self-Insurance Internal Service Fund \$1,218 per employee per month. The fund that pays the salary for the employee pays this premium which is based on historic cost information. The claims liability of \$133,253 reported in the fund at December 31, 2006, 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>
2005	\$320,266	\$1,343,801	\$1,332,412	\$331,655
2006	331,655	1,196,689	1,395,091	133,253

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2006, follows:

	Balance at January 1, 2006	Increases	Decreases	Balance at December 31, 2006
<u>Governmental Activities</u>				
Special Revenue				
Fire and Life Squad Fund				
Fire Improvement, 3.75 %	\$1,120,000	\$0	\$1,120,000	\$0
Fire Improvement, 5.00 %	0	840,000	0	840,000
Total Governmental	<u>1,120,000</u>	<u>840,000</u>	<u>1,120,000</u>	<u>840,000</u>
<u>Business-Type Activities</u>				
Electric Fund				
Electric System Improvement, 3.00%	2,750,000	0	2,750,000	0
Sewer Fund				
Sewer System Improvement, 4.00 %	3,500,000	0	3,500,000	0
Telecommunications Fund				
Telecommunications, 4.00 %	750,000	0	750,000	0
Telecommunications, 5.50 %	0	750,000	0	750,000
Telephone system, 5.25 %	1,000,000	0	1,000,000	0
Telephone system, 5.50 %	0	1,000,000	0	1,000,000
Total Business-Type Activities	<u>8,000,000</u>	<u>1,750,000</u>	<u>8,000,000</u>	<u>1,750,000</u>
Total Governmental and Business-Type Activities	<u>\$9,120,000</u>	<u>\$2,590,000</u>	<u>\$9,120,000</u>	<u>\$2,590,000</u>

The notes are issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and will mature within one year. The liability for the notes is presented in the fund that received the note proceeds. All proceeds of the short-term notes had been spent as of December 31, 2006.



CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - LONG-TERM OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2006 follows:

	Balance at January 1, 2006	Increases	Decreases	Balance at December 31, 2006	Amount Due in One Year
<u>Special Assessment Bonds with Governmental Commitment:</u>					
1990 - 7.00% \$438,150 Kingsview/Henkle Drive Improvement	\$120,750	\$0	\$24,150	\$96,600	\$24,150
1991 - 6.45% \$731,080 Deerfield Road Improvement	350,620	0	48,490	302,130	52,550
1993 - 5.75% \$200,000 Henkle Drive Extension	80,000	0	10,000	70,000	10,000
1994 - 5.00% \$54,372 Pleasant Street Improvement	33,079	0	2,364	30,715	3,546
TOTAL - Special Assessment Bonds Payable	<u>584,449</u>	<u>0</u>	<u>85,004</u>	<u>499,445</u>	<u>90,246</u>
<u>Voted General Obligation Bonds:</u>					
1997 - 4.0 to 13.5% \$1,039,224 Library Improvement					
Serial Bonds - 4.0 - 4.7%	115,000	0	115,000	0	0
Capital Appreciation Bonds - 13.5%	89,224	0	0	89,224	33,313
Accretion on Capital Appreciation Bonds	167,558	36,238	0	203,796	91,687
TOTAL - Voted General Obligation Bonds Payable	<u>371,782</u>	<u>36,238</u>	<u>115,000</u>	<u>293,020</u>	<u>125,000</u>
<u>Unvoted General Obligation Bonds:</u>					
1990 - 7.00% \$196,850 Kingsview/Henkle Drive Improvement	54,250	0	10,850	43,400	10,850
1991 - 6.450% \$248,920 Deerfield Road Improvement	119,380	0	16,510	102,870	17,780

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Balance at January 1, 2006	Increases	Decreases	Balance at December 31, 2006	Amount Due in One Year
<u>Unvoted General Obligation Bonds: (continued)</u>					
1994 - 5.50% \$175,628 Pleasant Street Improvement	\$106,920	\$0	\$7,636	\$99,284	11,454
1997 - 3.90 to 5.25% \$2,700,000 Miller Road	1,920,000	0	120,000	1,800,000	125,000
2003 - 2.0 to 4.15% \$4,005,000 Road Improvement	3,700,000	0	160,000	3,540,000	160,000
Discount on Debt Issue	(15,092)	0	(838)	(14,254)	
<b>TOTAL - Unvoted General Obligation Bonds Payable</b>	<u>5,885,458</u>	<u>0</u>	<u>314,158</u>	<u>5,571,300</u>	<u>325,084</u>
<u>Other Long-Term Obligations</u>					
Capital Lease Payable	31,562	0	15,400	16,162	16,162
Compensated Absences Payable	909,877	383,969	372,275	921,571	228,946
Police Pension	21,148	0	371	20,777	386
<b>TOTAL - General Long-Term Obligations</b>	<u>\$7,804,276</u>	<u>\$420,207</u>	<u>\$902,208</u>	<u>\$7,322,275</u>	<u>\$785,824</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, 2006

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 2006, the capital appreciation bonds were accreted \$36,238. The Library Improvement Bond will be paid through the Debt Service Fund with property tax revenue.

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

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

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

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Changes in the long-term obligations reported in business-type activities of the City during 2006 were as follows:

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2006	Amounts Due in One Year
<u>Mortgage Revenue Bonds</u>					
1999 - 4.9 to 5.35% \$8,830,000 Sanitary Sewer	\$7,520,000	\$0	\$6,700,000	\$820,000	\$260,000
2006 - 4.00 to 5.00% \$10,690,000 Sewer System Improvement					
Refunding	0	10,690,000	0	10,690,000	170,000
Premium on Debt Issue	0	59,941	1,499	58,442	
Deferred Gain on Refunding	0	(342,522)	(8,563)	(333,959)	
1997 - 4.0 to 4.8% \$1,915,000 Sanitary Sewer	575,000	0	185,000	390,000	190,000
Deferred Gain on Refunding	(57,544)	0	(19,180)	(38,364)	
1999 - 3.75 to 5.3% \$10,180,000 Water System Improvement					
Refunding	8,020,000	0	415,000	7,605,000	430,000
Deferred Gain on Refunding	(24,468)	0	(8,157)	(16,311)	
1996 - 3.7% \$4,925,000 Electric System	3,280,000	0	3,280,000	0	0
Discount on Debt Issue	(27,085)	0	(27,085)	0	
2001 - 4.0 to 5.75% \$8,125,000 Electric System	7,040,000	0	7,040,000	0	0
Premium on Debt Issue	100,787	0	100,787	0	
2001 - 4.0 to 5.75% \$5,565,000 Telecommunications System	4,825,000	0	4,825,000	0	0
Premium on Debt Issue	69,380	0	69,380	0	
2006 - 3.75 to 4.50% \$18,170,000 Electric System Refunding	0	18,170,000	935,000	17,235,000	950,000
Premium on Debt Issue	0	148,922	3,723	145,199	
Deferred Gain on Refunding	0	(1,050,422)	(26,261)	(1,024,161)	
TOTAL - Mortgage Revenue Bonds Payable	31,321,070	27,675,919	23,466,143	35,530,846	2,000,000
Capital Lease Payable	253,111	0	50,340	202,771	52,390
Compensated Absences Payable	209,248	117,051	101,930	224,369	82,047
TOTAL - Enterprise Funds	<u>\$31,783,429</u>	<u>\$27,792,970</u>	<u>\$23,618,413</u>	<u>\$35,957,986</u>	<u>\$2,134,437</u>

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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.

In August of 2006, the City issued \$10,690,000 in sewer system improvement mortgage revenue refunding bonds. A portion of the proceeds were used to advance refund the 1999 sanitary sewer bonds in the amount of \$6,450,000. The average rate on the refunded bonds was 4.9% while the average rate on the refunded portion of the new debt was 4.5%. The net proceeds of \$6,703,936 plus \$88,586 from the City (after payment of \$264,635 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 1999 bonds. As a result, the 1999 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 \$342,522. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the straight line method. The advance refunding increased total debt service payments by \$452,241 and incurred an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$524,191.

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.

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.

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.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

On September 21, 2006, the City issued \$18,170,000 in electric system mortgage revenue refunding bonds. A portion of the proceeds were used to advance refund the 2001 electric and telecommunications systems bonds in the amounts of \$7,040,000 and \$4,825,000, respectively. The average rate on the refunded bonds was 5.16% while the average rate on the refunded portion of the new debt was 4.03%. The net proceeds of \$15,963,376 (after payment of \$391,935 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 2001 bonds. As a result, the 2001 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 \$2,750,000 note.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,050,422. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the straight line method. The advance refunding decreased total debt service payments by \$1,969,359 and incurred an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,496,900.

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

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

Capital Leases will be paid from the Telecommunication Fund.

In the current year, the City has defeased Electric 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, 2006, \$11,355,000 and \$6,450,000 of the electric and sewer bonds were unmatured and unpaid.

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

As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$46,900,642 and the unvoted debt margin was \$24,151,819.

CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2006, 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
2007	\$90,246	\$32,118	\$325,084	\$321,224	\$33,313	\$91,687	\$2,000,000	\$1,915,630
2008	93,646	26,272	341,355	313,617	29,233	95,767	2,080,000	1,831,875
2009	97,376	20,185	352,625	308,275	26,678	103,322	1,775,000	1,743,920
2010	101,106	13,857	363,895	190,970	0	0	1,850,000	1,329,112
2011	84,416	7,289	370,585	175,951	0	0	1,920,000	1,253,462
2012-2016	32,655	3,356	1,917,010	643,402	0	0	10,855,000	5,038,382
2017-2021	0	0	1,385,000	261,215	0	0	11,585,000	2,602,866
2022-2026	0	0	530,000	33,070	0	0	4,675,000	492,696
Totals	<u>\$499,445</u>	<u>\$103,077</u>	<u>\$5,585,554</u>	<u>\$2,247,724</u>	<u>\$89,224</u>	<u>\$290,776</u>	<u>\$36,740,000</u>	<u>\$16,207,943</u>

NOTE 18 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 2006, were as follows:

Interfund Receivable/Payable

The Auto Maintenance Internal Service Fund had interfund receivables for services provided to those funds. The Debt Service Fund had an interfund receivable for monies lent to the Capital Improvement Fund. These funds were used to cover necessary expenditures for the Central Business District Streetscape Project. The Sewer Fund had an interfund receivable for the misposting of receipts to the Water Fund. The amount owed from the Telecommunications Fund to the Electric Fund was due to the payoff of debt related to the 2006 refunding issue. These monies are expected to be repaid within one year.

CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 18 - INTERFUND ASSETS/LIABILITIES (continued)

		Receivable				Total
		Governmental	All Other			
		Activities Internal Service	Governmental Funds	Electric	Sewer	
Payable	General	\$887	\$0	\$0	\$0	\$887
	Fire and Life Squad	567	0	0	0	567
	Capital Improvement	0	800,000			800,000
	All Other Governmental Funds	1,608	0	0	0	1,608
	Electric	423	0	0	0	423
	Sanitation	64	0	0	0	64
	Sewer	555	0	0	0	555
	Telecommunications	197	0	4,558,561	0	4,558,758
	Water	0	0	0	17,300	17,300
	Storm Water Utility	40	0	0	0	40
	<u>\$4,341</u>	<u>\$800,000</u>	<u>\$4,558,561</u>	<u>\$17,300</u>	<u>\$5,380,202</u>	

Advances From/To Other Funds

When the Telecommunications Fund was established in 2001, the City advanced monies from the Electric Fund as a beginning balance. During 2005 and 2006, the Telecommunications Fund began repaying this advance to the Electric Fund.

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

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

		Advances From		
		General	Electric	Total
Advances To	All Other Governmental Funds	\$1,459,403	\$0	\$1,459,403
	Telecommunications	0	3,546,158	3,546,158
	Total	<u>\$1,459,403</u>	<u>\$3,546,158</u>	<u>\$5,005,561</u>



CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 18 - INTERFUND ASSETS/LIABILITIES (continued)

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, All Other Governmental, and Electric Funds from All Other Governmental Funds 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 All Other Governmental Funds were made according to a City ordinance, which requires matching of revenues in these funds and for principal and interest payments for required debt service payments. Transfers to the Electric Fund from the Telecommunications Fund were made for payments to the escrow agent on the debt refunding. Transfers from the Capital Improvement Fund to All Other Governmental Funds were for State Issue II construction projects.

		Transfers To				
		General	All Other Governmental Funds	Electric	Sewer	Total
Transfers From	General	\$0	\$130,150	\$0	\$0	\$130,150
	Capital Improvement	0	1,075,000	0	0	1,075,000
	All Other					
	Governmental Funds	57,495	183,047	13,752	0	254,294
	Electric	0	0	0	69,188	69,188
	Telecommunications	0	0	691,568	0	691,568
	Total	<u>\$57,495</u>	<u>\$1,388,197</u>	<u>\$705,320</u>	<u>\$69,188</u>	<u>\$2,220,200</u>

CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 19 – SIGNIFICANT CONTRACTUAL OBLIGATIONS

The City of Lebanon has entered into the following contracts as of December 31, 2006:

Contractor	Purpose	Amount Remaining
Waukesha	Substation Transformers	\$912,000
WM. Kramer and Son	Fire Station Roof	42,370
Prus Construction	Concrete Repair and Replacement	73,870
John R. Jurgensen	ODOT Urban Paving Project	609,799
RB Jergens	Monroe Road Improvements	10,852
CDP Engineers	Monroe Road Engineering	1,580
Fan Partnership	Courtroom Renovation	13,267
Larry Smith Contractors	Colonial Park East Storm Sewer	49,515
Fan Partnership	Building Department Renovation	5,750
Holden Excavating	Harmon Park Curbing and Storm Sewer Improvement	4,168
Trend	Taft Drive Extension	11,193
HDR Engineering	State Route 123/63 Connector	216,000
ARCADIS G&M of Ohio	WWTP Biosolids Study	17,624
Resource International	Justice Drive Reconstruction	48,850
Northwest Consultants	Silver and West Street Construction	84,000
Tetra Tech	Aquifer Testing Middletown Junction	28,733

NOTE 20 – CAPITAL LEASES – LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$73,547 in the governmental activities and \$269,449 in the business type activities which equaled the present value of the future minimum lease payments at the time of acquisition. Principal payments in 2006 totaled \$15,400 in the governmental funds and \$50,340 in the business type activities.

	Governmental Activities	Business Type Activities
Asset:		
Equipment	\$73,547	\$269,449
Less: Accumulated depreciation	(35,816)	(53,890)
Total	<u>\$37,731</u>	<u>\$215,559</u>

CITY OF LEBANON, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 20 – CAPITAL LEASES – LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease, and the present value of the minimum lease payments as of December 31, 2006:

Year Ending December 31,	Governmental Activities	Business Type Activities
2007	\$16,959	\$59,548
2008	0	59,548
2009	0	59,548
2010	0	39,683
Subtotal	16,959	218,327
Less: Amount Representing Interest	(797)	(15,556)
Present Value of Minimum Lease Payments	<u>\$16,162</u>	<u>\$202,771</u>

NOTE 21 - JOINTLY GOVERNED ORGANIZATION

Warren County General Health District

The Warren County General Health District, a jointly governed organization, provides health services to the citizens within the County. The Board of Health, which consists of a representative from each of the participating governments, including the City, oversees the operation of the District. The City contributed \$10,170 during 2006 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

Accountability

At year end, the Industrial Development Capital Projects Fund had a deficit fund balance of \$1,335,669. 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 had deficit net assets of \$3,649,105.

The Telecommunications Fund deficit is due to advances from the Electric Fund for the payment of debt, advances for equipment for the telephone program and startup monies for basic operations. In 2004, the Telecommunications Fund begun 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.

