



**Auditor of State
Betty Montgomery**

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

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**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	-	10.550	\$0	\$106,848	\$0	\$106,848
National School Breakfast Program	05PU-03/04	10.553	207,618	0	207,617	0
National School Lunch Program	LLP1/P4-03/04 VGS1-2003	10.555	675,628 10,863	0 0	675,628 10,863	0 0
Total U.S. Department of Agriculture - Nutrition Cluster			894,109	106,848	894,108	106,848
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education_Grants to States Program	6BSD-2003-P 6BSD-2004-P 6BSF-2003-P 6BSF-2004	84.027	26,997 32,978 (74,640) 690,471	0 0 0 0	29,997 32,939 111,892 673,881	0 0 0 0
Total Special Education Program			675,806	0	848,709	0
Special Education_Preschool Grant Program	PGD7-2003-P PGS1-2003-P PGS1-2004	84.173	4,940 (5,915) 13,997	0 0 0	4,940 3,139 13,637	0 0 0
Total Preschool Special Education Program			13,022	0	21,716	0
Total Special Education Cluster			688,828	0	870,425	0
Adult Education_State Grant Program	ABS1-2003 ABS1-2003-C ABS1-2004	84.002	23,360 16,858 46,433	0 0 0	4,073 16,858 56,477	0 0 0
Total Adult Education Program			86,651	0	77,408	0
Title 1 Grants to Local Educational Agencies Program	C1S1-2003 C1S1-2004	84.010	(197,232) 1,158,118	0 0	187,977 1,124,712	0 0
Total Title 1 Grant Program			960,886	0	1,312,689	0
Vocational Education_Basic Grants to States Program	20C1-2003 20C1-2004	84.048	20,047 85,461	0 0	21,582 110,654	0 0
Total Vocational Education Grant Program			105,508	0	132,236	0
Safe and Drug-Free Schools and Communities State Grants Program	DRS1-2001 DRS1-2003 DRS1-2004	84.186	(1,073) (5,427) 45,327	0 0 0	0 0 48,870	0 0 0
Total Safe and Drug-Free Schools Grant Program			38,827	0	48,870	0
Even Start_State Educational Agencies Program	EVS1-2004 EVS2-2003	84.213	94,992 196,000	0 0	167,645 299,154	0 0
Total Even Start Grant Program			290,992	0	466,799	0
Goals 2000_State and Local Education Systematic Improvement Grant Program	G2S2-2000 G2S2-2001	84.276	(14,037) (20,176)	0 0	0 910	0 0
Total Goals 2000 Grant Program			(34,213)	0	910	0

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Eisenhower Professional Development State Grants Program	MSS1-2002	84.281	(4,447)	0	0	0
Innovative Education Program Strategies	C2S1-2001	84.298	(80)	0	0	0
	C2S1-2003		(3,307)	0	13,222	0
	C2S1-2004		33,878	0	57,999	0
Total Innovative Education Program			<u>30,491</u>	<u>0</u>	<u>71,221</u>	<u>0</u>
Education Technology State Grants Program	TJS1-2003	84.318	(20,925)	0	0	0
	TJS1-2004		35,688	0	38,334	0
Total Education Technology State Grant Program			<u>14,763</u>	<u>0</u>	<u>38,334</u>	<u>0</u>
Comprehensive School Reform Demonstration Program	RFCC-2003	84.332	(10,736)	0	18,941	0
	RFCC-2004		10,736	0	16,411	0
Total Comprehensive School Reform Program			<u>0</u>	<u>0</u>	<u>35,352</u>	<u>0</u>
School Renovation Grants Program	ATS3-2002	84.352	0	0	989	0
	ATS4-2002		12,091	0	12,082	0
Total School Renovation Grant Program			<u>12,091</u>	<u>0</u>	<u>13,071</u>	<u>0</u>
Improving Teacher Quality Program	TRS1-2003	84.367	(103,500)	0	31,643	0
	TRS1-2004		233,800	0	391,919	0
Total Improving Teacher Quality Program			<u>130,300</u>	<u>0</u>	<u>423,562</u>	<u>0</u>
Total Department of Education			<u>2,320,677</u>	<u>0</u>	<u>3,490,877</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	-	93.778	132,947	0	132,947	0
Total U.S. Department of Health and Human Services			<u>132,947</u>	<u>0</u>	<u>132,947</u>	<u>0</u>
Totals			<u>\$3,347,733</u>	<u>\$106,848</u>	<u>\$4,517,932</u>	<u>\$106,848</u>

The accompanying notes to this schedule are an integral part of this schedule.

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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

NOTE D - TRANSFERS

CFDA #84.281 was eliminated due to the creation of CFDA #84.367. The District, therefore, transferred \$4,447 from 84.281 to 84.367.

The District also transferred \$4,268 from CFDA #84.298 to CFDA #84.367.

NOTE E - TRANSFERS BETWEEN COST CENTERS

In 2003, the grant periods were modified by ODE to agree with the fiscal year of school districts. The grant periods changed from a 27 month period ending on September 30 to a 12 month period ending on June 30. Transfers were made between the 2003 and 2004 grant years for the following grants:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Special Education Cluster:		
Special Education_Grants to States Program	84.027	\$74,640
Special Education_Preschool Grant Program	84.173	5,915
Title 1 Grants to Local Educational Agencies	84.010	197,232
Safe and Drug-Free Schools and Communities		
State Grant Program	84.186	5,427
Innovative Education Program Strategies	84.298	3,307
Education Technology State Grants Program	84.318	20,925
Comprehensive School Reform Program	84.332	10,736
Improving Teacher Quality	84.367	103,500

NOTE F - REFUND OF MONEY

Grant money was refunded to the Ohio Department of Education due to the expiration of the period of availability in the following grants:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Amount Refunded To ODE</u>
Safe and Drug-Free Schools and Communities			
State Grants Program	84.186	DRS1-2001	\$1,073
Goals 2000_State and Local Education	84.276	G2S2-2000	14,037
Systematic Improvement Grant		G2S2-2001	20,176
Innovative Education Program Strategies	84.298	C2S1-2001	80

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lancaster City School District
Fairfield County
111 South Broad Street
Lancaster, Ohio 43130

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Lancaster City School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 to 2004-005. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated December 14, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated December 14, 2004.

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Lancaster City School District
Fairfield County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 14, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS, INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Lancaster City School District
Fairfield County
111 South Broad Street
Lancaster, Ohio 43130

To the Board of Education:

Compliance

We have audited the compliance of the Lancaster City School District, Fairfield County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate dated December 14, 2004.

Schedule of Federal Awards Receipts and Expenditures

We have audited the basic financial statements of the governmental activities, the discretely presented component unit, the major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 14, 2004

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A - 133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified.
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified.
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	-Nutrition Cluster- #10.550, #10.553, and #10.555 -Title 1- #84.010 -Special Education Cluster - #84.027 and #84.173 -Vocational Education - #84.048
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A - 133 § .505
JUNE 30, 2004
(Continued)**

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

Finding Number 2004-001

Ohio Rev. Code Section 5705.36 requires that on or about the first day of each fiscal year, the Treasurer is to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Treasurer did not certify District fund balances to the County Auditor until June 29, 2004. The fiscal year began July 1, 2003. The lack of filing this certificate limits District management's ability to monitor appropriations made against total estimated resources as certified by the Budget Commission.

We recommend the District develop policies and procedures to ensure the Treasurer certifies the District's fund balances to the County Auditor when required.

Finding Number 2004-002

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures plus encumbrances exceeded total appropriations at June 30, 2004 as follows:

<u>Fund / Function</u>	<u>USAS Code</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General Fund				
Other Instruction	001-1900	\$1,230,181	\$1,891,535	(\$661,354)
Total	--	46,976,744	47,263,576	(286,823)

The error was attributed to an audit adjustment to reflect tuition proceeds received from the State for open enrollment adjustments from school foundation settlements. District tuition proceeds were erroneously recorded as a reduction of revenue which resulted in the understatement of receipts and expenditures.

We recommend the Treasurer request the Board to approve increased expenditure levels by amending estimated resources and increasing appropriations when necessary. The Treasurer should not process expenditures that exceed the appropriation limits established by the Board of Education. In addition, the Treasurer should ensure that future foundation settlements are allocated properly.

This matter was also communicated in the Fiscal Year 2003 audit management letter.

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A - 133 § .505
JUNE 30, 2004
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2004-003

Ohio Rev. Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following funds were found to have appropriations in excess of the amounts certified as available for expenditure:

<u>Fund</u>	<u>Total Certified Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
Community Grants	\$55,994	\$129,361	(\$73,367)
District Managed Activities	355,004	488,580	(133,576)
Auxiliary Services	762,387	936,949	(174,562)
School Net Professional Development	0	4,140	(4,140)
Summer School Intervention	23,256	121,323	(98,067)
Safe Schools Hotline	0	6,041	(6,041)
Entry Year Grant	146	6,600	(6,454)
Adult Basic Education	120,000	157,514	(37,514)
Title V	43,618	77,611	(33,993)
Drug Free Schools	26,500	53,242	(26,742)
Reducing Class Size	119,264	510,349	(391,085)
Even Start	382,901	506,424	(123,523)
Title VI-B	551,743	989,252	(437,509)
Title 1	1,271,112	1,614,482	(343,370)
Agriculture Education	0	3,000	(3,000)
Vocational Education	122,103	154,919	(32,816)
Permanent Improvements	24,622	705,000	(680,378)
Self-Insurance	6,184,808	8,251,719	(2,066,911)

The District did not certify their fund balances by the required date, did not file amended certificates throughout the year, and did not file the annual appropriation resolution and amendments with the County Auditor. Because the District did not certify their fund balances with the County Budget Commission as required by Ohio Rev. Code 5705.36, it did not obtain an Amended Certificate of Estimated Resources that contained accurate beginning fund balances and estimated receipts, nor did it obtain a County Auditor Certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. As a result, appropriations exceeded estimated resources.

We recommend the Board develop policies and procedures to ensure the appropriate documents are filed with the County Budget Commission and County Auditor in a timely manner throughout the year. We also recommend the Board review the Official and Amended Certificates of Estimated Resources when passing permanent appropriations and supplemental amendments.

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A - 133 § .505
JUNE 30, 2004
(Continued)**

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

Finding Number 2004-004

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which the fund was established. The existence of a deficit fund balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance.