CITY OF LEBANON, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 23 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 2006, to December 31, 2006, the City received state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 24 – SUBSEQUENT EVENTS

In March 2007, the sale of City of Lebanon Telecommunications to Cincinnati Bell Extended Services was completed.

**CITY OF LEBANON, OHIO**

**COMBINING STATEMENTS  
AND  
INDIVIDUAL FUND SCHEDULES**

CITY OF LEBANON, OHIO

NONMAJOR FUND DESCRIPTIONS

**SPECIAL REVENUE FUNDS**

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

**NONMAJOR SPECIAL REVENUE FUNDS**

Cemetery

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

Community Development

To account for monies received from the federal government under the Community Development Block Grant Program. The City did not anticipate any activity in this fund, and none occurred. Therefore, no budgetary statement is presented.

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

NONMAJOR FUND DESCRIPTIONS  
(Continued)

**CAPITAL PROJECTS FUNDS**

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

**NONMAJOR CAPITAL PROJECTS FUNDS**

Cemetery Improvement

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

State Issue II

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

Industrial Development

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

**CITY OF LEBANON, OHIO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,197,499	\$4,535,178	\$337,764	\$8,070,441
Cash and Cash Equivalents with Fiscal Agents	184,252	105	0	184,357
Materials and Supplies Inventory	197,434	0	0	197,434
Intergovernmental Receivable	480,712	4,639	0	485,351
Prepaid Items	7,779	0	0	7,779
Income Taxes Receivables	0	150,498	0	150,498
Property and Other Local Taxes Receivable	0	49,187	0	49,187
Revenue in Lieu of Taxes Receivable	1,181,361	0	0	1,181,361
Notes Receivable	10,399	0	0	10,399
Interfund Receivable	0	800,000	0	800,000
Special Assessments Receivable	0	521,036	0	521,036
Capital Lease Receivable	0	0	47,179	47,179
<b>Total Assets</b>	<b>\$5,259,436</b>	<b>\$6,060,643</b>	<b>\$384,943</b>	<b>\$11,705,022</b>
<b>Liabilities:</b>				
Accounts Payable	\$24,055	\$0	\$0	\$24,055
Accrued Wages	13,300	0	0	13,300
Contracts Payable	44,643	0	0	44,643
Intergovernmental Payable	300,813	0	0	300,813
Matured Interest Payable	0	105	0	105
Interfund Payable	1,608	0	0	1,608
Retainage Payable	47,162	0	66,765	113,927
Deferred Revenue	1,355,712	574,862	47,179	1,977,753
Advances from Other Funds	0	0	1,459,403	1,459,403
<b>Total Liabilities</b>	<b>1,787,293</b>	<b>574,967</b>	<b>1,573,347</b>	<b>3,935,607</b>
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Reserved for Encumbrances	102,047	860	60,951	163,858
<b>Unreserved, Undesignated Reported in:</b>				
Special Revenue Funds	3,370,096	0	0	3,370,096
Debt Service Fund	0	5,484,816	0	5,484,816
Capital Projects Funds (Deficit)	0	0	(1,249,355)	(1,249,355)
<b>Total Fund Balances (Deficit)</b>	<b>3,472,143</b>	<b>5,485,676</b>	<b>(1,188,404)</b>	<b>7,769,415</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$5,259,436</b>	<b>\$6,060,643</b>	<b>\$384,943</b>	<b>\$11,705,022</b>



**CITY OF LEBANON, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Property Taxes	\$0	\$122,618	\$0	\$122,618
Income Taxes	0	1,112,685	0	1,112,685
Other Local Taxes	62,607	0	0	62,607
Payments in Lieu of Taxes	1,181,361	0	0	1,181,361
Special Assessments	0	152,172	0	152,172
Charges for Services	127,292	0	4,600	131,892
Fines, Licenses and Permits	147,500	0	0	147,500
Intergovernmental	971,926	11,083	0	983,009
Interest	15,932	227,109	11,852	254,893
Other	21,426	0	6,098	27,524
<b>Total Revenues</b>	<b>2,528,044</b>	<b>1,625,667</b>	<b>22,550</b>	<b>4,176,261</b>
Expenditures:				
Current:				
General Government	171,185	0	0	171,185
Security of Persons and Property:				
Police	29,086	0	0	29,086
Public Health Services	175,691	0	0	175,691
Leisure Time Services	958,598	0	0	958,598
Community and Economic Development	536,599	0	31,828	568,427
Transportation	769,950	0	0	769,950
Capital Outlay	214,351	0	1,083,679	1,298,030
Debt Service:				
Principal Retirement	0	515,000	0	515,000
Interest and Fiscal Charges	0	284,558	0	284,558
<b>Total Expenditures</b>	<b>2,855,460</b>	<b>799,558</b>	<b>1,115,507</b>	<b>4,770,525</b>
Excess of Revenues Over (Under) Expenditures	(327,416)	826,109	(1,092,957)	(594,264)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	15,525	0	0	15,525
Transfers In	120,150	42,500	1,225,547	1,388,197
Transfers Out	(254,294)	0	0	(254,294)
<b>Total Other Financing Sources (Uses)</b>	<b>(118,619)</b>	<b>42,500</b>	<b>1,225,547</b>	<b>1,149,428</b>
Net Change in Fund Balances	(446,035)	868,609	132,590	555,164
Fund Balances (Deficit) at Beginning of Year	3,918,178	4,617,067	(1,320,994)	7,214,251
Fund Balances (Deficit) at End of Year	\$3,472,143	\$5,485,676	(\$1,188,404)	\$7,769,415

**CITY OF LEBANON, OHIO  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2006**

	<u>Cemetery</u>	<u>Community Development</u>	<u>Court</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$440,948	\$1,830	\$458,748
Cash and Cash Equivalents with Fiscal Agents	0	184,252	0
Materials and Supplies Inventory	1,660	0	749
Intergovernmental Receivable	15,000	0	0
Prepaid Items	1,747	0	0
Revenue in Lieu of Taxes Receivable	0	0	0
Notes Receivable	0	10,399	0
<b>Total Assets</b>	<u><u>\$459,355</u></u>	<u><u>\$196,481</u></u>	<u><u>\$459,497</u></u>
<b>Liabilities:</b>			
Accounts Payable	\$612	\$0	\$9,946
Accrued Wages	2,473	0	0
Contracts Payable	0	0	0
Intergovernmental Payable	4,167	0	0
Interfund Payable	161	0	0
Retainage Payable	0	0	0
Deferred Revenue	0	0	0
<b>Total Liabilities</b>	<u><u>7,413</u></u>	<u><u>0</u></u>	<u><u>9,946</u></u>
<b>Fund Balances:</b>			
<b>Reserved:</b>			
Reserved for Encumbrances	5,454	0	13,981
Unreserved, Undesignated	446,488	196,481	435,570
<b>Total Fund Balances</b>	<u><u>451,942</u></u>	<u><u>196,481</u></u>	<u><u>449,551</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$459,355</u></u>	<u><u>\$196,481</u></u>	<u><u>\$459,497</u></u>

Park/Recreation Impact Fee	Parks and Recreation	Tax Increment Financing	Transportation	Total Nonmajor Special Revenue Funds
\$76,808	\$187,393	\$1,027,849	\$1,003,923	\$3,197,499
0	0	0	0	184,252
0	0	0	195,025	197,434
0	0	0	465,712	480,712
0	0	0	6,032	7,779
0	0	1,181,361	0	1,181,361
0	0	0	0	10,399
<u>\$76,808</u>	<u>\$187,393</u>	<u>\$2,209,210</u>	<u>\$1,670,692</u>	<u>\$5,259,436</u>
\$0	\$5,778	\$0	\$7,719	\$24,055
0	2,089	0	8,738	13,300
0	44,643	0	0	44,643
0	3,259	277,923	15,464	300,813
0	22	0	1,425	1,608
0	47,162	0	0	47,162
0	0	969,072	386,640	1,355,712
<u>0</u>	<u>102,953</u>	<u>1,246,995</u>	<u>419,986</u>	<u>1,787,293</u>
0	15,012	5,658	61,942	102,047
<u>76,808</u>	<u>69,428</u>	<u>956,557</u>	<u>1,188,764</u>	<u>3,370,096</u>
<u>76,808</u>	<u>84,440</u>	<u>962,215</u>	<u>1,250,706</u>	<u>3,472,143</u>
<u>\$76,808</u>	<u>\$187,393</u>	<u>\$2,209,210</u>	<u>\$1,670,692</u>	<u>\$5,259,436</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, 2006**

	Cemetery	Community Development	Court	Park/Recreation Impact Fee
Revenues:				
Other Local Taxes	\$0	\$0	\$0	\$0
Payments in Lieu of Taxes	0	0	0	0
Charges for Services	100,954	0	6,488	0
Fines, Licenses and Permits	0	0	112,175	35,325
Intergovernmental	30,000	0	2,611	0
Interest	15,037	895	0	0
Other	0	0	19,771	0
<b>Total Revenues</b>	<b>145,991</b>	<b>895</b>	<b>141,045</b>	<b>35,325</b>
Expenditures:				
Current:				
General Government	0	0	157,152	0
Security of Persons and Property:				
Police	0	0	29,086	0
Public Health Services	175,691	0	0	0
Leisure Time Services	0	0	0	777,641
Community and Economic Development	0	0	0	0
Transportation	0	0	0	0
Capital Outlay	0	0	0	0
<b>Total Expenditures</b>	<b>175,691</b>	<b>0</b>	<b>186,238</b>	<b>777,641</b>
Excess of Revenues Over (Under) Expenditures	(29,700)	895	(45,193)	(742,316)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	0	0
Transfers In	53,000	0	0	28,575
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>53,000</b>	<b>0</b>	<b>0</b>	<b>28,575</b>
Net Change in Fund Balances	23,300	895	(45,193)	(713,741)
Fund Balances at Beginning of Year	428,642	195,586	494,744	790,549
Fund Balances at End of Year	<u>\$451,942</u>	<u>\$196,481</u>	<u>\$449,551</u>	<u>\$76,808</u>

Parks and Recreation	Tax Increment Financing	Transportation	Total Nonmajor Special Revenue Funds
\$0	\$0	\$62,607	\$62,607
0	1,181,361	0	1,181,361
19,800	0	50	127,292
0	0	0	147,500
0	14,595	924,720	971,926
0	0	0	15,932
0	650	1,005	21,426
<u>19,800</u>	<u>1,196,606</u>	<u>988,382</u>	<u>2,528,044</u>
0	14,033	0	171,185
0	0	0	29,086
0	0	0	175,691
180,957	0	0	958,598
0	536,599	0	536,599
0	0	769,950	769,950
<u>214,351</u>	<u>0</u>	<u>0</u>	<u>214,351</u>
<u>395,308</u>	<u>550,632</u>	<u>769,950</u>	<u>2,855,460</u>
<u>(375,508)</u>	<u>645,974</u>	<u>218,432</u>	<u>(327,416)</u>
15,525	0	0	15,525
28,575	0	10,000	120,150
0	(254,294)	0	(254,294)
<u>44,100</u>	<u>(254,294)</u>	<u>10,000</u>	<u>(118,619)</u>
<u>(331,408)</u>	<u>391,680</u>	<u>228,432</u>	<u>(446,035)</u>
<u>415,848</u>	<u>570,535</u>	<u>1,022,274</u>	<u>3,918,178</u>
<u>\$84,440</u>	<u>\$962,215</u>	<u>\$1,250,706</u>	<u>\$3,472,143</u>

**CITY OF LEBANON, OHIO  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2006**

	<u>Cemetery Improvement</u>	<u>State Issue II</u>	<u>Industrial Development</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$55,041	\$158,989	\$123,734	\$337,764
Capital Lease Receivable	<u>0</u>	<u>0</u>	<u>47,179</u>	<u>47,179</u>
Total Assets	<u>\$55,041</u>	<u>\$158,989</u>	<u>\$170,913</u>	<u>\$384,943</u>
Liabilities:				
Retainage Payable	\$0	\$66,765	\$0	\$66,765
Deferred Revenue	0	0	47,179	47,179
Advances From Other Funds	<u>0</u>	<u>0</u>	<u>1,459,403</u>	<u>1,459,403</u>
Total Liabilities	<u>0</u>	<u>66,765</u>	<u>1,506,582</u>	<u>1,573,347</u>
Fund Balances:				
Reserved:				
Reserved for Encumbrances	0	58,451	2,500	60,951
Unreserved, Undesignated (Deficit)	<u>55,041</u>	<u>33,773</u>	<u>(1,338,169)</u>	<u>(1,249,355)</u>
Total Fund Balances (Deficit)	<u>55,041</u>	<u>92,224</u>	<u>(1,335,669)</u>	<u>(1,188,404)</u>
Total Liabilities and Fund Balances	<u>\$55,041</u>	<u>\$158,989</u>	<u>\$170,913</u>	<u>\$384,943</u>

**CITY OF LEBANON, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Cemetery Improvement	State Issue II	Industrial Development	Total Nonmajor Capital Projects Funds
Revenues:				
Charges for Services	\$4,600	\$0	\$0	\$4,600
Interest	0	0	11,852	11,852
Other	0	0	6,098	6,098
Total Revenues	<u>4,600</u>	<u>0</u>	<u>17,950</u>	<u>22,550</u>
Expenditures:				
Current:				
Community and Economic Development	0	0	31,828	31,828
Capital Outlay	0	1,083,679	0	1,083,679
Total Expenditures	<u>0</u>	<u>1,083,679</u>	<u>31,828</u>	<u>1,115,507</u>
Excess of Revenues Over (Under) Expenditures	4,600	(1,083,679)	(13,878)	(1,092,957)
Other Financing Sources:				
Transfers In	0	1,075,000	150,547	1,225,547
Net Change in Fund Balances	4,600	(8,679)	136,669	132,590
Fund Balances (Deficit) at Beginning of Year	<u>50,441</u>	<u>100,903</u>	<u>(1,472,338)</u>	<u>(1,320,994)</u>
Fund Balances (Deficit) at End of Year	<u><u>\$55,041</u></u>	<u><u>\$92,224</u></u>	<u><u>(\$1,335,669)</u></u>	<u><u>(\$1,188,404)</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, 2006**

	<u>Automotive Maintenance</u>	<u>Self- Insurance</u>	<u>Total</u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$68,173	\$641,961	\$710,134
Materials and Supplies Inventory	1,735	0	1,735
Interfund Receivable	4,341	0	4,341
Prepaid Items	891	0	891
<b>Total Current Assets</b>	<b>75,140</b>	<b>641,961</b>	<b>717,101</b>
Noncurrent Assets:			
Nondepreciable Capital Assets	64,666	0	64,666
<b>Total Assets</b>	<b>139,806</b>	<b>641,961</b>	<b>781,767</b>
Liabilities:			
Current Liabilities:			
Accounts Payable	224	0	224
Accrued Wages	2,165	0	2,165
Intergovernmental Payable	3,604	0	3,604
Claims Payable	0	133,253	133,253
Compensated Absences Payable	4,279	0	4,279
<b>Total Current Liabilities</b>	<b>10,272</b>	<b>133,253</b>	<b>143,525</b>
Long-term Liabilities:			
Compensated Absences Payable	20,734	0	20,734
<b>Total Liabilities</b>	<b>31,006</b>	<b>133,253</b>	<b>164,259</b>
Net Assets:			
Invested in Capital Assets	64,666	0	64,666
Unrestricted	44,134	508,708	552,842
<b>Total Net Assets</b>	<b>\$108,800</b>	<b>\$508,708</b>	<b>\$617,508</b>

**CITY OF LEBANON, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Automotive Maintenance</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$151,693	\$2,142,487	\$2,294,180
Other	<u>0</u>	<u>83,523</u>	<u>83,523</u>
Total Operating Revenues	<u>151,693</u>	<u>2,226,010</u>	<u>2,377,703</u>
Operating Expenses:			
Personal Services	125,671	0	125,671
Contractual Services	5,591	260,544	266,135
Supplies and Materials	11,784	0	11,784
Claims	<u>0</u>	<u>1,196,689</u>	<u>1,196,689</u>
Total Operating Expenses	<u>143,046</u>	<u>1,457,233</u>	<u>1,600,279</u>
Operating Income	8,647	768,777	777,424
Non-Operating Revenues:			
Interest	<u>0</u>	<u>26,590</u>	<u>26,590</u>
Change in Net Assets	8,647	795,367	804,014
Net Assets (Deficit) at Beginning of Year	<u>100,153</u>	<u>(286,659)</u>	<u>(186,506)</u>
Net Assets at End of Year	<u><u>\$108,800</u></u>	<u><u>\$508,708</u></u>	<u><u>\$617,508</u></u>

**CITY OF LEBANON, OHIO  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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	(\$125,312)	\$0	(\$125,312)
Cash Payments to Suppliers for Goods and Services	(17,604)	(260,544)	(278,148)
Cash Payments for Employee Medical, Dental and Life Insurance Claims	0	(1,395,091)	(1,395,091)
Cash Received from Interfund Services Provided	149,796	2,142,487	2,292,283
Other Operating Revenues	0	83,523	83,523
Net Cash Provided by Operating Activities	6,880	570,375	577,255
Cash Flows from Investing Activities:			
Interest	0	26,590	26,590
Net Increase in Cash and Cash Equivalents	6,880	596,965	603,845
Cash and Cash Equivalents Beginning of Year	61,293	44,996	106,289
Cash and Cash Equivalents End of Year	\$68,173	\$641,961	\$710,134
Reconciliation of Operating Income to <u>Net Cash Provided by Operating Activities:</u>			
Operating Income	\$8,647	\$768,777	\$777,424
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Changes in Assets and Liabilities:			
Increase in Interfund Receivable	(1,897)	0	(1,897)
Increase in Materials and Supplies Inventory	(136)	0	(136)
Decrease in Prepaids Items	255	0	255
Decrease in Accounts Payable	(348)	0	(348)
Decrease in Claims Payable	0	(198,402)	(198,402)
Decrease in Accrued Wages Payable	(192)	0	(192)
Increase in Intergovernmental Payable	196	0	196
Increase in Compensated Absences Payable	355	0	355
Net Cash Provided by Operating Activities	\$6,880	\$570,375	\$577,255

## **AGENCY FUNDS**

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

### Fire Insurance Collection

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

### Municipal Court

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

**CITY OF LEBANON, OHIO  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 DECEMBER 31, 2006**

	Fire Insurance Collection	Municipal Court	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,461	\$0	\$1,461
Cash and Cash Equivalents in Segregated Accounts	<u>0</u>	<u>36,841</u>	<u>36,841</u>
Total Assets	<u><u>\$1,461</u></u>	<u><u>\$36,841</u></u>	<u><u>\$38,302</u></u>
Liabilities:			
Intergovernmental Payable	\$0	\$21,253	\$21,253
Undistributed Monies	<u>1,461</u>	<u>15,588</u>	<u>17,049</u>
Total Liabilities	<u><u>\$1,461</u></u>	<u><u>\$36,841</u></u>	<u><u>\$38,302</u></u>

**CITY OF LEBANON, OHIO  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>
<b>FIRE INSURANCE COLLECTION</b>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,461</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,461</u>
Liabilities:				
Undistributed Monies	<u>\$1,461</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,461</u>
<b>MUNICIPAL COURT</b>				
Assets:				
Cash and Cash Equivalents in Segregated Accounts	<u>\$37,463</u>	<u>\$36,841</u>	<u>\$37,463</u>	<u>\$36,841</u>
Liabilities:				
Intergovernmental Payable	\$23,277	\$21,253	\$23,277	\$21,253
Undistributed Monies	<u>14,186</u>	<u>15,588</u>	<u>14,186</u>	<u>15,588</u>
Total Liabilities	<u>\$37,463</u>	<u>\$36,841</u>	<u>\$37,463</u>	<u>\$36,841</u>
<b>TOTAL - ALL AGENCY</b>				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,461	\$0	\$0	\$1,461
Cash and Cash Equivalents in Segregated Accounts	<u>37,463</u>	<u>36,841</u>	<u>37,463</u>	<u>36,841</u>
Total Assets	<u>\$38,924</u>	<u>\$36,841</u>	<u>\$37,463</u>	<u>\$38,302</u>
Liabilities:				
Intergovernmental Payable	\$23,277	\$21,253	\$23,277	\$21,253
Undistributed Monies	<u>15,647</u>	<u>15,588</u>	<u>14,186</u>	<u>17,049</u>
Total Liabilities	<u>\$38,924</u>	<u>\$36,841</u>	<u>\$37,463</u>	<u>\$38,302</u>

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$1,100,050	\$1,100,050	\$1,094,718	(\$5,332)
Income Taxes	2,236,500	2,236,500	2,575,262	338,762
Other Local Taxes	1,170,000	1,170,000	795,031	(374,969)
Charges for Services	1,847,300	1,847,300	1,856,807	9,507
Licenses and Permits	1,061,550	1,061,550	940,906	(120,644)
Intergovernmental	799,500	799,500	665,555	(133,945)
Interest	176,000	176,000	411,353	235,353
Contributions and Donations	0	0	3,119	3,119
Other	53,500	53,500	280,674	227,174
<b>Total Revenues</b>	<b>8,444,400</b>	<b>8,444,400</b>	<b>8,623,425</b>	<b>179,025</b>
Expenditures:				
Current:				
General Government				
Legislative				
Personal Services	53,735	53,745	53,235	510
Contractual Services	56,600	59,039	46,055	12,984
Supplies and Materials	250	3,903	3,758	145
<b>Total Legislative</b>	<b>110,585</b>	<b>116,687</b>	<b>103,048</b>	<b>13,639</b>
City Manager				
Personal Services	429,985	431,657	429,954	1,703
Contractual Services	84,986	85,523	73,358	12,165
Supplies and Materials	8,500	8,050	5,550	2,500
<b>Total City Manager</b>	<b>523,471</b>	<b>525,230</b>	<b>508,862</b>	<b>16,368</b>
Personnel				
Personal Services	125,489	125,739	125,179	560
Contractual Services	47,500	49,473	47,208	2,265
Supplies and Materials	1,498	1,592	1,370	222
<b>Total Personnel</b>	<b>174,487</b>	<b>176,804</b>	<b>173,757</b>	<b>3,047</b>
Department of Service				
Personal Services	232,173	272,023	266,849	5,174
Contractual Services	45,000	200,789	200,141	648
Supplies and Materials	3,200	3,250	3,242	8
<b>Total Department of Service</b>	<b>280,373</b>	<b>476,062</b>	<b>470,232</b>	<b>5,830</b>
Information Technology				
Personal Services	162,797	162,797	160,552	2,245
Contractual Services	63,800	63,648	63,432	216
Supplies and Materials	3,100	4,128	3,858	270
<b>Total Information Technology</b>	<b>229,697</b>	<b>230,573</b>	<b>227,842</b>	<b>2,731</b>
Finance				
Personal Services	420,418	420,728	419,574	1,154
Contractual Services	93,821	94,571	86,951	7,620
Supplies and Materials	2,000	2,250	2,224	26
<b>Total Finance</b>	<b>516,239</b>	<b>517,549</b>	<b>508,749</b>	<b>8,800</b>
Income Tax				
Personal Services	169,917	169,917	164,622	5,295
Contractual Services	9,200	11,200	9,209	1,991
Supplies and Materials	13,250	19,091	19,077	14
Refunds	80,000	80,250	80,226	24
<b>Total Income Tax</b>	<b>272,367</b>	<b>280,458</b>	<b>273,134</b>	<b>7,324</b>

(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, 2006**  
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Law				
Personal Services	\$247,230	\$246,380	\$242,525	\$3,855
Contractual Services	187,500	180,663	143,864	36,799
Supplies and Materials	2,400	1,985	1,003	982
Total Law	<u>437,130</u>	<u>429,028</u>	<u>387,392</u>	<u>41,636</u>
Municipal Court				
Personal Services	534,002	534,177	482,922	51,255
Contractual Services	108,000	110,948	77,134	33,814
Supplies and Materials	15,000	15,498	11,138	4,360
Total Municipal Court	<u>657,002</u>	<u>660,623</u>	<u>571,194</u>	<u>89,429</u>
Parking System				
Contractual Services	8,500	8,500	5,490	3,010
Supplies and Materials	2,500	2,500	2,145	355
Total Parking System	<u>11,000</u>	<u>11,000</u>	<u>7,635</u>	<u>3,365</u>
Probation				
Personal Services	149,722	147,717	114,088	33,629
Contractual Services	6,160	6,160	2,245	3,915
Supplies and Materials	8,100	8,194	6,697	1,497
Total Probation	<u>163,982</u>	<u>162,071</u>	<u>123,030</u>	<u>39,041</u>
Building Maintenance				
Personal Services	182,210	185,710	185,253	457
Contractual Services	88,750	93,633	92,778	855
Supplies and Materials	10,100	10,612	10,296	316
Total Building Maintenance	<u>281,060</u>	<u>289,955</u>	<u>288,327</u>	<u>1,628</u>
Other General Government				
Contractual Services	<u>72,500</u>	<u>90,937</u>	<u>90,157</u>	<u>780</u>
Total General Government	<u>3,729,893</u>	<u>3,966,977</u>	<u>3,733,359</u>	<u>233,618</u>
Security of Persons and Property				
Police				
Personal Services	3,148,383	3,150,615	3,139,148	11,467
Contractual Services	315,995	320,568	303,752	16,816
Supplies and Materials	87,004	106,955	100,744	6,211
Total Security of Persons and Property	<u>3,551,382</u>	<u>3,578,138</u>	<u>3,543,644</u>	<u>34,494</u>
Leisure Time Services				
Recreation Programs				
Personal Services	32,279	32,279	31,588	691
Contractual Services	80,587	126,735	123,621	3,114
Supplies and Materials	3,100	3,324	2,117	1,207
Refunds/ Reimbursement	1,500	1,250	0	1,250
Total Leisure Time Services	<u>117,466</u>	<u>163,588</u>	<u>157,326</u>	<u>6,262</u>

(Continued)



**CITY OF LEBANON, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**BUDGET BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Community and Economic Development				
Planning and Development				
Personal Services	\$269,251	\$269,416	\$265,988	\$3,428
Contractual Services	12,545	73,102	66,194	6,908
Supplies and Materials	4,200	3,700	3,301	399
Total Planning and Development	<u>285,996</u>	<u>346,218</u>	<u>335,483</u>	<u>10,735</u>
Building and Zoning				
Personal Services	251,154	202,054	130,150	71,904
Contractual Services	126,260	73,905	63,604	10,301
Supplies and Materials	3,000	3,207	2,299	908
Total Building and Zoning	<u>380,414</u>	<u>279,166</u>	<u>196,053</u>	<u>83,113</u>
Engineer Services				
Personal Services	238,699	245,299	243,290	2,009
Contractual Services	33,719	34,324	27,683	6,641
Supplies and Materials	12,500	12,558	11,299	1,259
Total Engineer Services	<u>284,918</u>	<u>292,181</u>	<u>282,272</u>	<u>9,909</u>
Total Community and Economic Development	<u>951,328</u>	<u>917,565</u>	<u>813,808</u>	<u>103,757</u>
Capital Outlay	<u>0</u>	<u>5,000</u>	<u>3,640</u>	<u>1,360</u>
Total Expenditures	<u>8,350,069</u>	<u>8,631,268</u>	<u>8,251,777</u>	<u>379,491</u>
Excess of Revenues Over (Under) Expenditures	<u>94,331</u>	<u>(186,868)</u>	<u>371,648</u>	<u>558,516</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,500	2,500	19,108	16,608
Transfers In	57,495	57,495	57,495	0
Advances In	121,408	121,408	121,408	0
Transfers Out	<u>(223,000)</u>	<u>(223,000)</u>	<u>(130,150)</u>	<u>92,850</u>
Total Other Financing Sources (Uses)	<u>(41,597)</u>	<u>(41,597)</u>	<u>67,861</u>	<u>109,458</u>
Net Change in Fund Balance	52,734	(228,465)	439,509	667,974
Fund Balance at Beginning of Year	1,979,362	1,979,362	1,979,362	0
Prior Year Encumbrances Appropriated	<u>157,462</u>	<u>157,462</u>	<u>157,462</u>	<u>0</u>
Fund Balance at End of Year	<u>\$2,189,558</u>	<u>\$1,908,359</u>	<u>\$2,576,333</u>	<u>\$667,974</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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$2,110,000	\$2,110,000	\$2,127,323	\$17,323
Charges for Services	150,000	150,000	129,802	(20,198)
Intergovernmental	125,000	125,000	182,404	57,404
Other	2,000	2,000	41,375	39,375
Total Revenues	<u>2,387,000</u>	<u>2,387,000</u>	<u>2,480,904</u>	<u>93,904</u>
Expenditures:				
Current:				
Security of Persons and Property				
Fire Fighting, Prevention and Inspection				
Personal Services	1,449,892	1,449,892	1,198,892	251,000
Contractual Services	431,750	508,706	502,226	6,480
Supplies and Materials	45,500	69,184	67,666	1,518
Capital Outlay	117,500	363,709	361,212	2,497
Total Security of Persons and Property	<u>2,044,642</u>	<u>2,391,491</u>	<u>2,129,996</u>	<u>261,495</u>
Debt Service:				
Principal Retirement	1,120,000	1,120,000	1,120,000	0
Interest and Fiscal Charges	42,000	42,000	41,883	117
Total Debt Service	<u>1,162,000</u>	<u>1,162,000</u>	<u>1,161,883</u>	<u>117</u>
Total Expenditures	<u>3,206,642</u>	<u>3,553,491</u>	<u>3,291,879</u>	<u>261,612</u>
Excess of Revenues Over (Under) Expenditures	<u>(819,642)</u>	<u>(1,166,491)</u>	<u>(810,975)</u>	<u>355,516</u>
Other Financing Sources:				
Proceeds from Sale of Capital Assets	0	0	15,125	15,125
Notes Issued	840,000	840,000	840,000	0
Premium on Debt Issued	0	0	2,253	2,253
Total Other Financing Sources	<u>840,000</u>	<u>840,000</u>	<u>857,378</u>	<u>17,378</u>
Net Change in Fund Balance	20,358	(326,491)	46,403	372,894
Fund Balance at Beginning of Year	1,008,265	1,008,265	1,008,265	0
Prior Year Encumbrances Appropriated	319,812	319,812	319,812	0
Fund Balance at End of Year	<u>\$1,348,435</u>	<u>\$1,001,586</u>	<u>\$1,374,480</u>	<u>\$372,894</u>