The following funds had negative fund balances at month end throughout the fiscal year:

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
July 31, 2003	Self Insurance (024)	(\$300,936)
	Adult Basic Education (501)	(5,815)
	Vocational Education (524)	(1,755)
December 31, 2003	Self Insurance (024)	(272,697)
	Data Communications (451)	(1,624)
	Summer School Intervention (460)	(51,471)
	Vocational Education (461)	(3,800)
	Title VI-B (516)	(256,456)
	Vocational Education (524)	(4,082)
	Drug Free Grant (584)	(45,773)
March 31, 2004	Self Insurance (024)	(159,275)
	Data Communications (451)	(1,624)
	Vocational Education (461)	(6,785)
	Title VI-B (516)	(132,335)
	Vocational Education (524)	(17,716)
	Title 1 and Even Start Funds (572)	(58,176)
	Title VI (573)	(3,489)
	Drug Free Grant (584)	(37,643)
	Public School Preschool (587)	(2,459)
	Miscellaneous Grants (599)	(4,379)

The Treasurer should review fund balances as expenditures are made to ensure the appropriate cash fund balance is available. The Board of Education should review fund balance reports each month to ensure there are no negative fund balances. Transfers or advances should be approved and made, when necessary, so that fund balances do not become negative.

This matter was also communicated in the Fiscal Year 2003 audit management letter.

LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A - 133 § .505
JUNE 30, 2004
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2004-005

Ohio Revised Code Section 5705.412 requires the treasurer, superintendent, and president of the board of education to certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year.

The certificate must be attached to all appropriation measures *except* for temporary measures and to qualifying contracts such as wage or salary schedules, negotiated agreements, and other contracts that will exceed the lesser of the following amounts:

- \$500,000; and
- 1% of the general fund's total estimated revenues as certified in the District's most recent certificate of estimated resources under Ohio Rev. Code Section 5705.36.

The required certifications were not attached to the District's annual appropriation measure for fiscal year 2004, eleven appropriation amendments, and for the classroom modular lease, which was a qualifying contract.

We recommend the Treasurer, Superintendent, and Board President ensure that 412 certificates are prepared, signed, and attached when required and that copies of all signed 412 certificates be maintained. The "412" certificates were provided on November 23, 2004.

This matter was also communicated in the Fiscal Year 2003 audit management letter.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.505(b)
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Revised Code 5705.39, appropriations exceeding estimated revenues	No	Repeated as finding 2004-003.

Lancaster City School District, Ohio



Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2004

“A Community Focused on Student Achievement”

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Lancaster City School District, Ohio

Comprehensive Annual Financial Report
(CAFR)



For the Fiscal Year Ended June 30, 2004
Issued By: Treasurer's Office
Scott D. Osborne, Treasurer/CFO

LANCASTER CITY SCHOOL DISTRICT, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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LANCASTER CITY SCHOOL DISTRICT, OHIO
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Introductory Section



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LANCASTER CITY SCHOOLS

Education Service Center
111 South Broad Street
Lancaster, Ohio 43130-4376
Telephone 740-687-7300 Fax 740-687-7303

Denise D. Callihan, Ph.D.
Superintendent
Scott D. Osborne
Treasurer

BOARD MEMBERS
Patti R. Moore-President
Gary A. Mauller-Vice President
Pam Barnett
Rosemary Hajost
Charlie Smith

December 14, 2004

Board of Education Members and Citizens
Lancaster City School District

CITIZENS OF LANCASTER CITY SCHOOL DISTRICT, OHIO

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Lancaster City School District. This CAFR includes an opinion from the State Auditor and conforms to Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District.

EXPLANATION OF CAFR SECTIONS

This report will provide the taxpayers of Lancaster City School District with comprehensive financial data in a format that enables them to gain a clearer understanding of the School District's finances. Copies will be made available to the Fairfield County Public Library, major taxpayers, financial rating services, and other interested parties. We are proud to be one of the first school districts in Fairfield County to issue a CAFR and intend to continue financial reporting improvements based on management experience and reader input. Comments on the report are respectfully requested.

The comprehensive annual financial report is presented in three sections as follows:

1. The Introductory Section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the School District's organization chart, and a list of principal officials.
2. The Financial Section begins with the Independent Accountants' Report and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the School District's financial position and operating results, the Combining Statements for nonmajor funds, and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents selected social and economic data, financial trends, and the fiscal capacity of Lancaster City School District.

THE SCHOOL DISTRICT AND SERVICES PROVIDED

Lancaster City School District is located in the residential-commercial community of Lancaster, the county seat of Fairfield County, which is approximately thirty miles south of Columbus.

Lancaster was founded November 10, 1800, by Colonel Ebenezer Zane, a trail blazer who, in 1797, laid out "Zane's Trace," a trail through Ohio which stretches from Wheeling, West Virginia, to Limestone, Kentucky. His sons, Noah and John, laid out the original town from Pearl Street on the east to Front Street (now Memorial Drive) on the west and included Chestnut, Main, Wheeling, and Mulberry Streets running east and west between Pearl and Front Streets. The town was named New Lancaster at the request of the early German settlers from Lancaster, Pennsylvania, but was shortened to Lancaster in 1805.

General William Tecumseh Sherman was born in Lancaster, and his home on downtown Main Street is maintained by the State of Ohio as a Civil War Museum. Thomas Ewing, born in Lancaster in 1789, was one of the first graduates of Ohio University and later became a lawyer, a United States Senator, Secretary of the Treasury, and an advisor to President Lincoln.

Lancaster is home to the annual Lancaster Festival and the Zane Square Festival as well as the Heritage Tour, an annual tour of the beautiful and historic buildings and homes in Lancaster.

The Lancaster City School District was organized in the mid 1850's and continues to operate in the picturesque and historical setting of the Lancaster area. Over the years, in order to meet the needs of a growing community, the School District has expanded many times, and particularly in the mid 1950's and 1960's undertook initiatives to construct several new buildings as well as to modernize and enlarge several current buildings. The School District is now comprised of a modern high school (serving about 1200 students in grades 10-12) which houses an extensive physical education complex, a freshman school, two junior high schools (serving grades 7-8) appropriately named General Sherman Junior High and Thomas Ewing Junior High, and nine elementary schools. To date, the citizens of Lancaster have an investment of \$6,854,715 less depreciation in School District land, buildings, furniture and equipment, vehicles, and construction in progress.

Statutorily, the School District operates under standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 of the Ohio Revised Code, to provide education services authorized by charter, and further mandated by State and Federal agencies. The School District operates under a locally elected Board of Education which consists of five members. The Board controls the School District's thirteen instructional support facilities staffed by 271 non-certified employees, 433 certificated personnel, and 32 administrative employees who provide services to 6,107 students.

The School District provides a wide range of educational and support services as mandated by State statute or public desires. These include regular and vocational instruction, special instructional programs, student guidance services, extracurricular activities, and food service operations.

THE REPORTING ENTITY

The School District's reporting entity is comprised of the primary government and other organizations which are included to ensure that the financial statements are not misleading. The reporting entity has been defined in accordance with the principles established by the Governmental Accounting Standards Board (GASB) in Statement Number 14, "The Financial Reporting Entity" and in GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units".

Component units are legally separate organizations for which the School District is financially accountable. Financial accountability exists if the School District appoints a voting majority of the component unit's governing board and (1) the School District is able to significantly influence the programs or services performed or provided; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated in some manner to finance the deficits of, or provide financial support to the organization, or the School District is obligated for the debt of the organization. The Component Unit column of the financial statements presents the activity of the Lancaster-Fairfield Digital Academy.

The School District participates in the following jointly governed organizations: Metropolitan Educational Council, Fairfield County Council for Educational Collaboration, Coalition of Rural and Appalachian Schools, Central Ohio Special Education Regional Resource Center, Fairfield County Family, Adult, and Children First Council, the Fairfield County Multi-System Youth Committee, and the School Study Council of Ohio. Disclosure of the jointly governed organizations is presented in Note 19 to the Basic Financial Statements.

The School District takes part in the Ohio School Boards Association Workers' Compensation Group Rating Plan which is considered an insurance purchasing pool. Information pertaining to this pool is presented in Note 20 to the Basic Financial Statements.

ECONOMIC CONDITION AND OUTLOOK

Located in the south-central portion of the State, Lancaster, and Fairfield County of which it is a part, borders or buffers the urban expansion of Columbus (the capital city of Ohio) and the picturesque beauty of southeastern Ohio with its scenic attractions and rolling hills.

Lancaster has remained relatively stable for a number of years in population, but has changed more significantly within the past decade. In the 2000 census, the Lancaster community showed a population of 35,335 which is up from the 1990 census of 34,507. However, there are signs of increased growth activity, which if fully realized, could have a significant impact on the School District.

Signs of increased economical and numerical growth:

1. Development Construction for the U.S.Route 33 Lancaster Bypass to carry through US 33 traffic around the City continued in 2004. This "interstate look alike" highway with a divided four lane cross-section in limited access right-of-way will lesson traffic on Memorial Drive. This should attract consumers to shop at numerous businesses along this corridor, and attract new businesses to the corridor. Phase 1 of the project from US 22 north to existing US Route 33 at Plum Road near Carroll opened November 22, 2004. The remaining parts of the highway are to open in mid 2005.

Single residence housing activity remained strong in all parts of the City. River Valley Highlands, a joint Dominion Homes and Rockford Homes project continued expansion in 2004. The approved portions of River Valley Highlands will continue to supply building lots for another year.

An existing subdivision expanded and new developments were proposed on the City's west side. Construction of streets and utilities were completed for the second phase of Hunters Trace Part V, and construction infrastructure was underway for the 13 single residence lot Hunter Trace Part VI. Hunter Trace is off of US 22 on the far west side.

Along West Fair Avenue, another development in addition to The Overlook and the Villas at Roxton Ravine was underway in 2004. Misty Meadows will create 153 single residence lots when complete. Beazer Homes of Columbus will be the principal builder in this development.

On the northeast side, DBI Land Company has taken 93.35 acres of the undeveloped portions of the area to construct 203 single residence houses. Diyanni Homes will be the principal builder in the development. Ron Hawk is finalizing plans to continue on his Sheridan Rainbow Master Plan with 16 single-family lots in Sheridan Rainbow Division No. 12.

Condominium home construction entered the City strongly in 2003, and continued strong in 2004. Southgate Corporation was constructing Stone Glen Condominiums in the Wesley Hill Subdivision after having great success with its Stonington Village at the northeast corner of Wheeling Road and Pleasantville Road. The new project will add 44 units. Berry and Miller were preparing plats and plans for 100 units at the Villas at Roxton Ravine along the south side of Fair Avenue opposite Ety Road. Berry and Miller was still finishing construction on the Villas at Shermans Bluff along north SR37; it will total 104 units.

Other developers were preparing to enter the condominium market in the City. Rockford Homes is proposing a mixed-use planned unit development on the Collins Farm at the northwest corner of Ety Road and Fair Avenue. The Overlook will have 156 single-family houses, 60 condominium units and a commercial tract.

2. Commercial Interest in the US Route 33 Northwest, North Memorial Drive, corridor remained strong in 2004. Four "big-box" national retail chains are working with the Economic Development Director to construct a major retail center on vacant property along Ety Road just south of Memorial Drive. The owner of the Memorial Drive Plaza shopping center was investing in a "face lift" for the storefronts in this 1950's vintage shopping center. An anchor in that shopping center, Festival Foods completed a major expansion in 2003.

Fairfield Medical Center began a \$27.5 million expansion in 2003 which continued through 2004. The construction phase continued through 2004. A new medical office building along with a 600 car garage will be built, along with a roof top helipad. A three-story, 65,000 square foot addition to the hospital will enlarge the cafeteria and some of the laboratories.

3. Industrial Road improvements associated with the Lancaster Bypass will also enhance access to an industrial area of the City. Work on the interchange at SR 188 will result in the realignment of Delmont Road with that of a new stub street running north from SR 188 into the Rock Mill Corporate Park property. These improvements to Rock Mill Corporate Park should enhance the accessibility to the City's far west side industrial park, and thus spur interest for businesses to locate there. The City has aided the park's developer, the non-profit Lancaster Area Community Improvement Corporation (CIC) in developing the park since Anchor Hocking donated the park's land to CIC. CIC has worked with City leaders to attract new businesses and jobs to the park. The Economic Development Department of the City has reported greater interest in the Rock Mill properties since construction of the Bypass began.

4. An Air of Expectancy There continues to be an “air” of expectancy among the community in Lancaster. The growth in housing, in commerce, in industry, in hospital/nursing homes, and in the schools has (in a sense) awakened the community to change.

The School District The economics of the School District at the beginning of the fiscal 2003-2004 school year were in need of additional funding. The School District implemented \$2.2 million in budget reductions for the school year. With slightly increased funding from the State and with the additional funds provided by the community, the School District has been able to maintain opportunities. Later in the 2003-2004 school year, the community approved the passage of a three-year, 3.9 mill emergency operating tax levy. This will enable the School District to maintain current programs for the next 2 years. This additional money, coupled with an additional \$1.1 million in budget reductions for the 2004-2005 school year, the School District was and still is able to do the following:

1. Replace needed textbooks and instructional materials. We are making good progress in working with staff to replace textbooks in every instructional area within the next five years.
2. Continue our development of computer technology (equipment plus training of staff).
3. Continue our renovation projects within the buildings (replacement of roofs, windows, etc. where needed) and to continue to work on our communication systems (telephones, master clocks, and public address systems).

Economically, we are still counting on the re-structuring of the State of Ohio school financing structure so we will receive more funds from that source...as indicated by the Ohio State Supreme Court.

Summary While there are challenges in the operation of a community and in its schools, there are also some advantages. There is a spirit of cooperation between the City, the County, the schools, and the Ohio University branch to improve the quality of life in Lancaster. Other advantages are the location of Lancaster, favorable taxation rates, excellent city services, an excellent public school system, and the optimism of its leaders and its citizens.

MAJOR INITIATIVES

Current Year

The setting and reaching of either individual or “corporate” goals is a common method of striving for excellence in the Lancaster City School District and occurs in all areas of our school community. We are a “Community Focused on Student Achievement”.

There has been a significant thrust within the last few years to restructure our curricular programs, to replace all of our textbooks, to bring the School District into the computer age with large portions of the appropriations going to new computer equipment and to the training of staff, and to acknowledge and prepare for the growth that is coming to the School District. This past year we saw continuations within all of those areas.

There were a number of specific initiatives and accomplishments made during the fiscal year ended June 30, 2004. Some of those were as follows:

1. In our continuing effort to restructure our curricular programs:
 - The School District established the Lancaster-Fairfield Digital Academy in 2003. In its second year, the LFDA has provided on-line classroom instruction to an average of 30 students.

- Initiated all elementary teachers to utilize differentiated instruction in their regular classrooms.
 - The No Child Left Behind Task Force, a community endeavor, was formed as a means of expanding the collaborative efforts of those agencies that impact the early childhood years of our students.
 - The School District purchased new Leap Pad technology to use with students during the 2003-2004 school year.
 - At June 30, 2004, the School District was in the process of purchasing and installing eight modular classrooms to ease overcrowding and provide for a better learning environment.
2. The School District will continue developing procedures to enhance our public relations with the community.
 3. We have worked diligently this past year . . . involving professional staff, classified staff, parents, community, business leaders, consultants . . . to continue to implement the School District's Strategic Plan.

Along with the major initiatives listed above, all teachers and administrators have set goals for their classrooms and buildings or departments. All of the goals, whether individual or district-wide, have one common purpose---excellence in education for the students of the Lancaster City School District.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

In developing the School District's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system of control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures that the financial information generated is both accurate and reliable.

The Board of Education adopts the annual budget for the School District in early January. All disbursements and transfers of cash between funds require appropriation authority from the Board. All purchase order requests must be approved by the Treasurer; necessary appropriations are then encumbered and purchase orders released to vendors. Those requests which exceed the available appropriation are rejected until additional funds are secured. The School District's current accounting system provides interim financial reports which detail year-to-date expenditures and encumbrances versus appropriations and are available for review prior to authorizing additional purchases.

Each administrator is currently furnished with reports showing the status of the accounts for which they are responsible. The reports detail monthly revenue and expenditure transactions.

The basis of accounting and various funds the Lancaster City School District utilizes are fully described in Note 2 to the Basic Financial Statements. Additional information on the School District's budgetary accounting can also be found in Notes 2 and 5.

Financial Condition

This is the second year the School District has prepared financial statements in accordance with GASB 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". GASB 34 creates new basic financial statements for reporting on the School District's financial activities as follows:

Government-wide financial statements. These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by many businesses.

Fund financial statements. These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons. This statement presents comparisons of actual information to the legally adopted budget for the general fund. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

As part of this new model, management is responsible for preparing a Management Discussion and Analysis of the School District. This discussion follows this letter of transmittal, providing an assessment of the School District finances for fiscal year 2004. Because that discussion focuses on the major fund, other nonmajor funds are discussed briefly in this letter.

Financial Highlights – Internal Service Fund. The internal service fund carried on the financial records relates to self-insurance. This fund accounts for the revenues and expenses related to the provision of medical and dental benefits to School District employees. The internal service fund had deficit net assets of \$1,168,662 at June 30, 2004, compared with deficit net assets of \$1,139,417 at June 30, 2003, reflecting a net decrease of \$29,245. The deficit is due primarily to the School District having extremely high claim activity and the recognition of the claims liability within the fund. The School District is currently working to reduce the deficit and to establish a claims reserve. On November 1, 2004 the School District changed their medical third party administrator from Central Benefits to Anthem. The School District is projecting large savings due to this change. Anthem will save the School District money due to their negotiated agreements for payment of services to providers within Anthem's network.

Financial Highlights – Fiduciary Funds. The trust fund carried on the financial records of the School District is a private purpose trust fund that has net assets totaling \$39,116 at June 30, 2004.

CASH MANAGEMENT

The School District operates a cash management program designed to provide safety, liquidity, and yield. Funds are invested or deposited in Ohio State Treasurer's Investment Pool (STAR Ohio), daily repurchase agreements, federal securities, and demand deposit accounts. The total amount of interest earned for all funds was \$34,738 for the fiscal year ended June 30, 2004, \$31,446 being credited directly to the general fund. The cash management program is particularly successful because of access to daily balances which enables the School District to maintain minimum balance accounts and invest to the maximum extent.

A majority of the School District's deposits are collateralized by pooled collateral. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal at least 105 percent of the public funds on deposit. The collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions. The School District regularly reviews the market value of the pool to insure that adequate collateral is being provided.

PENSION PLANS

All School District employees are covered by either of the state-wide systems, School Employees Retirement System of Ohio (SERS) or State Teachers Retirement System of Ohio (STRS). The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District to pay the employer share as determined by each retirement system. The School District's contribution requirements for pension and health care benefits were \$3,455,586 paid as the employer portion to STRS and \$882,518 paid as the employer portion to SERS. See Note 12 and 13 to the Basic Financial Statements for complete details.

RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. The School District addressed these various types of risk by contracting with agent Berwanger Overmyer Associates a Hilb, Rogal, and Hamilton Company for insurance coverage with the Indiana Insurance Company.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in general aggregate. Other liability insurance includes \$1,000,000 for automotive liability with a \$500 deductible and \$1,000,000 for uninsured motorist liability with a \$500 deductible.

In addition, the School District maintains replacement cost insurance on buildings and contents in the amount of \$107,938,400 with a \$5,000 deductible. Inland marine is insured for \$6,433,871 with a \$1,000 deductible.

The School District also purchases various other types of insurance which are listed in Note 10 to the Basic Financial Statements.

INDEPENDENT AUDIT

State statute requires the School District to submit to an annual examination by an independent auditor. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. Independent auditor Betty Montgomery, Auditor of State, rendered an opinion on the School District's financial statements for fiscal year 2004. Pursuant to statute, the State prescribed a uniform accounting system to standardize accounting classification and financial reporting for all governments in Ohio. The School District adopted and has been in conformance with that system beginning with its financial report for 1979.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lancaster City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, with contents conforming to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Lancaster City School District has received a Certificate of Achievement for twelve years out of the last thirteen years. The School District did not submit a CAFR for the fiscal year ended June 30, 1995. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGMENTS

The publication of this report is a major step toward the commitment to professionalizing the financial reporting of the Lancaster City School District and significantly increases the accountability of the School District to the taxpayers.

The accomplishment of this report would not have been possible without the assistance, support, and efforts of the staff of the Treasurer's office, and various administrators and employees of the School District. A special thank you is extended to State Auditor Betty Montgomery's office for its guidance in preparing this financial report.

Finally, sincere appreciation is extended to the Superintendent and to the Board of Education, where the commitment to excellence begins. Without their support this CAFR would not have been possible.