**CITY OF LEBANON, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND  
BUDGET BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Income Taxes	\$2,050,000	\$2,050,000	\$2,142,442	\$92,442
Intergovernmental	379,750	469,750	813,374	343,624
Other	99,500	9,500	16,522	7,022
Total Revenues	2,529,250	2,529,250	2,972,338	443,088
Expenditures:				
Capital Outlay	1,155,000	2,669,831	2,644,064	25,767
Excess of Revenues Over (Under) Expenditures	1,374,250	(140,581)	328,274	468,855
Other Financing Uses:				
Transfers Out	(1,075,000)	(1,075,000)	(1,075,000)	0
Net Change in Fund Balance	299,250	(1,215,581)	(746,726)	468,855
Fund Balance at Beginning of Year	1,651,030	1,651,030	1,651,030	0
Prior Year Encumbrances Appropriated	296,985	296,985	296,985	0
Fund Balance at End of Year	\$2,247,265	\$732,434	\$1,201,289	\$468,855

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$25,847,682	\$25,847,682	\$17,879,879	(\$7,967,803)
Other	40,000	40,000	53,567	13,567
Interest	105,000	105,000	282,955	177,955
Utility Deposits Received	216,000	216,000	193,145	(22,855)
Refunding Bonds Issued	17,920,000	17,920,000	18,170,000	250,000
Premium on Debt Issued	148,922	148,922	148,922	0
Accrued Interest Received on Debt Issuance	12,222	12,222	12,222	0
Total Revenues	<u>44,289,826</u>	<u>44,289,826</u>	<u>36,740,690</u>	<u>(7,549,136)</u>
Expenses:				
Personal Services	1,482,278	1,482,278	1,445,693	36,585
Contractual Services	1,624,705	1,702,241	1,541,124	161,117
Supplies and Materials	164,550	186,213	97,224	88,989
Purchased Power	18,140,473	18,239,706	11,565,749	6,673,957
Utility Deposits Returned	183,300	183,300	177,354	5,946
Refunds	8,350	8,350	5,286	3,064
Capital Outlay	4,847,800	5,215,020	4,733,240	481,780
Debt Service:				
Principal Retirement	3,480,000	3,480,000	3,480,000	0
Interest and Fiscal Charges	457,776	457,776	423,685	34,091
Bond Issuance Cost	391,935	391,935	391,935	0
Payment to Refunded Bond Escrow Agent	15,963,376	15,963,376	15,963,376	0
Total Expenses	<u>46,744,543</u>	<u>47,310,195</u>	<u>39,824,666</u>	<u>7,485,529</u>
Excess of Revenues Under Expenses	(2,454,717)	(3,020,369)	(3,083,976)	(63,607)
Advances In	143,900	143,900	107,925	(35,975)
Transfers In	13,752	13,752	705,320	691,568
Net Change in Fund Equity	(2,297,065)	(2,862,717)	(2,270,731)	591,986
Fund Equity at Beginning of Year	7,192,799	7,192,799	7,192,799	0
Prior Year Encumbrances Appropriated	582,901	582,901	582,901	0
Fund Equity at End of Year	<u>\$5,478,635</u>	<u>\$4,912,983</u>	<u>\$5,504,969</u>	<u>\$591,986</u>

**CITY OF LEBANON, OHIO  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN FUND EQUITY - BUDGET AND ACTUAL  
SANITATION FUND  
BUDGET BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$1,138,434	\$1,138,434	\$1,069,378	(\$69,056)
Other	4,800	4,800	5,520	720
Total Revenues	<u>1,143,234</u>	<u>1,143,234</u>	<u>1,074,898</u>	<u>(68,336)</u>
Expenses:				
Personal Services	118,560	118,560	111,615	6,945
Contractual Services	1,108,600	1,111,746	1,065,681	46,065
Supplies and Materials	500	500	91	409
Capital Outlay	5,000	134,773	129,773	5,000
Reimbursements	750	750	138	612
Total Expenses	<u>1,233,410</u>	<u>1,366,329</u>	<u>1,307,298</u>	<u>59,031</u>
Net Change in Fund Equity	(90,176)	(223,095)	(232,400)	(9,305)
Fund Equity at Beginning of Year	658,869	658,869	658,869	0
Prior Year Encumbrances Appropriated	<u>1,376</u>	<u>1,376</u>	<u>1,376</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$570,069</u></u>	<u><u>\$437,150</u></u>	<u><u>\$427,845</u></u>	<u><u>(\$9,305)</u></u>

**CITY OF LEBANON, OHIO**  
**SCHEDULE OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND EQUITY - BUDGET AND ACTUAL**  
**SEWER FUND**  
**BUDGET BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$3,128,400	\$3,128,400	\$3,227,902	\$99,502
Other	0	0	188,568	188,568
Interest	25,000	25,000	132,308	107,308
Special Assessments	6,000	6,000	7,152	1,152
Refunding Bonds Issued	10,758,000	10,758,000	10,690,000	(68,000)
Premium on Debt Issued	59,941	59,941	59,941	0
Accrued Interest Received on Debt Issuance	6,215	6,215	6,215	0
<b>Total Revenues</b>	<b>13,983,556</b>	<b>13,983,556</b>	<b>14,312,086</b>	<b>328,530</b>
Expenses:				
Personal Services	618,346	618,346	566,092	52,254
Contractual Services	1,177,385	1,280,558	1,252,712	27,846
Supplies and Materials	114,100	126,710	110,143	16,567
Capital Outlay	349,500	367,037	311,217	55,820
Reimbursements	1,000	2,000	1,010	990
Debt Service:				
Principal Retirement	3,935,000	3,935,000	3,935,000	0
Interest and Fiscal Charges	720,685	720,685	667,556	53,129
Bond Issuance Costs	264,635	264,635	264,635	
Payment to Refunded Bond Escrow Agent	6,792,522	6,792,522	6,792,522	
<b>Total Expenses</b>	<b>13,973,173</b>	<b>14,107,493</b>	<b>13,900,887</b>	<b>206,606</b>
Net Change in Fund Equity	10,383	(123,937)	411,199	535,136
Fund Equity at Beginning of Year	3,514,372	3,514,372	3,514,372	0
Prior Year Encumbrances Appropriated	168,568	168,568	168,568	0
<b>Fund Equity at End of Year</b>	<b>\$3,693,323</b>	<b>\$3,559,003</b>	<b>\$4,094,139</b>	<b>\$535,136</b>

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$6,218,684	\$6,218,684	\$5,939,255	(\$279,429)
Other	82,870	82,870	207,551	124,681
Interest	3,000	3,000	37,110	34,110
Notes Issued	1,770,000	1,770,000	1,750,000	(20,000)
Total Revenues	8,074,554	8,074,554	7,933,916	(140,638)
Expenses:				
Personal Services	878,524	886,524	877,177	9,347
Contractual Services	3,877,604	3,943,051	3,749,636	193,415
Supplies and Materials	55,000	56,759	50,708	6,051
Capital Outlay	716,500	948,445	929,920	18,525
Reimbursements	25,000	25,000	24,682	318
Debt Service:				
Principal Retirement	1,955,000	1,955,000	1,955,000	0
Interest and Fiscal Charges	408,433	408,433	313,510	94,923
Total Expenses	7,916,061	8,223,212	7,900,633	322,579
Excess of Revenues Over (Under) Expenses	158,493	(148,658)	33,283	181,941
Advances Out	(143,900)	(143,900)	(107,925)	35,975
Transfers Out	0	0	(691,568)	(691,568)
Net Change in Fund Equity	14,593	(292,558)	(766,210)	(473,652)
Fund Equity at Beginning of Year	1,103,353	1,103,353	1,103,353	0
Prior Year Encumbrances Appropriated	156,913	156,913	156,913	0
Fund Balance at End of Year	\$1,274,859	\$967,708	\$494,056	(\$473,652)

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$2,518,500	\$2,518,500	\$2,618,764	\$100,264
Utility Deposits Received	17,100	17,100	15,900	(1,200)
Other	2,000	2,000	2,671	671
Interest	70,000	70,000	224,339	154,339
Proceeds from Sale of Capital Assets	0	0	596,300	596,300
Total Revenues	<u>2,607,600</u>	<u>2,607,600</u>	<u>3,457,974</u>	<u>850,374</u>
Expenses:				
Personal Services	438,490	438,490	401,060	37,430
Contractual Services	911,335	983,341	931,316	52,025
Supplies and Materials	56,200	56,708	35,824	20,884
Utility Deposits Returned	11,700	11,700	11,700	0
Reimbursements	1,000	2,000	1,207	793
Capital Outlay	1,103,500	2,665,088	2,447,558	217,530
Debt Service:				
Principal Retirement	415,000	415,000	415,000	0
Interest and Fiscal Charges	399,400	399,400	398,400	1,000
Total Expenses	<u>3,336,625</u>	<u>4,971,727</u>	<u>4,642,065</u>	<u>329,662</u>
Excess of Revenues Over (Under) Expenses	(729,025)	(2,364,127)	(1,184,091)	1,180,036
Transfers In	200	200	0	(200)
Net Change in Fund Equity	(728,825)	(2,363,927)	(1,184,091)	1,179,836
Fund Equity at Beginning of Year	5,377,361	5,377,361	5,377,361	0
Prior Year Encumbrances Appropriated	<u>1,567,555</u>	<u>1,567,555</u>	<u>1,567,555</u>	<u>0</u>
Fund Balance at End of Year	<u>\$6,216,091</u>	<u>\$4,580,989</u>	<u>\$5,760,825</u>	<u>\$0</u>



**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$803,050	\$803,050	\$780,895	(\$22,155)
Expenses:				
Personal Services	78,518	78,518	77,235	1,283
Contractual Services	119,050	121,077	105,810	15,267
Supplies and Materials	5,000	5,000	21	4,979
Capital Outlay	630,000	720,758	720,758	0
Reimbursements	2,000	2,000	7	1,993
Total Expenses	834,568	927,353	903,831	23,522
Net Change in Fund Equity	(31,518)	(124,303)	(122,936)	1,367
Fund Equity at Beginning of Year	469,258	469,258	469,258	0
Prior Year Encumbrances Appropriated	20,152	20,152	20,152	0
Fund Equity at End of Year	\$457,892	\$365,107	\$366,474	\$1,367

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$69,175	\$69,175	\$100,954	\$31,779
Intergovernmental	30,000	30,000	30,000	0
Interest	3,500	3,500	9,350	5,850
Total Revenues	<u>102,675</u>	<u>102,675</u>	<u>140,304</u>	<u>37,629</u>
Expenditures:				
Current:				
Public Health Services				
Cemetery				
Personal Services	148,514	148,514	143,853	4,661
Contractual Services	34,420	35,193	31,698	3,495
Supplies and Materials	3,600	3,600	3,548	52
Total Expenditures	<u>186,534</u>	<u>187,307</u>	<u>179,099</u>	<u>8,208</u>
Excess of Revenues Over (Under) Expenditures	(83,859)	(84,632)	(38,795)	45,837
Other Financing Sources:				
Transfers In	53,000	53,000	53,000	0
Net Change in Fund Balance	(30,859)	(31,632)	14,205	45,837
Fund Balance at Beginning of Year	408,133	408,133	408,133	0
Prior Year Encumbrances Appropriated	3,319	3,319	3,319	0
Fund Balance at End of Year	<u>\$380,593</u>	<u>\$379,820</u>	<u>\$425,657</u>	<u>\$45,837</u>

**CITY OF LEBANON, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**COURT SPECIAL REVENUE FUND**  
**BUDGET BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$0	\$0	\$6,488	\$6,488
Fines, Licenses and Permits	97,500	97,500	112,327	14,827
Intergovernmental	7,500	7,500	2,611	(4,889)
Other	10,000	10,000	19,771	9,771
Total Revenues	115,000	115,000	141,197	26,197
Expenditures:				
Current:				
General Government				
Municipal Court Special Project				
Contractual Services	150,000	189,411	184,770	4,641
Security of Persons and Property				
Indigent Drivers Alcohol				
Materials and Supplies	20,000	20,000	14,974	5,026
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	2,988	2,012
Total Computerized Legal Research	15,000	15,000	2,988	12,012
Computer Improvement				
Contractual Services	10,000	10,000	3,808	6,192
Capital Outlay	20,000	20,000	8,566	11,434
Total Computer Improvement	30,000	30,000	12,374	17,626
Total Security of Persons and Property	65,000	65,000	30,336	34,664
Total Expenditures	215,000	254,411	215,106	39,305
Net Change in Fund Balance	(100,000)	(139,411)	(73,909)	65,502
Fund Balance at Beginning of Year	467,001	467,001	467,001	0
Prior Year Encumbrances Appropriated	40,076	40,076	40,076	0
Fund Balance at End of Year	\$407,077	\$367,666	\$433,168	\$65,502

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Fines, Licenses and Permits	\$50,000	\$50,000	\$35,325	(\$14,675)
Expenditures:				
Current:				
Leisure Time Services				
Reimbursements	777,645	777,645	777,641	4
Total Expenditures	777,645	777,645	777,641	4
Excess of Revenues Under Expenditures	(727,645)	(727,645)	(742,316)	(14,671)
Other Financing Sources:				
Transfers In	50,000	75,000	28,575	(46,425)
Net Change in Fund Balance	(677,645)	(652,645)	(713,741)	(61,096)
Fund Balance at Beginning of Year	790,547	790,547	790,547	0
Fund Balance at End of Year	\$112,902	\$137,902	\$76,806	(\$61,096)

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$50,000	\$50,000	\$19,800	(\$30,200)
Expenditures:				
Current:				
Leisure Time Services				
Personal Services	105,969	108,969	106,619	2,350
Contractual Services	19,800	27,800	22,905	4,895
Supplies and Materials	1,000	1,000	613	387
Capital Outlay	235,000	235,000	226,428	8,572
Total Expenditures	361,769	372,769	356,565	16,204
Excess of Revenues Under Expenditures	(311,769)	(322,769)	(336,765)	(13,996)
Other Financing Sources:				
Proceeds from Sale of Capital Assets	0	0	15,525	15,525
Transfers In	75,000	75,000	28,575	(46,425)
Total Other Financing Sources	75,000	75,000	44,100	(30,900)
Net Change in Fund Balance	(236,769)	(247,769)	(292,665)	(44,896)
Fund Balance at Beginning of Year	416,913	416,913	416,913	0
Prior Year Encumbrances Appropriated	3,400	3,400	3,400	0
Fund Balance at End of Year	\$183,544	\$172,544	\$127,648	(\$44,896)