Respectfully Submitted,



Scott D. Osborne
Treasurer/CFO
Lancaster City School District

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lancaster City School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



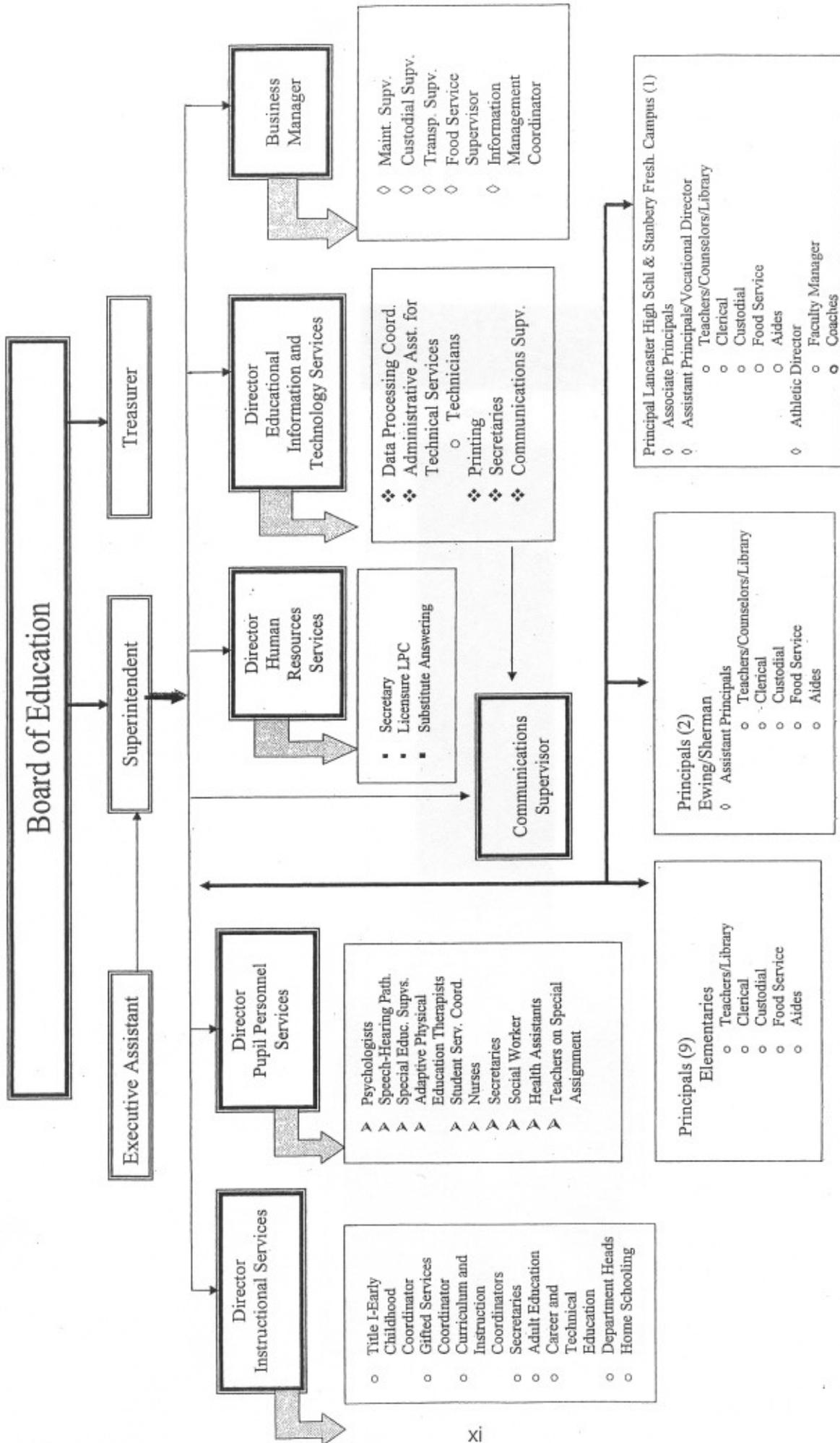
Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

Lancaster City Schools Leadership Team



LANCASTER CITY SCHOOL DISTRICT, OHIO

ORGANIZATION CHART

(Continued)

CENTRAL OFFICE
ADMINISTRATORS

- Secretary
- Custodian

PRINCIPALS, ASSISTANT PRINCIPALS
VOCATIONAL DIRECTOR

- Teachers
- Guidance Counselors
- Librarians
- Tutors
- Secretaries
- Educational Assistants
- Custodians

TREASURER

- Assistant Treasurer
- Payroll Clerk
- Account Clerk
- Secretary

PUPIL PERSONNEL
DIRECTOR

- School Psychologists

- Supervisors, Special
Education
- Coordinators, Special
Education
- Occupational Therapist
- Physical Therapist
- Adaptive Physical
Education Teacher
- Nurses
- Secretaries
- Custodians

DIRECTORS, SUPERVISORS
COORDINATORS

- Secretary

- Custodian

FOOD SERVICE
SUPERVISOR

- Managing
- Cooks
- Cooks
- Cashiers
- Secretary
- Account Clerk

MAINTENANCE/CUSTODIAL SUPERVISOR

- Journeyman
- Maintenance II
- Maintenance I
- Secretary
- Security Personnel

TRANSPORTATION SUPERVISOR

- Bus Driver
- Mechanic
- Wash Rack Attendant
- Secretary

LANCASTER CITY SCHOOL DISTRICT, OHIO
PRINCIPAL OFFICIALS
JUNE 30, 2004

BOARD OF EDUCATION

Mrs. Patti Moore President
Mr. Gary Mauller Vice President
Mrs. Pam Barnett Member
Mrs. Rosemary Hajost Member
Mr. Charlie Smith Member

Treasurer

Scott D. Osborne

Administration

Mrs. Dora Jean Bumgarner Interim Superintendent
Mr. Rob Walker Director of Human Resources
Mr. Jack Stiers Business Manager
Mr. Steven Clippinger Director of Educational Information and Technology
Mr. Stanley Krulia Director of Pupil Personnel
Mrs. Peggy Merton Director of Instructional Services

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Financial Section



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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lancaster City School District
Fairfield County
111 South Broad Street
Lancaster, Ohio 43130

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Lancaster City School District, Fairfield County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 discretely presented component unit, the major fund, and the aggregate remaining fund information of Lancaster City School District, Fairfield County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and the statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 14, 2004

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

As management of the Lancaster City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the Lancaster City School District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

Financial Highlights

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$960,160.
- General revenues accounted for \$43,518,683 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$10,390,715 or 19 percent of total revenues of \$53,909,398.
- Total assets of governmental activities decreased \$1,768,895 or 4.3 percent, as the major changes are a result of a decrease in equity in pooled cash and cash equivalents of \$2,853,230, a decrease in capital assets of \$598,126, an increase of \$496,576 in intergovernmental receivables, an increase of \$239,272 in prepaids, and an increase in taxes receivable of \$747,313. The decrease in cash and cash equivalents was due to the increase costs of day-to-day expenses (i.e. salaries, benefits, materials, and equipment). In March, 2004, the School District passed a 3.9 mill emergency tax levy. The tax collections will begin with the February, 2005 tax settlement.
- Total liabilities of governmental activities decreased from \$34,760,208 to \$33,951,473. Long-term liabilities such as capital leases, intergovernmental payables, and compensated absences make up 14 percent of the total liabilities.
- The School District had \$54,869,558 in expenses related to governmental activities; only \$10,390,715 of these expenses was offset by program specific charges for services, grants, contributions, and interest.
- The School District only has one major fund; the general fund. The general fund had \$46,582,153 in revenues and \$46,501,049 in expenditures. The general fund's balance increased \$158,318.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Lancaster City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the general fund.

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

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$32,127,040	\$33,297,809
Capital Assets	6,854,715	7,452,841
Total Assets	38,981,755	40,750,650
Liabilities		
Long-Term Liabilities	4,820,801	4,222,571
Other Liabilities	29,130,672	30,537,637
Total Liabilities	33,951,473	34,760,208
Net Assets		
Invested in Capital Assets, Net of Debt	6,821,223	7,107,841
Restricted	763,040	1,313,484
Unrestricted	(2,553,981)	(2,430,883)
Total Net Assets	\$5,030,282	\$5,990,442

Total assets decreased \$1,768,895. The majority of the decrease in current and other assets was due to a decrease in cash and cash equivalents of \$2,853,230. Capital assets decreased by \$598,126, intergovernmental receivables increased \$496,576, prepaids increased \$239,272, and taxes receivable increased by \$747,313. New in 2004 was a receivable for payment in lieu of taxes in the amount of \$251,920. The decrease in cash and cash equivalents was due to the increased costs of day-to-day expenses (i.e. salaries, benefits, materials, and equipment). The School District passed a 3.9 mill emergency tax levy on March 2, 2004. The revenues from this levy will generate approximately \$3.2 million per calendar year for three years and will begin with the February, 2005 tax settlement.

Total liabilities decreased \$808,735. The majority of the change was due to the decrease of \$2,149,661 in deferred revenue, \$193,534 decrease in contracts payable, the \$277,538 increase of intergovernmental payable, \$253,732 increase of accrued salaries and benefits, an increase of \$598,230 in long term liabilities, and an increase in claims payable of \$393,590.

The overall increase in the long-term liabilities of \$598,230 is a result of new capital lease issuance of \$700,000 and the retirement of the Energy Conservation Note of \$345,000, the increase of intergovernmental payable of \$19,928, and the net increase of \$223,302 in compensated absences payable. The decrease in other liabilities is due mainly to the decrease in deferred revenue. The deferred revenue decrease is directly related to the increase in the amount available at June 30, 2004 from the Fairfield County Auditor which is recognized as taxes revenue on the financial statements.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004, and comparisons to fiscal year 2003.

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues		
Charges for Services	\$2,788,532	\$1,873,837
Operating Grants, Contributions, and Interest	7,515,221	7,593,348
Capital Grants and Contributions	86,962	130,167
Total Program Revenues	<u>10,390,715</u>	<u>9,597,352</u>
General Revenues		
Property Taxes	25,793,658	22,780,715
Grants and Entitlements	17,426,697	17,575,519
Gain on Sale of Capital Assets	4,610	0
Revenue in Lieu of Taxes	251,920	0
Unrestricted Contributions	1,193	0
Investment Earnings	36,063	136,182
Miscellaneous	4,542	59,048
Total General Revenues	<u>43,518,683</u>	<u>40,551,464</u>
Total Revenues	<u>53,909,398</u>	<u>50,148,816</u>
Program Expenses		
Instruction		
Regular	22,052,347	20,367,452
Special	7,025,886	6,656,191
Vocational	2,531,200	2,595,702
Adult/Continuing	173,621	159,410
Support Services		
Pupil	2,904,142	2,898,958
Instructional Staff	3,641,341	3,579,711
Board of Education	91,367	65,509
Administration	4,420,010	4,466,070
Fiscal	1,213,261	1,059,217
Business	354,735	414,309
Operation and Maintenance of Plant	4,715,175	4,330,316
Pupil Transportation	1,653,057	1,637,916
Central	330,620	319,329
Operation of Non-Instructional Services:		
Food Service Operations	2,096,921	1,832,795
Other	816,371	890,972
Extracurricular Activities	846,956	909,644
Interest and Fiscal Charges	2,548	17,479
Total Expenses	<u>54,869,558</u>	<u>52,200,980</u>
Decrease in Net Assets	<u>(\$960,160)</u>	<u>(\$2,052,164)</u>

Lancaster City School District, Ohio
Management's Discussion and Analysis
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Over the past several years the School District has experienced a significant amount of growth. The School District is located in Fairfield County, and includes all of the City of Lancaster and parts of Greenfield, Pleasant, and Berne townships within Fairfield County. The total assessed values, upon which taxes are collected, increased by \$6,063,194 from 2003 to 2004.

In March 2004, the School District passed a 3 year 3.9 mill Emergency Operating Levy. This will generate an additional \$3.2 million dollars over the next 3 years to allow the School District to provide current levels of opportunity. The School District also implemented an additional \$1.1 million in budget reductions in May 2004. These reductions, coupled with the \$2.2 million made in May 2003, will allow the School District to maintain current levels of opportunity over the next couple of years.

The DeRolf IV decision has not eliminated the dependence on property taxes. The fundamental reliance on property taxes is still inherent with public schools in Ohio. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decrease as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 48 percent of revenues for governmental activities for the Lancaster City School District in fiscal year 2004. The State still has not fixed the funding system although there is hope for some change as the result of any recommendations from the Governors Blue Ribbon Task Force created as a result of DeRolf IV.

The increase in program revenues is due mainly to the receipt of open enrollment revenues being posted at gross in 2004 and at net in 2003, due to the way it is being reported on the State Foundation settlement. Due to this accounting change, charges for services increased \$661,354 in 2004. Additional increases in 2004's charges for services were due to the reinstatement of "pay to play" which generated approximately \$13,000, additional charges to students at the elementary levels for workbooks and class fees which generated approximately \$36,000, an increase in the school lunch program revenues of approximately \$54,000, increases in excess costs of approximately \$14,000, and an increase in sub reimbursements and administrative fees of approximately \$84,000. The remaining increases are not attributable to any one area but relate to the general increase of activity across all of the School District's programs.

Instruction comprises approximately 58 percent of governmental program expenses and support services make up approximately 35 percent of the program expenses of the School District.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

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Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2004	2004	2003	2003
Program Expenses				
Instruction:				
Regular	\$22,052,347	\$20,556,203	\$20,367,452	\$19,295,113
Special	7,025,886	4,485,289	6,656,191	3,802,462
Vocational	2,531,200	1,932,093	2,595,702	1,992,217
Adult/Continuing	173,621	(6,412)	159,410	(25,640)
Support Services:				
Pupil	2,904,142	2,414,179	2,898,958	2,321,384
Instructional Staff	3,641,341	2,676,048	3,579,711	2,827,093
Board of Education	91,367	91,367	65,509	65,509
Administration	4,420,010	4,094,882	4,466,070	4,265,695
Fiscal	1,213,261	1,146,109	1,059,217	1,037,289
Business	354,735	354,675	414,309	414,303
Operation and Maintenance				
of Plant	4,715,175	4,651,057	4,330,316	4,277,327
Pupil Transportation	1,653,057	1,511,587	1,637,916	1,436,905
Central	330,620	203,940	319,329	246,535
Operation of Non-Instructional Services:				
Food Service Operations	2,096,921	(4,398)	1,832,795	(83,876)
Other	816,371	(106,924)	890,972	60,367
Extracurricular Activities	846,956	476,600	909,644	653,466
Interest and Fiscal Charges	2,548	2,548	17,479	17,479
Totals	<u>\$54,869,558</u>	<u>\$44,478,843</u>	<u>\$52,200,980</u>	<u>\$42,603,628</u>

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2004, only 19 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 81 percent is provided through taxes and entitlements.

The School District's Major Fund

The School District's major fund (the general fund) is accounted for using the modified accrual basis of accounting. The major fund had total revenues of \$46,582,153, expenditures of \$46,501,049, and other financing sources of \$77,214. To address the small carryover fund balance, the School District passed an

Lancaster City School District, Ohio
Management's Discussion and Analysis
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emergency operating tax levy on March 2, 2004. Tax collections will begin with the February 2005 tax settlement. This levy was passed to increase revenues and to help rebuild the carryover cash. Due to the implementation of \$2.2 million in expenditure reductions that became effective August 1, 2003, the School District was able to show a 2004 fund balance net change of \$158,318 compared to (\$4,561,129) in 2003. The School District hopes to increase that carry-over balance with the additional tax revenue in 2005 and also with the additional \$1.1 million in budget reductions effective August 1, 2004.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the School District amended its general fund budget, but not significantly. The School District closely monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

For the general fund, budget basis revenue was \$43,383,319, which was above original estimates of \$43,278,743 for a difference of \$104,576.

The School District's ending unobligated cash balance was \$1,730,671.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$6,854,715 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
 Capital Assets at June 30, 2004
 (Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$531,089	\$496,060
Land Improvements	673,999	704,912
Buildings and Improvements	3,459,229	3,687,827
Furniture and Equipment	1,263,187	1,465,810
Vehicles	893,719	1,098,232
Construction in Progress	33,492	0
Totals	\$6,854,715	\$7,452,841

Lancaster City School District, Ohio
Management's Discussion and Analysis
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During fiscal year 2004, the School District received a land donation, made land improvements, purchased various equipment and furniture, and began some construction on modular buildings at Tarhe Elementary. See Note 9 for more detailed information of the School District's capital assets.

Debt

During June 30, 2004, the School District retired an energy conservation note of \$345,000 and entered into a capital lease for \$700,000. Due to prudent spending and continuous monitoring of all revenues and expenditures, our bond rating is A.

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities 2004	Governmental Activities 2003
1993 Energy Conservation Note	\$0	\$345,000
Capital Leases	700,000	0
Totals	\$700,000	\$345,000

See Note 15 for more detailed information of the School District's debt.

Economic Factors

Lancaster City School District enacted \$1.1 million in budget cuts effective August 1, 2004. This budget cut was in addition to the \$2.2 million cuts made August 1, 2003. This budget reduction was necessary to provide current levels of opportunity. The School District Board of Education approved these \$1.1 million cuts in May, 2004 and will continue to monitor and evaluate the financial condition of the School District and make necessary adjustments when needed. However, the School District voters passed a 3.9 mill operating levy placed on March 2, 2004 with tax collections beginning in February 2005. As the preceding information shows, the School District depends on its property taxpayers. Based on the current financial situation, the ability to maintain current program and staffing levels, and the approval of the operating levy the School District should be able to maintain current levels of opportunity.

Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Scott D. Osborne, Treasurer/CFO, Lancaster City School District, 111 South Broad Street, Lancaster, Ohio 43130. Or E-Mail at S.OSBORNE@LANCASTER.K12.OH.US.

Lancaster City School District, Ohio

Statement of Net Assets

June 30, 2004

	Primary Government	Component Unit
	Governmental Activities	Lancaster-Fairfield Digital Academy
Assets		
Cash and Cash Equivalents	\$4,317,983	\$0
Cash and Cash Equivalents with Fiscal Agents	727,461	0
Cash and Cash Equivalents in Segregated Accounts	180	66,708
Restricted Assets:		
Cash and Cash Equivalents	0	21,700
Materials and Supplies Inventory	246,724	0
Inventory Held for Resale	30,860	0
Accounts Receivable	10,184	0
Accrued Interest Receivable	29,123	0
Due from Component Unit	8,296	0
Intergovernmental Receivable	882,090	0
Restricted Assets:		
Intergovernmental Receivable	0	110,000
Prepays	307,686	0
Payment in Lieu of Taxes Receivable	251,920	0
Property Taxes Receivable	25,314,533	0
Nondepreciable Capital Assets	564,581	0
Depreciable Capital Assets, Net	6,290,134	92,944
<i>Total Assets</i>	<u>38,981,755</u>	<u>291,352</u>
Liabilities		
Accounts Payable	535,821	0
Accrued Salaries and Benefits Payable	4,943,878	0
Contracts Payable	5,190	0
Matured Sick Leave Benefit Payable	18,393	0
Retirement Incentive Payable	127,000	0
Claims Payable	1,315,887	0
Accrued Interest Payable	1,240	0
Intergovernmental Payable	1,859,798	2,651
Due to Primary Government	0	2,296
Payable from Restricted Assets:		
Due to Primary Government	0	6,000
Deferred Revenue	20,323,465	1,763
Long-Term Liabilities:		
Due Within One Year	843,853	0
Due In More Than One Year	3,976,948	0
<i>Total Liabilities</i>	<u>33,951,473</u>	<u>12,710</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	6,821,223	92,944
Restricted for:		
Capital Projects	15,374	0
Bus Purchase	19,290	0
Other Purposes	728,376	125,700
Unrestricted (Deficit)	(2,553,981)	59,998
<i>Total Net Assets</i>	<u>\$5,030,282</u>	<u>\$278,642</u>

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$22,052,347	\$912,958	\$568,428	\$14,758
Special	7,025,886	151,759	2,377,886	10,952
Vocational	2,531,200	24,241	546,790	28,076
Adult/Continuing	173,621	77,251	102,782	0
Support Services:				
Pupil	2,904,142	1,659	487,360	944
Instructional Staff	3,641,341	2,245	959,421	3,627
Board of Education	91,367	0	0	0
Administration	4,420,010	26,760	296,331	2,037
Fiscal	1,213,261	56,137	11,015	0
Business	354,735	60	0	0
Operation and Maintenance of Plant	4,715,175	61,286	0	2,832
Pupil Transportation	1,653,057	10,574	111,606	19,290
Central	330,620	58,000	68,581	99
Operation of Non-Instructional Services:				
Food Service Operations	2,096,921	1,043,715	1,054,921	2,683
Other	816,371	880	922,316	99
Extracurricular Activities	846,956	361,007	7,784	1,565
Interest and Fiscal Charges	2,548	0	0	0
<i>Total Primary Government</i>	<u>\$54,869,558</u>	<u>\$2,788,532</u>	<u>\$7,515,221</u>	<u>\$86,962</u>
Component Unit				
Lancaster-Fairfield Digital Academy	<u>\$274,915</u>	<u>\$0</u>	<u>\$231,112</u>	<u>\$0</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted to Specific Programs

Gain on Sale of Capital Assets

Payment in Lieu of Taxes

Unrestricted Contributions

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Unit
Governmental Activities	Lancaster-Fairfield Digital Academy
(\$20,556,203)	\$0
(4,485,289)	0
(1,932,093)	0
6,412	0
(2,414,179)	0
(2,676,048)	0
(91,367)	0
(4,094,882)	0
(1,146,109)	0
(354,675)	0
(4,651,057)	0
(1,511,587)	0
(203,940)	0
4,398	0
106,924	0
(476,600)	0
(2,548)	0
(44,478,843)	0
0	(43,803)
25,445,572	0
348,086	0
17,426,697	153,001
4,610	
251,920	
1,193	
36,063	0
4,542	0
43,518,683	153,001
(960,160)	109,198
5,990,442	169,444
<u>\$5,030,282</u>	<u>\$278,642</u>