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Payments in Lieu of Taxes	\$900,000	\$900,000	\$1,181,361	\$281,361
Intergovernmental	70,000	70,000	14,595	(55,405)
Other	0	0	650	650
Total Revenues	<u>970,000</u>	<u>970,000</u>	<u>1,196,606</u>	<u>226,606</u>
Expenditures:				
Current:				
Community and Economic Development				
Supplies and Materials	90,000	95,250	95,032	218
Capital Outlay	0	237,500	234,937	2,563
Reimbursements	176,000	212,290	212,288	2
Total Expenditures	<u>266,000</u>	<u>545,040</u>	<u>542,257</u>	<u>2,783</u>
Excess of Revenues Over Expenditures	704,000	424,960	654,349	229,389
Other Financing Uses:				
Transfers Out	<u>(255,247)</u>	<u>(255,247)</u>	<u>(254,294)</u>	<u>953</u>
Net Change in Fund Balance	448,753	169,713	400,055	230,342
Fund Balance at Beginning of Year	621,385	621,385	621,385	0
Prior Year Encumbrances Appropriated	<u>750</u>	<u>750</u>	<u>750</u>	<u>0</u>
Fund Balance at End of Year	<u>\$1,070,888</u>	<u>\$791,848</u>	<u>\$1,022,190</u>	<u>\$230,342</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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Other Local Taxes	\$45,000	\$45,000	\$58,061	\$13,061
Intergovernmental	825,000	825,000	920,228	95,228
Charges for Services	0	0	50	50
Other	7,000	7,000	1,005	(5,995)
<b>Total Revenues</b>	<b>877,000</b>	<b>877,000</b>	<b>979,344</b>	<b>102,344</b>
Expenditures:				
Current:				
Transportation				
Street Maintenance and Repair				
Personal Services	573,709	573,709	538,906	34,803
Contractual Services	113,782	124,897	112,665	12,232
Supplies and Materials	69,500	77,483	75,871	1,612
Capital Outlay	160,000	160,000	87,565	72,435
<b>Total Street Maintenance and Repair</b>	<b>916,991</b>	<b>936,089</b>	<b>815,007</b>	<b>121,082</b>
Division Highway Maintenance				
Contractual Services	26,000	29,180	23,737	5,443
Supplies and Materials	19,000	19,863	19,052	811
<b>Total Division Highway Maintenance</b>	<b>45,000</b>	<b>49,043</b>	<b>42,789</b>	<b>6,254</b>
<b>Total Expenditures</b>	<b>961,991</b>	<b>985,132</b>	<b>857,796</b>	<b>127,336</b>
Excess of Revenue Over (Under) Expenditures	(84,991)	(108,132)	121,548	229,680
Other Financing Sources:				
Transfers In	10,000	10,000	10,000	0
<b>Net Change in Fund Balance</b>	<b>(74,991)</b>	<b>(98,132)</b>	<b>131,548</b>	<b>229,680</b>
Fund Balance at Beginning of Year	778,302	778,302	778,302	0
Prior Year Encumbrances Appropriated	26,324	26,324	26,324	0
<b>Fund Balance at End of Year</b>	<b>\$729,635</b>	<b>\$706,494</b>	<b>\$936,174</b>	<b>\$229,680</b>

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property Taxes	\$120,000	\$120,000	\$122,618	\$2,618
Income Taxes	850,000	850,000	1,043,755	193,755
Special Assessments	160,000	160,000	152,172	(7,828)
Intergovernmental	12,000	12,000	11,083	(917)
Interest	40,000	40,000	136,211	96,211
Total Revenues	1,182,000	1,182,000	1,465,839	283,839
Expenditures:				
Debt Service:				
Principal Retirement	515,000	515,000	515,000	0
Interest and Fiscal Charges	288,601	288,641	285,418	3,223
Total Expenditures	803,601	803,641	800,418	3,223
Excess of Revenues Over Expenditures	378,399	378,359	665,421	287,062
Other Financing Sources:				
Transfers In	42,500	42,500	42,500	0
Net Change in Fund Balance	420,899	420,859	707,921	287,062
Fund Balance at Beginning of Year	3,684,306	3,684,306	3,684,306	0
Prior Year Encumbrance Appropriated	40	40	40	0
Fund Balance at End of Year	\$4,105,245	\$4,105,205	\$4,392,267	\$287,062



**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$0	\$0	\$4,600	\$4,600
Net Change in Fund Balance	0	0	4,600	4,600
Fund Balance at Beginning of Year	50,439	50,439	50,439	0
Fund Balance at End of Year	\$50,439	\$50,439	\$55,039	\$4,600

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Expenditures:				
Capital Outlay	\$1,075,000	\$1,075,365	\$1,075,365	\$0
Other Financing Sources:				
Transfers In	1,075,000	1,075,000	1,075,000	0
Net Change in Fund Balance	0	(365)	(365)	0
Fund Balance at Beginning of Year	100,538	100,538	100,538	0
Prior Year Encumbrances Appropriated	365	365	365	0
Fund Balance at End of Year	<u>\$100,903</u>	<u>\$100,538</u>	<u>\$100,538</u>	<u>\$0</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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Interest	\$6,100	\$6,100	\$8,973	\$2,873
Other	6,098	6,098	6,098	0
Total Revenues	12,198	12,198	15,071	2,873
Expenditures:				
Current:				
Community Environment				
Contractual Services	35,000	35,000	34,328	672
Excess of Revenues Over (Under) Expenditures	(22,802)	(22,802)	(19,257)	3,545
Other Financing Sources (Uses):				
Advances Out	(121,408)	(121,408)	(121,408)	0
Transfers In	151,500	151,500	150,547	(953)
Total Other Financing Sources (Uses)	30,092	30,092	29,139	(953)
Net Change in Fund Balance	7,290	7,290	9,882	2,592
Fund Balance at Beginning of Year	106,905	106,905	106,905	0
Fund Balance at End of Year	\$114,195	\$114,195	\$116,787	\$2,592

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$149,796	\$149,796	\$149,796	\$0
Expenses:				
Personal Services	127,569	127,569	125,312	2,257
Contractual Services	6,000	14,064	8,970	5,094
Supplies and Materials	16,000	16,572	12,900	3,672
Total Expenses	149,569	158,205	147,182	11,023
Net Change in Fund Equity	227	(8,409)	2,614	11,023
Fund Equity at Beginning of Year	58,777	58,777	58,777	0
Prior Year Encumbrances Appropriated	2,516	2,516	2,516	0
Fund Equity at End of Year	\$61,520	\$52,884	\$63,907	\$11,023

**CITY OF LEBANON, OHIO  
SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL  
SELF-INSURANCE FUND  
BUDGET BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Charges for Services	\$2,139,932	\$2,139,932	\$2,142,487	\$2,555
Other	122,493	122,493	83,523	(38,970)
Interest	1,000	1,000	10,430	9,430
Total Revenues	<u>2,263,425</u>	<u>2,263,425</u>	<u>2,236,440</u>	<u>(26,985)</u>
Expenses:				
Contractual Services	420,000	425,786	307,093	118,693
Claims	1,685,000	1,680,720	1,455,357	225,363
Total Expenses	<u>2,105,000</u>	<u>2,106,506</u>	<u>1,762,450</u>	<u>344,056</u>
Net Change in Fund Equity	158,425	156,919	473,990	317,071
Fund Equity at Beginning of Year	42,061	42,061	42,061	0
Prior Year Encumbrances Appropriated	<u>1,506</u>	<u>1,506</u>	<u>1,506</u>	<u>0</u>
Fund Equity at End of Year	<u>\$201,992</u>	<u>\$200,486</u>	<u>\$517,557</u>	<u>\$317,071</u>

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*STATISTICAL TABLES*

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This part of the City of Lebanon’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>CONTENTS</u>	<u>PAGES</u>
Financial Trends	S2-S9
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	S10-S14
These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	
Debt Capacity	S16-S24
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	S25-S27
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
Operating information	S28-S32
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented *GASB Statement No. 34* in 2003. Schedules presenting government-wide information include information beginning in that year.

City of Lebanon, Ohio  
Net Assets By Component  
Last Five Years (1)  
(Accrual Basis of Accounting)

	2002	2003	2004	2005 (2)	2006
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$8,881,270	\$14,799,049	\$26,334,143	\$34,147,382	\$36,430,129
Restricted:					
Debt Service	4,075,248	4,511,772	4,836,043	5,281,347	5,988,697
Leisure Time Services	0	0	0	1,196,004	150,255
Security of Persons and Property	0	0	0	1,532,411	1,578,248
Capital Outlay	0	755,539	936,388	0	2,046,316
Community and Economic Development	0	0	0	818,787	1,158,696
Transportation	0	0	0	1,397,403	1,576,731
Other Purposes	5,247,178	5,353,080	4,771,716	911,848	889,429
Unrestricted	2,895,441	2,395,552	2,818,372	2,759,921	4,074,569
<i>Total Governmental Activities Net Assets</i>	<u>\$21,099,137</u>	<u>\$27,814,992</u>	<u>\$39,696,662</u>	<u>\$48,045,103</u>	<u>\$53,893,070</u>
<b>Business Type - Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$17,553,638	\$18,011,398	\$34,340,402	\$42,195,263	\$44,045,119
Restricted:					
Replacement and Improvement	932,500	932,500	932,500	932,500	932,500
Current Debt Service	2,588,130	2,373,447	2,401,824	3,029,565	2,765,699
Unrestricted	24,056,603	26,198,493	22,139,380	20,867,518	22,492,317
<i>Total Business-Type Activities Net Assets</i>	<u>\$45,130,871</u>	<u>\$47,515,838</u>	<u>\$59,814,106</u>	<u>\$67,024,846</u>	<u>\$70,235,635</u>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	\$26,434,908	\$32,810,447	\$60,674,545	\$76,342,645	\$80,475,248
Restricted	12,843,056	13,926,338	13,878,471	15,099,865	17,086,571
Unrestricted	26,952,044	28,594,045	24,957,752	23,627,439	26,566,886
<i>Total Primary Government Net Assets</i>	<u>\$66,230,008</u>	<u>\$75,330,830</u>	<u>\$99,510,768</u>	<u>\$115,069,949</u>	<u>\$124,128,705</u>

(1) 2003 was the first year GASB 34 was implemented.

(2) 2005 was the first year other purposes was further classified.



City of Lebanon, Ohio  
 Changes in Net Assets  
 Last Four Years (1)  
 (Accrual Basis of Accounting)

	2003	2004	2005	2006
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$849,596	\$2,732,173	\$2,286,061	\$2,371,502
Security of Persons and Property:				
Police	140,849	180,689	480,320	537,467
Fire	157,172	145,950	180,894	129,802
Public Health	77,103	89,641	96,059	105,554
Leisure Time Services	96,608	164,464	39,450	65,125
Community and Economic Development	371,820	143,383	28,575	0
Transportation	0	0	0	50
Subtotal - Charges for Services	<u>1,693,148</u>	<u>3,456,300</u>	<u>3,111,359</u>	<u>3,209,500</u>
Operating Grants, Contributions, and Interest:				
General Government	0	0	7,065	2,611
Security of Persons and Property:				
Police	6,763	0	0	107,769
Fire	139,815	134,841	244,621	0
Public Health	119,884	63,794	76,424	30,000
Community and Economic Development	113,975	74,403	128,279	895
Transportation	290,169	779,525	825,052	896,955
Subtotal - Operating Grants, Contributions, and Interest	<u>670,606</u>	<u>1,052,563</u>	<u>1,281,441</u>	<u>1,038,230</u>
Capital Grants, Contributions, and Interest:				
Public Health	1,846	0	0	0
Community and Economic Development	13,731	0	2,151,306	0
Transportation	4,761,461	2,848,219	3,267,180	1,038,941
Subtotal - Capital Grants, Contributions, and Interest	<u>4,777,038</u>	<u>2,848,219</u>	<u>5,418,486</u>	<u>1,038,941</u>
<i>Total Governmental Activities Program Revenues</i>	<u>7,140,792</u>	<u>7,357,082</u>	<u>9,811,286</u>	<u>5,286,671</u>
Business-Type Activities:				
Charges for Services:				
Electric	12,702,888	13,079,140	16,216,563	17,737,799
Sanitation	770,531	865,618	908,611	1,107,928
Sewer	2,683,478	2,798,610	3,184,630	3,208,346
Telecommunications	3,913,328	5,409,918	5,520,109	5,940,724
Water	2,942,050	2,943,454	2,858,864	2,600,842
Storm Water Utility	0	611,372	748,930	779,837
Capital Grants, Contributions, and Interest				
Sanitation	0	1,109,904	0	0
Sewer	948,722	804,971	2,147,795	264,491
Telecommunications	0	0	0	0
Water	160,751	1,004,213	948,226	216,081
Storm Water Utility	0	651,811	1,580,447	144,060
<i>Total Business-Type Activities Program Revenues</i>	<u>24,121,748</u>	<u>29,279,011</u>	<u>34,114,175</u>	<u>32,000,108</u>
<i>Total Primary Government Program Revenues</i>	<u>\$31,262,540</u>	<u>\$36,636,093</u>	<u>\$43,925,461</u>	<u>\$37,286,779</u>

(continued)

City of Lebanon, Ohio  
Changes in Net Assets (continued)  
Last Four Years (1)  
(Accrual Basis of Accounting)

	2003	2004	2005	2006
<b>Expenses</b>				
Governmental Activities:				
General Government	\$2,096,191	\$3,524,592	\$3,431,266	\$3,606,717
Security of Persons and Property:				
Police	2,872,414	3,056,648	3,265,548	3,258,125
Fire	1,284,146	2,019,372	1,767,049	1,985,638
Public Health	192,335	255,918	213,152	201,838
Leisure Time Services	820,253	415,275	265,241	440,546
Community and Economic Development	990,158	1,264,165	1,192,677	1,157,580
Transportation	744,214	744,796	2,117,570	2,077,765
Interest and Fiscal Charges	407,376	375,493	376,665	373,156
<i>Total Governmental Activities Expenses</i>	<u>9,407,087</u>	<u>11,656,259</u>	<u>12,629,168</u>	<u>13,101,365</u>
Business-Type Activities				
Electric	11,827,260	11,619,684	15,918,475	16,433,153
Sanitation	763,404	904,097	943,265	1,213,352
Sewer	2,898,432	3,056,641	3,144,530	3,389,076
Telecommunications	4,401,577	5,550,469	6,040,320	5,799,642
Water	2,364,501	2,147,822	2,106,086	2,969,131
Storm Water Utility	0	268,757	406,202	416,054
<i>Total Business-Type Activities Expenses</i>	<u>22,255,174</u>	<u>23,547,470</u>	<u>28,558,878</u>	<u>30,220,408</u>
<i>Total Primary Government Program Expenses</i>	<u>31,662,261</u>	<u>35,203,729</u>	<u>41,188,046</u>	<u>43,321,773</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	(2,266,295)	(4,299,177)	(2,817,882)	(7,814,694)
Business-Type Activities	1,866,574	5,731,541	5,555,297	1,779,700
<i>Total Primary Government Net Expense</i>	<u>(399,721)</u>	<u>1,432,364</u>	<u>2,737,415</u>	<u>(6,034,994)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities				
Taxes:				
Property and Other Local Taxes Levied For:				
General Purposes	2,199,757	2,428,646	3,418,309	1,085,029
Fire and Life Squad	0	0	0	2,107,551
Debt Service	0	0	0	121,488
Other Taxes	855,204	791,589	855,499	858,253
Municipal Income Taxes levied for:				
General Purposes	4,577,825	4,682,034	5,319,437	6,509,453
Payments in Lieu of Taxes	40,322	43,237	872,934	1,181,361
Grants and Entitlements not Restricted to				
Specific Programs	987,605	865,966	849,811	603,496
Unrestricted Contributions	1,500	6,654	29,500	3,119
Investment Earnings	144,603	210,049	486,315	822,519
Gain on Sale of Capital Assets	0	623	0	27,760
Other	60,836	194,352	154,434	356,384
Transfers	114,498	(430,541)	(819,916)	(13,752)
<i>Total Governmental Activities</i>	<u>\$8,982,150</u>	<u>\$8,792,609</u>	<u>\$11,166,323</u>	<u>\$13,662,661</u>

(continued)

City of Lebanon, Ohio  
 Changes in Net Assets (continued)  
 Last Four Years (1)  
 (Accrual Basis of Accounting)

	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets (continued)</b>				
<i>Business-Type Activities</i>				
Investment Earnings	\$224,627	\$235,160	\$530,302	\$942,160
Gain on Sale of Capital Assets	0	1,150	0	17,300
Other	408,264	466,399	305,225	457,877
Transfers	(114,498)	430,541	819,916	13,752
<i>Total Business-Type Activities Expenses</i>	<u>518,393</u>	<u>1,133,250</u>	<u>1,655,443</u>	<u>1,431,089</u>
<i>Total Primary Government General Revenues and Other Changes in Net Assets</i>	<u>9,500,543</u>	<u>9,925,859</u>	<u>12,821,766</u>	<u>15,093,750</u>
<b>Change in Net Assets</b>				
Governmental Activities	6,715,855	11,881,670	8,348,441	5,847,967
Business-Type Activities	<u>2,384,967</u>	<u>12,298,268</u>	<u>7,210,740</u>	<u>3,210,789</u>
<i>Total Primary Government Change in Net Assets</i>	<u><u>\$9,100,822</u></u>	<u><u>\$24,179,938</u></u>	<u><u>\$15,559,181</u></u>	<u><u>\$9,058,756</u></u>

(1) 2003 was the first year GASB 34 was implemented.