Lancaster City School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$2,383,693	\$1,227,566	\$3,611,259
Cash and Cash Equivalents in Segregated Accounts	180	0	180
Restricted Assets:			
Cash and Cash Equivalents	19,290	0	19,290
Cash and Cash Equivalents With Fiscal Agents	0	666,645	666,645
Receivables:			
Property Taxes	25,314,533	0	25,314,533
Payment in Lieu of Taxes	251,920	0	251,920
Accounts	6,033	4,151	10,184
Intergovernmental	98,248	783,842	882,090
Accrued interest	29,123	0	29,123
Interfund	402,567	320	402,887
Due from Component Unit	8,296	0	8,296
Prepays	730,484	161,107	891,591
Inventory Held for Resale	0	30,860	30,860
Materials and Supplies Inventory	233,183	13,541	246,724
<i>Total Assets</i>	<u>\$29,477,550</u>	<u>\$2,888,032</u>	<u>\$32,365,582</u>
Liabilities			
Accounts Payable	\$344,009	\$174,692	\$518,701
Contracts Payable	4,240	0	4,240
Payable from Restricted Assets:			
Contracts Payable	0	950	950
Accrued Salaries and Benefits Payable	4,385,007	558,871	4,943,878
Intergovernmental Payable	1,345,676	85,626	1,431,302
Matured Sick Leave Benefit Payable	13,067	5,326	18,393
Interfund Payable	320	402,567	402,887
Retirement Incentive Payable	123,500	3,500	127,000
Deferred Revenue	22,041,984	182,176	22,224,160
<i>Total Liabilities</i>	<u>28,257,803</u>	<u>1,413,708</u>	<u>29,671,511</u>
Fund Balances			
Reserved for Encumbrances	511,473	779,040	1,290,513
Reserved for Property Taxes	2,476,535	0	2,476,535
Reserved for Bus Purchase	19,290	0	19,290
Unreserved, Undesignated, Reported in:			
General Fund	(1,787,551)	0	(1,787,551)
Special Revenue Funds	0	624,719	624,719
Capital Projects Funds	0	70,565	70,565
<i>Total Fund Balances</i>	<u>1,219,747</u>	<u>1,474,324</u>	<u>2,694,071</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$29,477,550</u>	<u>\$2,888,032</u>	<u>\$32,365,582</u>

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances		\$2,694,071
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,854,715
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	1,367,384	
Payment in Lieu of Taxes	251,920	
Reimbursements from the Component Unit	8,079	
Accrued Interest	5,673	
Tuition from Other Districts	85,463	
Grants	182,176	1,900,695
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(1,168,662)
Intergovernmental payables includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(428,496)
Long-term liabilities, including capital leases payable, and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(700,000)	
Intergovernmental Payable	(19,928)	
Accrued Interest Payable	(1,240)	
Compensated Absences Payable	(4,100,873)	(4,822,041)
Net Assets of Governmental Activities		\$5,030,282

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$25,845,408	\$348,086	\$26,193,494
Intergovernmental	19,360,710	5,508,380	24,869,090
Interest	31,446	2,916	34,362
Tuition and Fees	1,213,130	33,936	1,247,066
Charges for Services	0	1,035,095	1,035,095
Rent	45,256	765	46,021
Extracurricular Activities	82,547	358,927	441,474
Gifts and Donations	1,193	59,022	60,215
Miscellaneous	2,463	0	2,463
<i>Total Revenues</i>	<u>46,582,153</u>	<u>7,347,127</u>	<u>53,929,280</u>
Expenditures			
Current:			
Instruction:			
Regular	21,069,501	633,064	21,702,565
Special	5,425,705	1,438,579	6,864,284
Vocational	2,431,796	77,880	2,509,676
Adult/Continuing	61,986	111,635	173,621
Support Services:			
Pupils	2,315,062	563,487	2,878,549
Instructional Staff	2,527,759	1,124,327	3,652,086
Board of Education	90,980	0	90,980
Administration	4,197,453	179,133	4,376,586
Fiscal	1,177,786	13,833	1,191,619
Business	353,989	47	354,036
Operation and Maintenance of Plant	4,608,306	1,792	4,610,098
Pupil Transportation	1,491,584	2,809	1,494,393
Central	250,689	76,833	327,522
Operation of Non-Instructional Services:			
Food Service Operations	0	2,095,796	2,095,796
Other Non-Instructional Services	2,013	822,454	824,467
Extracurricular Activities	496,440	296,513	792,953
Capital Outlay	0	66,363	66,363
Debt Service:			
Principal Retirement	0	345,000	345,000
Interest and Fiscal Charges	0	7,849	7,849
<i>Total Expenditures</i>	<u>46,501,049</u>	<u>7,857,394</u>	<u>54,358,443</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>81,104</u>	<u>(510,267)</u>	<u>(429,163)</u>
Other Financing Sources			
Proceeds from Sale of Fixed Assets	77,214	0	77,214
Proceeds from Capital Lease	0	700,000	700,000
<i>Total Other Financing Sources</i>	<u>77,214</u>	<u>700,000</u>	<u>777,214</u>
<i>Net Change in Fund Balances</i>	158,318	189,733	348,051
<i>Fund Balances Beginning of Year</i>	<u>1,061,429</u>	<u>1,284,591</u>	<u>2,346,020</u>
<i>Fund Balances End of Year</i>	<u>\$1,219,747</u>	<u>\$1,474,324</u>	<u>\$2,694,071</u>

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$348,051

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

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

Capital Asset Additions	142,025	
Capital Contributions	35,029	
Depreciation Expense	(702,576)	(525,522)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds and the loss on disposal of assets:

Gain on disposal of capital assets	4,610	
Proceeds from sale of capital assets	(77,214)	(72,604)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Interest	4,175	
Reimbursements from the Component Unit	8,079	
Grants	63,265	
Delinquent Taxes	(399,836)	
Revenue in Lieu of Taxes	251,920	
Tuition from Other School Districts	12,876	(59,521)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 345,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 5,301

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability. (700,000)

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

Intergovernmental Payable	(48,318)	
Compensated Absences Payable	(223,302)	(271,620)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities.

Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (29,245)

Change in Net Assets of Governmental Activities (\$960,160)

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$23,190,250	\$23,190,250	\$22,543,825	(\$646,425)
Intergovernmental	18,873,311	18,873,311	19,398,140	524,829
Interest	500,000	500,000	80,568	(419,432)
Tuition and Fees	578,682	578,682	1,229,171	650,489
Rent	44,000	44,000	44,550	550
Extracurricular Activities	92,500	92,500	82,547	(9,953)
Gifts and Donations	0	0	1,193	1,193
Miscellaneous	0	0	3,325	3,325
<i>Total Revenues</i>	43,278,743	43,278,743	43,383,319	104,576
Expenditures				
Current:				
Instruction:				
Regular	19,314,290	19,220,954	19,192,231	28,723
Special	5,217,541	5,357,895	5,351,491	6,404
Vocational	2,498,202	2,447,881	2,438,706	9,175
Adult/Continuing	82,189	64,622	60,790	3,832
Other	937,987	1,230,181	1,891,535	(661,354)
Support Services:				
Pupils	2,342,960	2,336,258	2,327,241	9,017
Instructional Staff	3,146,693	2,694,728	2,658,439	36,289
Board of Education	75,024	168,285	168,285	0
Administration	3,973,821	4,302,404	4,227,425	74,979
Fiscal	1,081,927	1,101,508	1,100,941	567
Business	491,898	486,533	346,649	139,884
Operation and Maintenance of Plant	5,262,486	5,108,436	5,092,660	15,776
Pupil Transportation	1,618,001	1,669,964	1,654,337	15,627
Central	275,135	272,495	259,308	13,187
Extracurricular Activities	520,300	514,600	493,538	21,062
<i>Total Expenditures</i>	46,838,454	46,976,744	47,263,576	(286,832)
<i>Excess of Revenues Under Expenditures</i>	(3,559,711)	(3,698,001)	(3,880,257)	(182,256)
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	10,000	10,000	77,214	67,214
Advances In	30,000	30,000	28,770	(1,230)
Advances Out	(25,000)	(405,950)	(402,557)	3,393
Transfers Out	(49,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	(34,000)	(365,950)	(296,573)	69,377
<i>Net Change in Fund Balance</i>	(3,593,711)	(4,063,951)	(4,176,830)	(112,879)
<i>Fund Balance Beginning of Year</i>	4,763,147	4,763,147	4,763,147	0
<i>Prior Year Encumbrances Appropriated</i>	1,144,354	1,144,354	1,144,354	0
<i>Fund Balance End of Year</i>	\$2,313,790	\$1,843,550	\$1,730,671	(\$112,879)

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2004

	Employee Benefits Self Insurance
Current Assets	
Cash and Cash Equivalents	\$687,434
Cash and Cash Equivalents with Fiscal Agents	60,816
<i>Total Assets</i>	<u>748,250</u>
Current Liabilities	
Accounts Payable	17,120
Deferred Revenue	583,905
Claims Payable	1,315,887
<i>Total Liabilities</i>	<u>1,916,912</u>
Net Assets	
Unrestricted (Deficit)	<u><u>(\$1,168,662)</u></u>

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
*Statement of Revenues,
Expenses, and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2004*

	Employee Benefits Self Insurance
Operating Revenues	
Charges for Services	\$6,499,281
Operating Expenses	
Purchased Services	366,699
Claims	6,161,827
<i>Total Operating Expenses</i>	6,528,526
<i>Change in Net Assets</i>	(29,245)
<i>Net Assets (Deficit) Beginning of Year</i>	(1,139,417)
<i>Net Assets (Deficit) End of Year</i>	(\$1,168,662)
See accompanying notes to the basic financial statements	

Lancaster City School District, Ohio
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Employee Benefits Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$6,621,539
Cash Payments to Suppliers for Services	(349,579)
Cash Payments for Claims	(5,768,237)
<i>Net Increase in Cash and Cash Equivalents</i>	503,723
<i>Cash and Cash Equivalents Beginning of Year</i>	244,527
<i>Cash and Cash Equivalents End of Year</i>	\$748,250
Reconciliation of Operating Loss to	
Net Cash Provided by Operating Activities:	
Operating Loss	(\$29,245)
Adjustments to Reconcile	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	950
Increase in Accounts Payable	17,120
Increase in Deferred Revenue	121,308
Increase in Claims Payable	393,590
<i>Net Cash Provided by Operating Activities</i>	\$503,723

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	Private Purpose	
	Trust	
	<u>Endowment</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$39,116</u>	<u>\$77,559</u>
<i>Total Assets</i>	<u>\$39,116</u>	<u>\$77,559</u>
Liabilities		
Due to Students	<u>0</u>	<u>77,559</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$77,559</u>
Net Assets		
Held in Trust for Scholarships	<u>39,116</u>	
<i>Total Net Assets</i>	<u>\$39,116</u>	

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

	Endowment
Additions	
Interest	\$376
Deductions	
Scholarships Awarded	384
<i>Change in Net Assets</i>	(8)
<i>Net Assets Beginning of Year</i>	39,124
<i>Net Assets End of Year</i>	\$39,116
See accompanying notes to the basic financial statements	

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the School District and Reporting Entity

Lancaster City School District (the "School District"), created in the 1850's, is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The Board controls the School District's thirteen instructional support facilities staffed by 271 non-certificated employees, 433 certificated personnel, and 32 administrative employees who provide services to 6,107 students and other community members.

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 School District consists of all funds, departments, agencies and offices that are not legally separate from the School District. For Lancaster City School District, this includes general operations, food service, and student related activities of the School District.