City of Lebanon, Ohio  
Fund Balances, Governmental Funds  
Last Ten Years  
(Modified Accrual Basis of Accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>General Fund</b>				
Reserved	\$1,734,244	\$2,109,508	\$2,028,756	\$2,350,855
Unreserved	<u>2,293,518</u>	<u>3,000,100</u>	<u>3,234,616</u>	<u>3,654,894</u>
Total General Fund	<u>4,027,762</u>	<u>5,109,608</u>	<u>5,263,372</u>	<u>6,005,749</u>
<b>All Other Governmental Funds</b>				
Reserved	819,316	1,093,359	1,311,445	967,614
Unreserved, Undesignated, Reported in:				
Special Revenue funds	1,330,191	1,935,294	1,487,741	2,067,762
Debt Service funds	2,430,331	2,924,870	3,086,854	3,576,110
Capital Projects funds (Deficit)	<u>(2,256,711)</u>	<u>(3,357,248)</u>	<u>(2,198,843)</u>	<u>(3,354,929)</u>
Total All Other Governmental Funds	<u>2,323,127</u>	<u>2,596,275</u>	<u>3,687,197</u>	<u>3,256,557</u>
<b>Total Governmental Funds</b>	<u><u>\$6,350,889</u></u>	<u><u>\$7,705,883</u></u>	<u><u>\$8,950,569</u></u>	<u><u>\$9,262,306</u></u>

(1) In 2002 fund balances totaling \$163,047 and \$570,635 were reclassified to properly reflect their balances and activities in the general and special revenue funds.

<u>2001 (1)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$2,336,419	\$2,104,815	\$1,871,373	\$1,790,633	\$1,696,873	\$1,788,814
<u>1,715,663</u>	<u>1,120,890</u>	<u>1,156,280</u>	<u>1,634,323</u>	<u>2,392,657</u>	<u>3,418,537</u>
<u>4,052,082</u>	<u>3,225,705</u>	<u>3,027,653</u>	<u>3,424,956</u>	<u>4,089,530</u>	<u>5,207,351</u>
2,589,430	770,325	637,553	1,666,092	656,568	1,330,635
2,683,480	3,246,091	3,912,495	2,543,800	3,738,636	3,864,994
3,114,013	2,928,967	3,547,913	4,025,444	4,617,027	5,484,816
<u>(5,727,563)</u>	<u>(4,322,821)</u>	<u>232,444</u>	<u>346,762</u>	<u>(1,152,672)</u>	<u>(459,806)</u>
<u>2,659,360</u>	<u>2,622,562</u>	<u>8,330,405</u>	<u>8,582,098</u>	<u>7,859,559</u>	<u>10,220,639</u>
<u>\$6,711,442</u>	<u>\$5,848,267</u>	<u>\$11,358,058</u>	<u>\$12,007,054</u>	<u>\$11,949,089</u>	<u>\$15,427,990</u>

City of Lebanon, Ohio  
Changes in Fund Balances, Governmental Funds  
Last Ten Years  
(Modified Accrual Basis of Accounting)

	1997	1998	1999	2000	2001
<b>Revenues</b>					
Property Taxes	\$1,070,342	\$1,183,561	\$1,277,600	1,899,774	1,977,509
Municipal Income Taxes	2,850,352	3,326,551	3,571,178	3,786,105	4,045,915
Other Local Taxes	106,509	202,415	204,566	219,868	528,288
Payments in Lieu of Taxes	185,705	209,747	304,260	383,995	479,483
Special Assessments	216,130	166,284	190,612	197,895	174,865
Charges for Services	1,700,292	1,731,594	1,820,288	1,811,072	1,002,206
Fines, Licenses and Permits	787,123	823,515	980,019	1,063,989	1,175,845
Intergovernmental	1,444,567	1,611,701	3,634,545	1,892,082	2,279,515
Interest	500,452	753,912	849,336	1,065,810	642,946
Contributions and Donations	0	0	0	0	0
Other	179,543	426,457	316,974	101,702	289,332
<i>Total Revenues</i>	<u>9,041,015</u>	<u>10,435,737</u>	<u>13,149,378</u>	<u>12,422,292</u>	<u>12,595,904</u>
<b>Expenditures</b>					
Current:					
General Government	1,796,956	1,993,255	2,403,479	2,520,600	4,327,967
Security of Persons and Property:					
Police	1,774,054	1,773,810	1,966,318	2,185,853	2,502,557
Fire	454,456	687,991	1,257,078	1,569,920	1,296,561
Public Health	100,654	87,075	128,508	114,230	122,120
Leisure Time Services	250,297	279,607	305,079	467,741	621,077
Community and Economic Development	712,054	639,912	837,088	781,818	914,721
Transportation	449,565	453,111	534,387	596,798	728,214
Capital Outlay	5,122,920	2,379,090	3,900,571	3,116,609	3,394,993
Debt Service:					
Principal Retirement	232,266	285,599	315,276	330,287	750,301
Interest and Fiscal Charges	460,715	456,378	418,459	426,699	451,750
Bond Issuance Costs	0	0	0	0	0
<i>Total Expenditures</i>	<u>11,353,937</u>	<u>9,035,828</u>	<u>12,066,243</u>	<u>12,110,555</u>	<u>15,110,261</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,312,922)</u>	<u>1,399,909</u>	<u>1,083,135</u>	<u>311,737</u>	<u>(2,514,357)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	0	1,114	220,000	0	1,676
Proceeds from Refunding Bonds	1,164,654	0	0	0	0
Payment to Refunded Bond Escrow Account	(1,121,171)	0	0	0	0
General Obligation Bonds Issued	2,700,000	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0
Inception of Capital Lease	0	0	0	0	0
Discount on Debt Issued	0	0	0	0	0
Transfers In	183,275	166,008	2,163,536	440,593	2,033,782
Transfers Out	(183,275)	(212,037)	(2,221,985)	(440,593)	(2,071,965)
<i>Total Other Financing Sources (Uses)</i>	<u>2,743,483</u>	<u>(44,915)</u>	<u>161,551</u>	<u>-</u>	<u>(36,507)</u>
<i>Net Change in Fund Balances</i>	<u>\$430,561</u>	<u>\$1,354,994</u>	<u>\$1,244,686</u>	<u>\$311,737</u>	<u>(\$2,550,864)</u>
Debt Service as a Percentage of Noncapital Expenditures	11.1%	11.1%	9.0%	8.4%	10.3%

2002	2003	2004	2005	2006
2,150,893	2,249,030	\$2,404,009	\$3,314,607	\$3,344,659
4,199,589	4,565,520	4,698,641	5,244,581	6,437,444
854,770	855,204	791,589	855,499	857,100
603,785	766,298	848,321	910,839	1,181,361
179,774	159,732	154,965	151,277	152,172
1,448,712	450,005	2,199,776	2,111,196	2,113,406
1,220,332	1,128,354	1,255,552	1,108,910	1,090,009
1,845,069	6,173,724	4,037,285	3,017,163	2,650,427
256,176	163,479	210,017	483,990	796,824
0	89,217	40,448	29,500	3,119
148,918	71,279	209,643	164,843	366,095
<u>12,908,018</u>	<u>16,671,842</u>	<u>16,850,246</u>	<u>17,392,405</u>	<u>18,992,616</u>
4,173,949	2,015,128	3,417,840	3,424,490	3,823,519
2,687,735	2,788,823	3,010,437	3,188,715	3,432,462
1,531,695	1,109,834	2,409,771	2,316,185	2,022,690
129,133	145,004	219,357	167,028	175,691
597,933	680,463	308,656	201,642	967,844
1,160,779	873,945	1,258,808	2,014,936	1,314,736
781,166	679,456	829,360	739,947	769,950
3,282,802	5,951,931	3,774,983	4,774,592	2,184,601
300,313	568,652	614,325	510,030	530,771
359,341	380,551	346,936	342,982	327,457
0	57,972	0	0	0
<u>15,004,846</u>	<u>15,251,759</u>	<u>16,190,473</u>	<u>17,680,547</u>	<u>15,549,721</u>
<u>(2,096,828)</u>	<u>1,420,083</u>	<u>659,773</u>	<u>(288,142)</u>	<u>3,442,895</u>
289,167	0	2,204	174,400	49,758
0	0	0	0	0
0	0	0	0	0
0	4,005,000	0	0	0
240,000	120,000	0	0	0
73,547	0	0	0	0
0	(17,292)	0	0	0
2,486,208	411,253	622,866	887,746	1,445,692
<u>(2,588,951)</u>	<u>(429,253)</u>	<u>(635,847)</u>	<u>(831,969)</u>	<u>(1,459,444)</u>
<u>499,971</u>	<u>4,089,708</u>	<u>(10,777)</u>	<u>230,177</u>	<u>36,006</u>
<u>(\$1,596,857)</u>	<u>\$5,509,791</u>	<u>\$648,996</u>	<u>(\$57,965)</u>	<u>\$3,478,901</u>
5.6%	10.8%	7.7%	6.6%	6.4%

City of Lebanon, Ohio  
Income Tax Revenue Base and Collections  
Last Ten Years

<u>Tax Year (1)</u>	<u>Tax Rate</u>	<u>Total Tax Collected</u>	<u>Taxes from Withholding</u>	<u>Percentage of Taxes from Withholding</u>	<u>Taxes From Net Profits</u>	<u>Percentage of Taxes from Net Profits</u>	<u>Taxes From Individuals</u>	<u>Percentage of Taxes from Individuals</u>
1997	1.00 %	\$2,850,352	\$2,112,111	74.10 %	\$196,959	6.91 %	\$541,282	18.99 %
1998	1.00	3,326,551	\$2,362,849	71.03	351,616	10.57	612,085	18.40
1999	1.00	3,571,178	\$2,692,311	75.39	253,554	7.10	625,313	17.51
2000	1.00	3,786,105	\$2,873,654	75.90	281,686	7.44	630,765	16.66
2001	1.00	4,045,915	\$3,086,629	76.29	245,182	6.06	714,104	17.65
2002	1.00	4,199,589	\$3,259,301	77.61	228,038	5.43	712,250	16.96
2003	1.00	4,577,825	\$3,442,982	75.21	314,039	6.86	820,804	17.93
2004	1.00	4,682,034	\$3,586,438	76.60	309,014	6.60	786,582	16.80
2005	1.00	5,319,437	\$3,907,126	73.45	534,603	10.05	877,707	16.50
2006	1.00	6,509,453	\$4,658,816	71.57	770,068	11.83	1,080,569	16.60

(1) 2003 through 2006 are on an Accrual Basis and 1997 through 2002 are on a Modified Accrual Basis

Note: The City is prohibited by statute from presenting information regarding individual taxpayers.



City of Lebanon, Ohio  
Income Tax Filers by Income Level  
Tax Years 2005 and 2000 (1)

Tax Year 2005 (2)

Income Range	Number of Filers	Percent of Filers	Taxable Income (3)	Percent of Taxable Income
Over 100,000	781	11.69 %	\$110,925,189	33.88 %
75,001-100,000	777	11.63	67,097,398	20.49
50,001-75,000	1,057	15.83	65,412,600	19.98
25,000-50,000	1,590	23.81	58,147,303	17.76
Under 25,000	2,474	37.04	25,839,529	7.89
Total	6,679	100.00	\$327,422,019	100.00

Tax Year 2000

Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
Over 100,000	412	8.90 %	\$59,461,634	27.10 %
75,001-100,000	517	11.17	44,320,463	20.20
50,001-75,000	890	19.23	55,200,035	25.15
25,000-50,000	1,121	24.22	41,827,723	19.06
Under 25,000	1,689	36.49	18,630,856	8.49
Total	4,629	100.00	\$219,440,711	100.00

Source: City Income Tax Department

- (1) Information prior to 2000 is not available
- (2) Tax year 2006 information is not available
- (3) Includes individuals who live and work within the corporation limits

City of Lebanon, Ohio  
Electric Sold by Type of Customer  
Last Five Years (1)

<b>Type of Customer:</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential	\$6,096,870	\$5,949,470	\$6,181,266	\$7,508,220	\$8,484,545
Industrial	1,213,113	1,177,842	1,202,978	1,371,063	1,526,030
Commercial (2)	<u>5,801,433</u>	<u>5,412,891</u>	<u>5,553,868</u>	<u>6,749,294</u>	<u>7,727,224</u>
Total	<u>\$13,111,416</u>	<u>\$12,540,203</u>	<u>\$12,938,112</u>	<u>\$15,628,576</u>	<u>\$17,737,799</u>

(1) Information prior to 2002 is not available

(2) Majority of Government buildings included in this category

City of Lebanon, Ohio  
Principal Electric Customers  
2006 and 1997

	2006	
Customer	Electric Charges for Services	Percentage of Total Charges for Services
Wal-Mart	\$455,225	2.57 %
Franklin Brazing & Metal	304,193	1.71
Inna Tech	303,314	1.71
Kroger	282,260	1.59
Warren County Fair Board	261,221	1.47
PNG Products Inc.	240,526	1.36
Board of Education	220,610	1.24
Warren County (Justice Center)	211,069	1.19
Countryside YMCA	205,176	1.16
Warren County (Jail)	198,197	1.12
Total	\$2,681,792	15.12 %
Total Electric Charges for Services	\$17,737,799	

	1997	
Customer	Electric Charges for Services	Percentage of Total Charges for Services
Lebanon Plactics Inc.	\$222,563	3.15 %
Big Bear Plus	203,191	2.87
Warren County Fair Board	159,843	2.26
Countryside YMCA	137,155	1.94
Kroger	122,521	1.73
Warren County (Jail)	107,299	1.52
Warren County Commissioner	81,719	1.16
Wal-Mart	68,752	0.97
Lebanon Properties	60,758	0.86
Board of Education	49,028	0.69
Total	\$1,212,828	17.16 %
Total Electric Charges for Services	\$7,067,743	

City of Lebanon, Ohio  
Electric Rates Per Year (1)  
Last Five Years

	2002	2003	2004	2005	2006
Residential:					
Customer Service Charge	\$4.32	\$4.36	\$4.40	\$4.44	\$4.48
First 1500 KWH	0.0406	0.041	0.04141	0.04183	0.04225
Above 1500 KWH	0.0247	0.0249	0.02515	0.0254	0.02565
General Service Rates:					
Single Phase Meter	\$7.41	\$7.48	\$7.55	\$7.63	\$7.71
Three Phase Meter	\$12.36	\$12.48	\$12.60	\$12.73	\$12.86
First 2000 KWH	0.0474	0.0478	0.04828	0.04876	0.04925
Next 6000 KWH	0.0335	0.0338	0.03414	0.03448	0.03482
Over 8000 KWH	0.0227	0.0229	0.02313	0.02336	0.02359
Over 100,000 KWH	0.01	0.01	0.0101	0.0102	0.0103
Demand Billing Charge					
First 10 KWD	Free	Free	Free	Free	Free
Next 15 KWD	5.9339	5.993	6.05931	6.1199	6.1199
Over 25 KWD	5.254	5.306	5.35956	5.41316	5.41316

Note: Management presents rate studies and recommends rate changes to City Council. Utility rates can be changed by Legislative Authority.

(1) information prior to 2002 is not available.

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City of Lebanon, Ohio  
Ratio of Outstanding Debt to  
Total Personal Income and Debt Per Capita  
Last Ten Years

Governmental Activities					
Year	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Police Pension	Notes Payable
1997	\$4,453,816	\$1,500,407	\$334	\$23,612	\$2,200,000
1998	4,276,901	1,405,014	0	23,347	2,400,000
1999	4,071,589	1,309,709	0	23,071	3,150,000
2000	3,859,619	1,208,091	0	22,784	2,780,000
2001	3,441,813	894,625	0	22,483	5,730,000
2002	3,236,998	820,811	73,547	22,170	4,110,000
2003	7,012,161	743,267	60,221	21,844	120,000
2004	6,638,372	665,723	46,237	21,503	1,400,000
2005	6,257,240	584,449	31,562	21,148	1,120,000
2006	5,864,320	499,445	16,162	20,777	840,000

Note: Population and Personal Income data are presented on page S26.

Business-Type Activities

<u>Mortgage Revenue Bonds</u>	<u>Capital Leases</u>	<u>Notes Payable</u>	<u>Total Debt</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$7,826,065	\$699	\$4,000,000	\$20,004,933	5.64%	\$1,179
7,455,790	0	7,500,000	23,061,052	6.51	1,360
24,692,105	0	8,250,000	41,496,474	11.71	2,446
23,881,905	0	8,250,000	40,002,399	11.29	2,358
36,941,024	0	4,250,000	51,279,945	14.47	3,023
35,619,786	0	5,000,000	48,883,312	13.79	2,882
34,248,548	0	8,500,000	50,706,041	14.31	2,989
32,817,309	0	8,000,000	49,589,144	13.99	2,924
31,321,070	253,111	8,000,000	47,588,580	13.43	2,806
35,530,846	202,771	1,750,000	44,724,321	12.62	2,637

City of Lebanon, Ohio  
 Computation of Direct and Overlapping Governmental Activities Debt  
 December 31, 2006

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
<b>Direct - City of Lebanon</b>			
General Obligation Notes	\$840,000	100.00 %	\$840,000
Special Assessment Bonds	499,445	100.00	499,445
General Obligation Bonds	5,864,320	100.00	5,864,320
Capital Leases	16,162	100.00	16,162
Police Pension	20,777	100.00	20,777
	<u>7,240,704</u>		<u>7,240,704</u>
<i>Total Direct Debt</i>			<u>7,240,704</u>
<b>Overlapping</b>			
Lebanon City School District			
General Obligation Bonds	22,179,987	95.50	21,181,888
Kings Local School District			
General Obligation Bonds	31,598,182	4.50	1,421,918
Capital Leases	4,119,969	4.50	185,399
Tax Anticipation Notes	1,900,000	4.50	85,500
Loans Payable	81,062	4.50	3,648
County			
General Obligation Bonds	5,502,002	7.76	426,955
Special Assessment Bonds	13,841,411	7.76	1,074,093
Loans Payable	8,146,047	7.76	632,133
Capital Leases	22,952	7.76	178,108
	<u>87,391,612</u>		<u>23,305,308</u>
<i>Total Overlapping Debt</i>			<u>23,305,308</u>
<b>Total</b>	<u><u>\$94,632,316</u></u>		<u><u>\$30,546,012</u></u>

Source: County Auditor

(1) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the City by its total assessed valuation.



City of Lebanon, Ohio  
Ratio of General Obligation Bonded Debt to Assessed  
Value and Bonded Debt Per Capita  
Last Ten Years

Year	Population (1)		Estimated Actual Value of Taxable Property (2)	General Obligation Bonded Debt (3)	Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property	Net Bonded Debt Per Capital
1997	10,423	a	\$559,588,710	\$4,453,816	0.80 %	\$427.31
1998	10,423	a	655,561,576	4,276,901	0.65	410.33
1999	10,423	a	725,660,100	4,071,589	0.56	390.64
2000	16,962	a	774,033,030	3,859,619	0.50	227.55
2001	16,962	b	926,503,714	3,441,813	0.37	202.91
2002	16,962	b	972,494,950	3,236,998	0.33	190.84
2003	16,962	b	1,045,016,700	7,028,929	0.67	414.39
2004	16,962	b	1,216,973,482	6,654,302	0.55	392.31
2005	16,962	b	1,219,371,199	6,227,240	0.51	367.13
2006	16,962	b	1,330,955,444	5,878,574	0.44	346.57

Sources:

(1) U. S. Bureau of Census, Census of Population.

(a) 1990 Federal Census

(b) 2000 Federal Census

(2) County Auditor

(3) Includes all general obligation bonded debt with the exception  
of Special Assessment debt.

City of Lebanon, Ohio  
Legal Debt Margin  
Last Ten Years

	1997	1998	1999	2000
Total Assessed Property Value	<u>\$188,192,999</u>	<u>\$220,294,274</u>	<u>\$242,614,779</u>	<u>\$257,841,255</u>
Overall Legal Debt Limit (10 ½ % of Assessed Valuation)	<u>19,760,265</u>	<u>23,130,899</u>	<u>25,474,552</u>	<u>27,073,332</u>
Debt Outstanding:				
General Obligation Bonds	4,453,816	4,276,901	4,071,589	3,859,619
Mortgage Revenue Bonds	8,080,000	7,690,000	24,980,000	24,140,000
Special Assessment Bonds	1,500,407	1,405,014	1,309,709	1,208,091
Bond Anticipation Notes	<u>6,200,000</u>	<u>9,900,000</u>	<u>11,400,000</u>	<u>11,030,000</u>
Total Gross Indebtedness	20,234,223	23,271,915	41,761,298	40,237,710
Less:				
General Obligation Bonds	(789,592)	(368,652)	(3,250,290)	(3,106,908)
Mortgage Revenue Bonds	(8,080,000)	(7,690,000)	(24,980,000)	(24,140,000)
Special Assessment Bonds	(1,500,407)	(1,405,014)	(1,309,709)	(1,208,091)
Bond Anticipation Notes	(4,000,000)	(7,500,000)	(8,250,000)	(8,250,000)
General Obligation Bond Retirement Fund Balance	<u>(2,159,080)</u>	<u>(2,667,495)</u>	<u>(2,820,737)</u>	<u>(3,227,742)</u>
Total Net Debt Applicable to Debt Limit	<u>3,705,144</u>	<u>3,640,754</u>	<u>1,150,562</u>	<u>304,969</u>
Legal Debt Margin Within 10 ½ % Limitations	<u>\$16,055,121</u>	<u>\$19,490,145</u>	<u>\$24,323,990</u>	<u>\$26,768,363</u>
Legal Debt Margin as a Percentage of the Debt Limit	81.25%	84.26%	95.48%	98.87%
Unvoted Debt Limitation (5 ½ % of Assessed Valuation)	<u>\$10,350,615</u>	<u>\$12,116,185</u>	<u>\$13,343,813</u>	<u>\$14,181,269</u>
Total Gross Indebtedness	20,234,223	23,271,915	41,761,298	40,237,710
Less:				
General Obligation Bonds	(789,592)	(368,652)	(3,250,290)	(3,106,908)
Mortgage Revenue Bonds	(8,080,000)	(7,690,000)	(24,980,000)	(24,140,000)
Special Assessment Bonds	(1,500,407)	(1,405,014)	(1,309,709)	(1,208,091)
Bond Anticipation Notes	<u>(4,000,000)</u>	<u>(7,500,000)</u>	<u>(8,250,000)</u>	<u>(8,250,000)</u>
Net Debt Within 5 ½ % Limitations	<u>3,705,144</u>	<u>3,640,754</u>	<u>1,150,562</u>	<u>304,969</u>
Unvoted Legal Debt Margin Within 5 ½ % Limitations	<u>\$6,645,471</u>	<u>\$8,475,431</u>	<u>\$12,193,251</u>	<u>\$13,876,300</u>
Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation	64.20%	69.95%	91.38%	97.85%

Source: City Financial Records

2001	2002	2003	2004	2005	2006
<u>\$308,860,211</u>	<u>\$323,136,940</u>	<u>\$345,571,960</u>	<u>\$402,731,560</u>	<u>\$409,173,949</u>	<u>\$454,976,445</u>
<u>32,430,322</u>	<u>33,929,379</u>	<u>36,285,056</u>	<u>42,286,814</u>	<u>42,963,265</u>	<u>47,772,527</u>
3,441,813	3,236,998	7,028,929	6,654,302	6,227,240	5,878,574
36,955,000	35,615,000	34,225,000	32,775,000	31,260,000	36,740,000
894,625	820,811	743,267	665,723	584,449	449,445
<u>9,980,000</u>	<u>9,110,000</u>	<u>8,620,000</u>	<u>9,400,000</u>	<u>9,120,000</u>	<u>2,590,000</u>
51,271,438	48,782,809	50,617,196	49,495,025	47,191,689	45,658,019
(2,760,374)	(2,629,188)	(6,496,732)	(6,204,276)	(5,900,550)	(5,585,554)
(36,955,000)	(35,615,000)	(34,225,000)	(32,775,000)	(31,260,000)	(36,740,000)
(894,625)	(820,811)	(743,267)	(665,723)	(584,449)	(449,445)
(4,250,000)	(5,000,000)	(8,500,000)	(8,000,000)	(8,000,000)	(1,750,000)
<u>(2,676,232)</u>	<u>(2,426,594)</u>	<u>(238,478)</u>	<u>(234,744)</u>	<u>(247,839)</u>	<u>(261,135)</u>
<u>3,735,207</u>	<u>2,291,216</u>	<u>413,719</u>	<u>1,615,282</u>	<u>1,198,851</u>	<u>871,885</u>
<u>\$28,695,115</u>	<u>\$31,638,163</u>	<u>\$35,871,337</u>	<u>\$40,671,532</u>	<u>\$41,764,414</u>	<u>\$46,900,642</u>
88.48%	93.25%	98.86%	96.18%	97.21%	98.17%
<u>\$16,987,312</u>	<u>\$17,772,532</u>	<u>\$19,006,458</u>	<u>\$22,150,236</u>	<u>\$22,504,567</u>	<u>\$25,023,704</u>
51,271,438	48,782,809	50,617,196	49,495,025	47,191,689	45,658,019
(2,760,374)	(2,629,188)	(6,496,732)	(6,204,276)	(5,900,550)	(5,585,554)
(36,955,000)	(35,615,000)	(34,225,000)	(32,775,000)	(31,260,000)	(36,740,000)
(894,625)	(820,811)	(743,267)	(665,723)	(584,449)	(449,445)
<u>(4,250,000)</u>	<u>(5,000,000)</u>	<u>(8,500,000)</u>	<u>(8,000,000)</u>	<u>(8,000,000)</u>	<u>(1,750,000)</u>
<u>3,735,207</u>	<u>2,291,216</u>	<u>413,719</u>	<u>1,615,282</u>	<u>1,198,851</u>	<u>871,885</u>
<u>\$13,252,105</u>	<u>\$15,481,316</u>	<u>\$18,592,739</u>	<u>\$20,534,954</u>	<u>\$21,305,716</u>	<u>\$24,151,819</u>
78.01%	87.11%	97.82%	92.71%	94.67%	96.52%

City of Lebanon, Ohio  
Pledged Revenue Coverage  
Electric System Mortgage Revenue Bonds  
Last Ten Years

Year	Electric/ Telecommunications Service Charges and Interest	Direct Operating Expenses (1)	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
1997	\$7,217,373	\$6,013,800	\$1,203,573	\$155,000	\$249,795	2.97
1998	7,733,375	8,682,967	(949,592)	160,000	244,060	(2.35)
1999	8,695,819	7,004,633	1,691,186	165,000	237,660	4.20
2000	11,015,754	10,839,189	176,565	175,000	228,185	0.44
2001	14,076,889	11,846,689	2,230,200	180,000	515,133	3.21
2002	15,603,687	13,377,046	2,226,641	620,000	897,571	1.47
2003	16,812,728	13,355,187	3,457,541	645,000	871,723	2.28
2004	18,756,240	14,231,399	4,524,841	670,000	520,850	3.80
2005	21,957,982	18,933,542	3,024,440	700,000	816,284	1.99
2006	24,143,085	19,441,416	4,701,669	730,000	301,463	4.56

(1) Direct operating expenses do not include depreciation and amortization expense.

City of Lebanon, Ohio  
Pledged Revenue Coverage  
Water System Mortgage Revenue Bonds  
Last Ten Years

Year	Water Service Charges and Interest	Direct Operating Expenses (1)	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
1997	\$2,058,358	\$1,347,491	\$710,867	\$90,000	\$108,737	3.58
1998	1,903,230	725,699	1,177,531	100,000	101,082	5.86
1999	2,203,332	848,868	1,354,464	105,000	281,951	3.50
2000	2,264,674	1,139,469	1,125,205	325,000	500,109	1.36
2001	2,117,782	1,347,618	770,164	340,000	471,485	0.95
2002	2,601,406	1,398,906	1,202,500	350,000	458,068	1.49
2003	2,975,106	1,500,918	1,474,188	365,000	444,418	1.82
2004	2,950,110	1,199,936	1,750,174	380,000	430,000	2.16
2005	2,870,825	1,024,742	1,846,083	400,000	414,800	2.27
2006	2,603,513	1,873,634	729,879	415,000	398,400	0.90

(1) Direct operating expenses do not include depreciation and amortization expense.

City of Lebanon, Ohio  
Pledged Revenue Coverage  
Sewer System Mortgage Revenue Bonds  
Last Ten Years

Year	Sewer Service Charges and Interest	Direct Operating Expenses (1)	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
1997	\$1,719,824	\$1,116,893	\$602,931	\$125,000	\$80,868	2.93
1998	1,582,869	994,573	588,296	130,000	80,550	2.79
1999	1,817,875	1,224,270	593,605	135,000	329,561	1.28
2000	1,935,006	1,464,746	470,260	340,000	507,541	0.55
2001	1,840,462	606,494	1,233,968	355,000	492,750	1.46
2002	2,309,101	1,607,356	701,745	370,000	479,825	0.83
2003	2,685,253	1,892,323	792,930	380,000	462,068	0.94
2004	2,932,406	1,818,503	1,113,903	400,000	446,068	1.32
2005	3,191,967	1,583,313	1,608,654	415,000	428,903	1.91
2,006	3,223,609	1,737,309	1,486,300	435,000	522,556	1.55

(1) Direct operating expenses do not include depreciation and amortization expense.