The following activities are included within the reporting entity:

Private Schools - William V. Fisher Catholic School, Saint Bernadette School, Faith Academy, Fairfield Christian Academy, Seventh Day Adventist School, and Saint Mary's School are private schools operated within the School District boundaries. Current State legislation provides funding to these private schools. These monies are received and disbursed on behalf of the private schools by the Treasurer of the School District, as directed by the private schools. This activity is presented in a special revenue fund.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes.

Discretely Presented Component Unit. The component unit information on the Statement of Net Assets and the Statement of Activities identifies the financial data of the School District's Component Unit, Lancaster-Fairfield Digital Academy. It is reported separately to emphasize that it is legally separate from the School District.

Lancaster-Fairfield Digital Academy. Lancaster-Fairfield Digital Academy (LFDA) (formally known as the Lancaster Digital Academy) is a legally separate community school created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The LFDA's mission, under a contractual agreement with the School District (LFDA's sponsor), is to enhance and facilitate student learning by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement instruction and prepare students to become lifelong learners and productive citizens. The LFDA serves students within the School District. The LFDA is operated by

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

a Board of Directors made up of seven voting members. The Board of Directors is appointed as follows: five representatives from the School District, one representative that is a public educator or other public official, and one representative from the Tri-Rivers Educational Computer Association which will be replaced by a person representing the interests of parents and students of the LFDA after one year. The School District is able to impose their will on the LFDA. The School District can suspend the LFDA's operations for any of the following reasons: 1) The LFDA's failure to meet student performance requirements stated in its contract with the School District, 2) The LFDA's failure to meet generally accepted standards of fiscal management, 3) The LFDA's violation of any provisions of the contract with the School District or applicable state or federal law, and 4) Other good cause. Separately issued financial statements can be obtained from the Lancaster-Fairfield Digital Academy, 111 South Broad Street, Lancaster, Ohio 43130.

The School District participates in seven jointly governed organizations and one insurance purchasing pool. These organizations are the Metropolitan Educational Council, Fairfield County Council for Educational Collaboration, Coalition of Rural and Appalachian Schools, Central Ohio Special Education Regional Resource Center, Fairfield County Family, Adult, and Children First Council, Fairfield County Multi-System Youth Committee, School Study Council of Ohio, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District'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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational 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 School District. The comparison of direct expenses with program revenues identifies

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District 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 School District at this more detailed level. The focus of governmental financial statements is on major funds. The School District's major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically 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 purposes 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 is a description of the School District's major governmental fund:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, surgical, prescription drug, and dental claims.

Fiduciary Fund Type 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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

C. Measurement Focus

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

The private purpose trust fund is reported using the economic resources measurement focus.

D. 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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

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 June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the 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.

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

The purpose of 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 governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "cash and cash equivalents" on the financial statements.

The School District's self insurance internal service fund has a balance on hand at the third party administrators of the medical and dental self insurance programs which is presented as "cash and cash equivalents with fiscal agents".

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$31,446, which includes \$6,378 assigned from other School District funds.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the fiscal year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used.

Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

H. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-30 years
Buildings and Improvements	20-50 years
Machinery and Equipment	5-15 years
Furniture and Fixtures	5-20 years
Vehicles	5-10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund represent unexpended revenues restricted for the purchase of buses. Restricted assets in the permanent improvement capital projects fund represent unexpended lease proceeds restricted for the purchase and installation of modular buildings.

K. Compensated Absences

Vacation benefits 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for employees with accumulated unused vacation time when earned.

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 School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after ten years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured sick leave benefit payable" in the funds from which these payments will be made.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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 judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes and capital leases are recognized as a liability on the governmental fund financial statements when due.

M. Interfund Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

N. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Q. 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.

R. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, 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 the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the function level. The treasurer has been authorized to allocate Board appropriations among objects within a fund and function during the fiscal year.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the original certificate. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the original certificate since no amendments were certified with the Fairfield County Auditor during the fiscal year.

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

Note 3 – Changes in Accounting Principle

For fiscal year 2004, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”. This Statement further defines the guidelines of GASB Statement No. 14, “The Financial Reporting Entity”. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2004.

Note 4 – Accountability and Compliance

A. Accountability

The following funds had deficit fund balances/net assets as of June 30, 2004:

	Deficit Fund Balances/ <u>Net Assets</u>
<u>Special Revenue Funds:</u>	
Title V	(\$10,784)
Drug Free Grant	(6,283)
Continuous Improvement	(5,136)
Reducing Class Size	(138,547)
Vocational Education	(27,476)
 <u>Internal Service Fund:</u>	
Employee Benefits Self-Insurance	(1,168,662)

The deficit balances in the special revenue funds and internal service fund are the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District acknowledges the deficit in the internal service fund and has made steps to change the medical third party self insurance administrator to Anthem. The School District is anticipating a reduction in expenses when this change has taken place due to Anthem’s negotiated agreements with the providers within their network.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

B. Legal Compliance

The following funds had final appropriations in excess of estimated resources contrary to Section 5705.39, Revised Code:

	<u>Excess</u>
<u>Special Revenue Funds:</u>	
Community Grants	(\$73,367)
District Managed Student Activity	(133,576)
Auxiliary Services	(174,562)
SchoolNet Professional Development	(4,140)
Summer School Intervention	(98,067)
Safe Schools Hotline	(6,041)
Entry Year Grant	(6,454)
Adult Basic Education	(37,514)
Title V	(33,993)
Drug Free Grant	(26,742)
Reducing Class Size	(391,085)
Even Start Grant	(123,523)
Idea B	(437,509)
Title I	(343,370)
Agricultural Education Fifth Quarter Grant	(3,000)
Vocational Education	(32,816)
 <u>Capital Projects</u>	
Permanent Improvement	(680,378)
 <u>Internal Service Fund:</u>	
Employee Benefits Self-Insurance	(2,066,911)

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Revised Code:

	<u>Excess</u>
<u>General Fund:</u>	
General	
Other Instruction	(\$661,354)

The School District's July 1, 2003 fund balances were not certified to the County Budget Commission until June 29, 2004 which is contrary to section 5705.36, Revised Code.

Revised Code section 5705.412 requires a certificate to be attached to all appropriation measures, except for temporary measures, and qualifying contracts. The School District did not complete certificates and attach them to the fiscal year 2004 annual appropriation measure, eleven appropriation amendments, nor to the classroom modular lease, which was a qualifying contract.

The School District had deficit fund balances in several funds throughout the fiscal year which is contrary to Revised Code section 5705.10.

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 5 - Budgetary Basis of Accounting

While the School District is 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 Balances - Budget and Actual (Budget Basis) for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$158,318
Net Adjustment for Revenue Accruals	(3,258,142)
Net Adjustment for Expenditure Accruals	210,297
Beginning:	
Fair Value of Investments	3,758
Prepaid Items	485,702
Ending:	
Segregated Accounts	(180)
Fair Value of Investments	55,730
Prepaid Items	(730,484)
Advances In	28,770
Advances Out	(402,557)
Adjustment for Encumbrances	(728,042)
	(728,042)
Budget Basis	(\$4,176,830)

Note 6 - Deposits and Investments

A. Primary Government

State statutes classify monies held by the School District 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Lancaster City School District, Ohio
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Inactive deposits are public deposits that the Board of Education 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 passbook accounts.

Protection of School District'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 Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of 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, 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 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 marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year end, the School District had \$1,975 in undeposited cash on hand which is included on the financial statements of the School District as part of “cash and cash equivalents”.

Cash with Fiscal Agent At June 30, 2004, the School District’s internal service fund had a cash balance of \$60,816 with Medical Mutual of Ohio, a third party administrator (See Note 10). The money is held by the third party administrator in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. To obtain financial information about the pooled account, write to Medical Mutual of Ohio, 2060 Eastern Ninth Street, Cleveland, Ohio 44115-1355.

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$367,045 and the bank balance was \$704,392. Of the bank balance:

1. \$104,255 was covered by federal depository insurance; and
2. \$600,137 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 2	Category 3	Carrying and Fair Value
Repurchase Agreements	\$0	\$750,708	\$750,708
STAROhio	0	0	34,245
Federal Farm Credit Bank Notes	980,630	0	980,630
Federal Home Loan Bank Notes	1,975,000	0	1,975,000
Federal National Mortgage Association Notes	991,880	0	991,880
GASB Statement 3	\$3,947,510	\$750,708	\$4,732,463

The federal agency securities have maturities ranging from January 2006 to March 2006.

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

A reconciliation between the classifications of cash and cash equivalents and investments in the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$5,162,299	\$0
Cash on Hand	(1,975)	0
Cash with Fiscal Agent	(60,816)	0
Investments which is part of the Cash Management Pool:		
STAR Ohio	(34,245)	34,245
Repurchase Agreements	(750,708)	750,708
Federal Farm Credit Bank Notes	(980,630)	980,630
Federal Home Loan Bank Notes	(1,975,000)	1,975,000
Federal National Mortgage Association Notes	(991,880)	991,880
GASB Statement 3	\$367,045	\$4,732,463

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2003, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, however, this settlement was not made until July.

The School District receives property taxes from Fairfield County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late settlement were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The June 30 personal property tax settlement that was not received until July, 2004, was in the amount of \$1,147,149 in the general fund. The amount available as an advance at June 30, 2004, was \$2,476,535 to the general fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$687,668,010	84%	\$700,513,710	85%
Public Utility Personal	24,737,880	3%	24,990,810	3%
Tangible Personal Property	103,361,862	13%	96,326,426	12%
Total	\$815,767,752	100%	\$821,830,946	100%
Tax rate per \$1,000 of assessed valuation	\$64.60		\$64.60	

Note 8 - Receivables

Receivables at June 30, 2004, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	<u>Amounts</u>
Governmental Activities	
Miscellaneous Reimbursements	\$6,861
Preschool Handicapped Grant	2,026
Agricultural Education Fifth Quarter Grant	2,100
Foundation Adjustments	2,594
Title V Grant	13,337
Continuous Improvement Grants	20,286
Summer School Intervention Grant	24,745
Adult Basic Education Grant	26,003
Southeastern Correctional Institute services provided	28,666
Vocational Education Grants	35,794
Tuition from Other Districts	60,747
Idea B Grant	88,515
Even Start Grant	97,263
School Lunch Reimbursement	103,935
Title I Grant	148,556
Reducing Class Size Grant	220,662
Total	\$882,090

Payment in Lieu of Taxes

The School District entered into a Tax Incentive Donation Agreement in 2003 between the School District and Anchor Hocking Consumer Glass Corporation (Anchor Hocking), for the purpose of expanding and renovating Anchor Hocking's existing manufacturing facility. Anchor Hocking's payment is due into the School District by June 15 of each fiscal year for the next ten years. \$125,960 will be paid annually based on two circumstances.