City of Lebanon, Ohio  
Principal Employers  
Current Year and Five Years Ago (1)

**2005 (2)**

Employer	Employees
Private:	
YMCA	829
Johnson & Hardin	738
Advics Mfg Ohio, Inc.	712
Wal-Mart Associates Inc.	620
CBS Personnel Services, LLC	451
Kroger Limited Partnership	442
Amtex Inc.	340
CinTemp Personnel Services	329
Pac National Inc.	276
JBM Envelope Co.	261
<b>Total</b>	<b>4,998</b>

**2000**

Employer	Employees
Private:	
Advics Mfg Ohio, Inc.	650
YMCA	632
Lebanon Plastics	458
Johnson & Hardin	440
Kroger	350
JBM Envelope Co.	338
Fujitec America Inc.	314
Amtex	302
Frisch Ohio	271
Golden Lamb Hotel	250
<b>Total</b>	<b>4,005</b>

(1) Information prior to 2000 is not available

(2) 2006 information is not available

Source: Number of employees obtained from the W2's  
from the City Tax Department

City of Lebanon, Ohio  
Demographic and Economic Statistics  
Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>Total Personal Income (4)</u>	<u>Personal Income Per Capita (1)</u>	<u>Median Household Income (1)</u>	<u>Median Age (1)</u>
1997	10,423	\$129,912,272	\$12,464	\$27,095	31.5
1998	10,423	129,912,272	12,464	27,095	31.5
1999	10,423	129,912,272	12,464	27,095	31.5
2000	16,962	354,454,914	20,897	46,856	31.9
2001	16,962	354,454,914	20,897	46,856	31.9
2002	16,962	354,454,914	20,897	46,856	31.9
2003	16,962	354,454,914	20,897	46,856	31.9
2004	16,962	354,454,914	20,897	46,856	31.9
2005	16,962	354,454,914	20,897	46,856	31.9
2006	16,962	354,454,914	20,897	46,856	31.9

(1) Source: U. S. Census

(a) Years 2000 through 2006 - 2000 Federal Census

(b) Years 1997 through 1999 - 1990 Federal Census

(2) Source: Ohio Department of Education Website: "<http://www.ode.state.oh.us/data/>"

(3) Source: Ohio Department of Job and Family Services

(4) Computation of per capita personal income multiplied by population



Educational Attainment: Bachelor's Degree or Higher (1)	School Enrollment (2)	Warren County Unemployment Rate (3)
16.1%	4,354	3.2%
16.1	4,405	2.9
16.1	4,467	3.0
25.0	4,503	3.0
25.0	4,525	3.3
25.0	4,690	3.7
25.0	4,780	4.4
25.0	4,998	4.3
25.0	5,238	4.4
25.0	5,383	0.0

City of Lebanon, Ohio  
 Full-Time City Government Employees by Function/Program  
 Last Five Years (1)

Function/Program	2002	2003	2004	2005	2006
<b>General Government</b>					
Council (2)	7.00	7.00	7.00	7.00	7.00
Finance	9	7.00	7.00	7.00	8.00
Tax	3	3.00	3.00	3.00	3.00
Law	3	3.00	2.00	2.00	2.00
Administration	4	3.00	4.00	4.00	4.00
Building Maintenance	4	2.00	3.00	3.00	2.00
Engineer	4	3.00	3.00	4.00	4.00
Information Technology	3	3.00	2.00	2.00	2.00
Service Department	8	7.00	5.00	4.00	4.00
Court	8	7.00	8.00	8.00	8.00
Probation	3	3.00	3.00	3.00	2.00
<b>Security of Persons and Property</b>					
<b>Police</b>					
Police - Chiefs/Administrative	3.00	3.00	3.00	3.00	3.00
Police - Sargeants	5.00	5.00	5.00	5.00	4.00
Police - Officers	21.00	19.00	18.00	18.00	20.00
Police - Dispatchers	9.00	8.00	8.00	8.00	7.00
<b>Fire (4)</b>					
Fire - Chief	1.00	1.00	1.00	1.00	1.00
Fire - Administrative	1.00	1.00	1.00	1.00	1.00
Fire - Captains	1.00	3.00	3.00	3.00	3.00
<b>Public Health</b>					
Cemetery	2.00	2.00	2.50	2.50	2.50
<b>Leisure Time Activities</b>					
Parks & Recreation (3)	8.00	2.00	0.50	0.50	0.50
<b>Community Development</b>					
Building and Zoning	2	2.00	2.00	2.00	3.00
Planning and Development	3	3.00	3.00	3.00	3.00
<b>Internal Service</b>					
Automotive Maintenance	2	2.00	2.00	2.00	2.00
<b>Transportation</b>					
Street M&R (3)	9	9.00	9.00	8.00	8.00
<b>Basic Utility Services</b>					
Electric - Administrative	2.00	2.00	2.00	2.00	2.00
Electric - Meter Technician	1.00	1.00	1.00	1.00	1.00
Electric - Operation & Maintenance (3)	11.00	11.00	11.00	11.00	11.00
Electric - Power Production	2.00	2.00	2.00	2.00	2.00
Sanitation	0.00	0.00	1.00	1.00	2.00
Storm Water Utility	0.00	0.00	2.00	2.00	1.00
Telecommunications	9.00	11.00	11.00	11.00	12.00
Water - Administration	2.00	2.00	2.00	2.00	2.00
Water - Maintenance	3.50	3.00	3.00	3.00	3.00
Water - Supply and Treatment	1.00	1.00	1.00	1.00	1.00
Wastewater - Administration	1.00	1.00	1.00	1.00	1.00
Wastewater - Maintenance	2.50	3.00	2.00	2.00	2.00
Wastewater - Collection and Treatment	3.00	4.00	5.00	5.00	6.00
Totals:	<u>161.00</u>	<u>149.00</u>	<u>149.00</u>	<u>148.00</u>	<u>150.00</u>

**Source:** City of Lebanon Annual Budget

- (1) Information prior to 2002 is not available.
- (2) Elected Officials meet twice a month.
- (3) Seasonal employees are used during the summer months.
- (4) Fire Department uses approximately 50-60 part-time EMT's, Officers and Firefighters.

City of Lebanon, Ohio  
 Operating Indicators by Function/Program  
 Last Five Years (1)

Function/Program	2002	2003	2004	2005	2006
<b>General Government</b>					
<i>Council and Clerk</i>					
Number of Ordinances and Resolutions Passed	246	265	201	178	191
Number of Planning Commission docket items	44	66	74	80	44
Zoning Board of Appeals docket items	6	6	3	3	8
<i>Finance Department (2)</i>					
Number of checks issued	5,357	4,848	4,886	5,274	5,393
Number of Purchase Orders issued	3,220	3,035	2,932	2,921	3,136
Amount of checks written (includes interfund transfers)	\$60,991,894	\$55,298,374	\$59,967,100	\$65,681,841	\$64,977,705
Interest earnings for fiscal year (cash basis)	\$534,334	\$360,088	\$419,007	\$655,602	\$1,098,245
Number of Supplementals issued	49	55	49	51	49
Agency Ratings - Moody's Financial Services	Aaa	Aaa	Aaa	Aaa	Aaa
Health Insurance Costs vs General Fund Expenditures %	11.65%	13.06%	12.01%	11.86%	14.61%
General Fund Receipts (cash basis in thousands)	\$7,941	\$7,212	\$7,708	\$8,242	\$8,623
General Fund Expenditures (cash basis in thousands)	\$8,850	\$7,235	\$7,036	\$7,538	\$8,252
General Fund (unexpended) Cash Balances (in thousands)	\$651	\$628	\$1,300	\$2,004	\$2,576
<i>Income Tax Department</i>					
Number of Individual Returns	Not Avail.	Not Avail.	6,093	7,424	8,202
Number of Business Returns	Not Avail.	Not Avail.	759	1,401	1,014
Number of business withholding accounts	Not Avail.	Not Avail.	1,245	1,245	1,244
Annual number of Corporate withholding forms processed	Not Avail.	Not Avail.	5,846	6,364	6,823
Annual number of balance due statements forms processed	Not Avail.	Not Avail.	1,200	1,300	1,520
Annual number of estimated payment forms processed	Not Avail.	Not Avail.	1,461	1,650	1,706
Annual number of reconciliations of withholdings processed	Not Avail.	Not Avail.	1,300	1,331	1,329
<i>Engineering Department</i>					
Capital Improvement (public & private) overseen by dept.	\$2,862,068	\$3,356,532	\$4,867,448	\$9,043,425	\$5,221,623
<i>Municipal Court</i>					
Number of Civil Cases	845	890	1,226	1,233	1,212
Number of Criminal cases	1,396	1,249	1,476	1,500	1,471
<i>Civil Service</i>					
Number of police entry tests administered	0	0	1	1	0
Number of police promotional tests administered	1	0	0	0	0
Number of hires of Police Officers from certified lists	0	0	5	2	0
Number of promotions from police certified lists	2	0	0	0	0

(continued)

**City of Lebanon, Ohio**  
*Operating Indicators by Function/Program (continued)*  
*Last Five Years (1)*

Function/Program	2002	2003	2004	2005	2006
<b>Building Department Indicators</b>					
Commercial Construction Permits Issued	83	86	78	99	99
Estimated Value of Commercial Construction	\$13,275,492	\$14,063,245	\$11,660,094	\$31,850,725	\$12,249,758
Residential Construction Building Permits issued	229	197	192	293	92
Estimated Value of Residential Construction	\$26,861,699	\$20,500,400	\$29,516,836	\$24,861,557	\$17,034,844
<b>Security of Persons &amp; Property</b>					
<b>Police</b>					
Total Calls for Services	23,421	23,258	23,038	23,389	25,475
Number of traffic citations issued	2,236	1,737	1,234	1,663	1,841
Number of parking citations issued	3,080	0	0	0	0
Number of criminal arrests	1,137	1,213	1,106	1,237	1,561
Number of accident reports completed	819	892	817	787	835
Part 1 Offenses (major offenses)	583	769	750	715	644
Animal Complaints	355	326	320	334	410
DUI Arrests	116	109	92	121	149
Traffic Crashes	469	495	426	421	440
Crash Injuries	149	124	120	128	143
Crash Deaths	0	2	0	0	0
Prisoners	204	194	192	276	389
Prisoner meal costs	\$1,491	\$2,351	\$2,251	\$3,793	\$7,486
Gasoline costs of fleet	\$51,938	\$35,104	\$44,815	\$48,477	\$57,754
<b>Fire</b>					
EMS Calls	1,814	1,947	2,058	2,000	2,037
Ambulance Billing Collections (net)	\$115,698	\$157,172	\$145,950	\$180,894	\$129,802
Fire Calls	Not Avail.	794	739	1,062	1,139
Fires with Loss	Not Avail.	54	48	42	50
Fires with Losses exceeding \$10K	Not Avail.	4	8	5	3
Fire Losses \$	Not Avail.	\$218,350	\$340,101	\$395,500	\$229,275
Fire Safety Inspections	Not Avail.	No Data	No Data	305	540
Number of times Mutual Aid given to Fire and EMS	Not Avail.	24	28	31	26
Number of times Mutual Aid received for Fire and EMS	Not Avail.	8	15	8	6
<b>Public Health and Welfare</b>					
Cemetery receipts (includes interfund transfers)	\$115,883	\$211,771	\$151,423	\$124,664	\$163,759

(continued)

City of Lebanon, Ohio  
 Operating Indicators by Function/Program (continued)  
 Last Five Years (1)

Function/Program	2002	2003	2004	2005	2006
<b>Leisure Time Activities</b>					
<i>Recreation Receipts</i>					
Football	\$20,135	\$9,049	\$16,730	\$1,095	\$0
Softball Leagues	3,540	3,835	4,550	4,500	0
Adult Basketball	1,710	1,800	4,650	3,975	0
Farmer's Market	0	0	0	0	1,250
Recreation Programs	2,651	420	3,776	3,545	15,030
Field Usage Fees	0	0	7,581	18,458	15,930
Summer Camp	14,925	0	0	0	0
Concession Stand	9,392	0	0	0	0
<b>Total Recreation Department receipts</b>	<b>\$52,353</b>	<b>\$15,104</b>	<b>\$37,287</b>	<b>\$31,573</b>	<b>\$32,210</b>
<b>Transportation</b>					
Crackseal Coating Program (Miles)	4.00	4.00	4.00	3.00	2.50
Street Repair (Curbs, aprons, berms, asphalt) (hours)	1,000	1,000	1,200	1,500	1,950
Street Sweeper (hours)	864	11,542	1,152	1,440	1,440
Cold Patch (hours)	60	100	100	180	210
After hours Sewer and Water Calls	No Data	No Data	141	180	224
Sewer Cleaning (feet)	61,804	10,596	22,700	40,460	51,030
Sewer jet, Vac-all, video (feet)	11,274	17,511	26,574	15,907	45,681
Landscaping Stump-Chipper service (hours)	100	100	120	160	200
Leaf collection (hours)	1,800	2,100	2,200	2,800	3,000
Downtown Square Repair after events (hours)	25	25	25	25	25
Equipment repair/body shop (hours)	4,160	4,160	4,160	4,160	4,160
Sign department (hours)	174	350	395	416	500
Tons of snow melting salt purchased (Nov-Mar)	262	1,687	1,123	3,427	542
Cost of salt purchased	\$11,228	\$52,780	\$36,022	\$115,441	\$22,927
<b>Water Department</b>					
Water Rates per 1st 2500 gallons of water used	\$6.09	\$8.10	\$8.50	\$8.92	\$9.19
Avg. number of water accounts billed monthly	6,200	6,400	6,600	6,800	7,000
Total Water Collections Annually	\$2,209,555	\$2,971,340	\$2,942,212	\$2,943,704	\$3,327,223
<b>Wastewater Department</b>					
Wastewater Rates per 1st 2500 gallons used	\$8.00	\$10.64	\$10.96	\$11.29	\$14.28
Total flow of wastewater treatment plant (MG)	1,060.000	1,012.000	978.000	1,031.000	1,028.000
Average daily flow (Millions of gallons per day)	2.900	2.800	2.700	2.800	2.800
Tons of dry sludge removed	293.00	225.00	584.00	498.00	461.00

- (1) Information prior to 2002 is not available  
 (2) Revenues and expenditures include interfund transfers

City of Lebanon, Ohio  
Capital Assets Statistics by Function/Program  
Last Five Years (1)

Function/Program	2002	2003	2004	2005	2006
<b>General Government</b>					
Square Footage Occupied	12,226	12,226	12,226	12,226	1,226
Administrative Vehicles	12	12	10	9	9
Inspection Vehicles	5	5	6	7	7
Information Technology	1	1	1	1	1
<b>Cemetery</b>					
Square Footage of Building	4,126	4,126	4,126	4,126	4,126
Vehicles	1	2	2	2	2
<b>Police</b>					
Stations	1	1	1	1	1
Square Footage of Building	17,610	17,610	17,610	17,610	17,610
Vehicles	20	22	17	21	21
<b>Fire</b>					
Stations	3	3	3	3	3
Square Footage of Building	17,331	17,331	17,331	17,331	17,331
Vehicles	18	18	18	21	21
<b>Recreation</b>					
Number of Parks	15	15	15	15	15
Number of Tennis Courts	6	6	6	6	6
Number of Baseball Diamonds	11	11	11	11	11
Number of Soccer Fields	20	22	24	24	27
Number of Community Access Buildings(2)	4	4	4	4	4
<b>Other Public Works</b>					
Streets (miles)	83.438	83.598	91.668	94.132	94.724
Service Vehicles	17	17	17	17	17
Auto Maintenance Internal Service	2	2	2	2	2
<b>Electric</b>					
Vehicles	18	18	18	21	20
<b>Sanitation</b>					
Vehicles	1	1	1	0	0
<b>Telecommunications</b>					
Vehicles	6	7	7	7	7
<b>Wastewater</b>					
Sanitary Sewers (miles)	77.107	80.694	77.243	80.877	81.744
Storm Sewers (miles)	36.663	37.311	39.520	46.224	47.598
Vehicles	10	9	9	9	9
<b>Water Department</b>					
Water Lines (miles)	81.870	82.742	81.597	84.100	84.870
Vehicles	7	8	8	8	9

(1) Information prior to 2002 is not available

(2) Community Buildings are available for non profit organizations meetings, food pantry and free store.

(3) Square footage is given in 2 dimensional

# Bastin & Company, LLC

*Certified Public Accountants*

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

The Honorable Members of City Council  
City of Lebanon, Ohio

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Warren County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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*.

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

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

Cincinnati, Ohio  
June 7, 2007





**Mary Taylor, CPA**  
Auditor of State

**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  
JULY 12, 2007**