1. \$55,990 in compensation will be paid for the property tax exemption granted to Anchor Hocking for their expansion and renovation project. For any year in which the amount of property taxes exempted is less than 100 percent of the compensation, the \$55,990 will be reduced by a proportionate amount.
2. \$69,970 is compensation for the inventory to be located in the modified Rickenbacker General Authority Foreign Trade Zone (Foreign Trade Zone). In the event the boundary of the Foreign Trade Zone is not modified and the inventory remains taxable, then no compensation shall be required for the inventory. Anchor Hocking is seeking a modification of the Foreign Trade Zone to incorporate a portion of its glass manufacturing facility which will result in an exemption for the value of inventory located within the Foreign Trade Zone.

The School District did not record a receivable for all future payments because of the payments being based upon the two circumstances above. A receivable for the amount that is anticipated to be received by the School District during fiscal year 2005 for fiscal years 2004 and 2005 has been recorded in the General Fund with a corresponding credit to deferred revenue on the fund financial statements. On the government-wide statements the deferred revenue is removed and "revenue in lieu of taxes" is shown. A receivable has been recorded in the amount of \$251,920 which represents amounts measurable at June 30, 2004.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Nondepreciable Capital Assets				
Land	\$496,060	\$35,029	\$0	\$531,089
Construction in Progress	0	33,492	0	33,492
Total Capital Assets not being depreciated	<u>496,060</u>	<u>68,521</u>	<u>0</u>	<u>564,581</u>
Depreciable Capital Assets				
Land Improvements	1,068,133	9,040	0	1,077,173
Buildings and Improvements	16,121,518	0	0	16,121,518
Furniture and Equipment	5,026,087	99,493	(187,708)	4,937,872
Vehicles	2,245,769	0	0	2,245,769
Total at Historical Cost	<u>24,461,507</u>	<u>108,533</u>	<u>(187,708)</u>	<u>24,382,332</u>
Less Accumulated Depreciation				
Land Improvements	(363,221)	(39,953)	0	(403,174)
Buildings and Improvements	(12,433,691)	(228,598)	0	(12,662,289)
Furniture and Equipment	(3,560,277)	(229,512)	115,104	(3,674,685)
Vehicles	(1,147,537)	(204,513)	0	(1,352,050)
Total Accumulated Depreciation	<u>(17,504,726)</u>	<u>(702,576)</u>	<u>115,104</u>	<u>(18,092,198)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>6,956,781</u>	<u>(594,043)</u>	<u>(72,604)</u>	<u>6,290,134</u>
Governmental Activities Capital Assets, Net	<u><u>\$7,452,841</u></u>	<u><u>(\$525,522)</u></u>	<u><u>(\$72,604)</u></u>	<u><u>\$6,854,715</u></u>

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	224,509
Special	25,526
Vocational	12,285
Support Services:	
Pupil	12,323
Instructional Staff	21,233
Administration	17,971
Fiscal	5,669
Business	2,131
Operation and Maintenance	90,456
Pupil Transportation	181,842
Central	15,448
Extracurricular	63,309
Operation of Non-Instructional Services:	
Food Service Operations	21,281
Other	<u>8,593</u>
Total Depreciation Expense	<u><u>\$702,576</u></u>

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
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Of the School District's depreciable capital assets, \$10,133,340 was fully depreciated but still in use.

Note 10 - Risk Management

A. Property and Liability

The School District 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 fiscal year 2004, the School District contracted with their agent Berwanger Overmyer Associates a Hilb, Rogal, and Hamilton Company for insurance coverage with the Indiana Insurance Company. The types and amounts of coverage provided by the Indiana Insurance Company are as follows:

Coverage	Amount	Deductible
Building and Personal Property - replacement cost	\$107,938,400	\$5,000
Flood and Earthquake	1,000,000	10%
Automobile Liability - combined single limit	1,000,000	500
Auto Medical Payments	5,000	0
Uninsured/Underinsured Motorists	1,000,000	500
Inland Marine	6,433,871	1,000
Newly Acquired Property	1,000,000	0
Building Ordinance or Law	1,000,000	0
Extra Expense	300,000	0
Accounts Receivable	100,000	0
Valuable Papers	100,000	0
Paved Surfaces	100,000	0
Outdoor Property - Fences/Bleachers	125,000	0
Property off Premises	50,000	0
General Liability per Occurrence	1,000,000	0
General Aggregate	2,000,000	0
Products/Completed Operations Aggregate	2,000,000	0
Personal and Advertising Injury	1,000,000	0
Employee Benefits Liability Per Employee/Aggregate	1,000,000	1,000
Ohio Employers Liability Aggregate Limit	3,000,000	0
Sexual Misconduct and Molestation-Each Loss/Aggregate	1,000,000	0
School Leaders Errors and Omissions-Each Loss/Aggregate	1,000,000	2,500
Law Enforcement Liability-Each Act/Aggregate	1,000,000	2,500
Umbrella Occurrence/Aggregate	1,000,000	0

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

B. Workers' Compensation

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Medical and Dental

The School District provides a limited medical and dental insurance program for its employees. Premiums are paid directly to the third party administrator out of the School District's self-insurance internal service fund. Central Benefits, Inc. services all medical claims and Medical Mutual services all dental claims submitted by employees. The internal service fund presented in the financial statements reflects the premiums paid into the self-insurance internal service fund by the same funds that pay the employees' salaries. The School District pays monthly medical premiums of up to \$1,050 for certified and classified employees for family coverage and up to \$395 for certified and classified employees for single coverage. The School District pays monthly dental premiums of up to \$42 for family and single coverage for certified and classified employees. The premiums paid into the internal service fund are used for claims, claim reserves, and administrative costs. The School District has a stop loss coverage insurance policy which covers individual claims in excess of \$150,000 per employee per year for medical claims. The School District has no stop loss coverage for the dental claims.

The claims liability of \$1,315,887 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$1,085,086	\$5,535,639	\$5,698,428	\$922,297
2004	922,297	6,161,827	5,768,237	1,315,887

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is unlimited. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 65 days for classified and certified employees. If a certified employee retires within one hundred days of their first year of eligible retirement, then the maximum retirement payment is 100 days.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life in an amount of \$25,000 to \$75,000 depending upon the employee's position.

C. Deferred Compensation

School District employees participate in a statewide deferred compensation plan that was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

D. Retirement Incentive

The School District offered a \$10,000 retirement incentive from a minimum of 15 to a maximum of 40 certified employees that agreed to retire by December 17, 2004. The retirement incentive is paid out to employees within one month's time after retirement. A \$3,500 retirement incentive is offered to classified employees who retire during the first year in which they become eligible to retire. Payment will be made to employees at the time of retirement.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$573,006, \$541,440, and \$325,537, respectively; 48.35 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$3,208,758, \$3,169,222, and \$2,283,860, respectively; 84.20 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$14,469 made by the School District and \$26,326 made by the plan members.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$246,828 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$309,512.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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Note 14 - Capitalized Leases

At June 30, 2004, a new capital lease obligation was recorded which relates to the purchase and installation of modular buildings at the Tarhe Elementary School. As part of the agreement, Park National Bank, as lessor, deposited \$700,000 with a fiscal agent for the purchase and installation of the modular buildings. At June 30, 2004, the School District has expended \$33,492 toward the initial stages of the modular installation process. The remainder, \$666,508 will be expended as costs are incurred for the purchase and installation of the buildings and is on deposit with the fiscal agent. At year-end, capital assets under this lease were capitalized in the amount of \$33,492. No depreciation was accumulated on the lease during 2004 since it was construction in progress. No payments on the lease had been made as of June 30, 2004. The principal amount owed on the lease at year-end is \$700,000.

This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Future capital lease payments will be reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements.

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 June 30, 2004.

Year	Governmental Activities	
	Principal	Interest
2005	\$128,450	\$30,163
2006	133,985	24,628
2007	139,758	18,855
2008	145,746	12,868
2009	152,061	6,552
Total	\$700,000	\$93,066

Note 15 - Long Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amounts Due in One Year
Governmental Activities					
Energy Conservation Note					
1994 - 4.55%	\$345,000	\$0	\$345,000	\$0	\$0
Capital Leases Payable	0	700,000	0	700,000	128,450
Intergovernmental Payable	0	26,130	6,202	19,928	2,492
Compensated Absences Payable	3,877,571	645,217	421,915	4,100,873	712,911
Total Governmental Activities					
Long-Term Liabilities	\$4,222,571	\$1,371,347	\$773,117	\$4,820,801	\$843,853

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Energy Conservation Long-Term Note - On July 15, 1993, Lancaster City School District issued \$2,850,000 in unvoted general obligation notes, at an interest rate of 4.55%, for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period and were retired during fiscal year 2004. The debt was retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. The general fund allocated tax revenues to the bond retirement debt service fund to meet current fiscal year obligations.

The School District owes special assessments to the City of Lancaster for sidewalk and street improvements in front of the School District office building. The School District also owes special assessments to Hunter's Run Conservation District for sewer and water improvements services.

The following table lists the special assessment payments required as of June 30, 2004.

Year	
2005	\$2,492
2006	4,982
2007	4,982
2008	4,982
2009	2,490
Total	\$19,928

The School District's overall legal debt margin was \$73,964,785, with an unvoted debt margin of \$821,831 at June 30, 2004.

Capital leases will be paid from the general fund. Compensated absences will be paid from general fund and food service special revenue fund.

Note 16 – Contractual Commitments

Contractor	Purchase Commitments	Amounts Paid as of 06/30/04	Amounts Remaining on Contract
Innovative Modular Solutions Modular Classrooms	\$568,490	\$0	\$568,490
Proline Electric, Inc. Modular Electrical Contract	29,700	8,200	21,500
Rayco Mechanical, Inc. Modular Plumbing Contract	21,327	0	21,327
Totals	\$619,517	\$8,200	\$611,317

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Note 17 - Interfund Balances

Interfund balances at June 30, 2004 consist of the following individual interfund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	\$402,557	\$320
Other Governmental Funds:		
Food Service	293	0
Scholarship Memorial	27	0
Community Grants	0	8,476
District Managed Student Activity	0	2,065
Summer School Intervention	0	15,946
Adult Basic Education	0	7,627
Title V	0	24,195
Drug Free Schools	0	6,693
Continuous Improvement	0	26,687
Reducing Class Size	0	164,872
Reading Improvement	0	74,267
Special Education	0	40,640
Vocational Education	0	29,880
Preschool	0	1,209
Total Other Governmental Funds	320	402,557
Total All Funds	\$402,877	\$402,877

The general fund made advances to other non-major governmental funds, in the amount of \$402,557, to subsidize negative cash balances. Also, the general fund owed \$320 to the food service fund and the scholarship memorial fund for their portion of interest earnings for June, 2004.

Note 18 – Related Party Transactions

During fiscal year 2004, LFDA paid \$368 to the School District for supplies reimbursements and \$60,000 for development of web delivered services, technology relating to those services and curricular design for at least two Ohio Graduation Test (OGT) areas including server set-up and design of the web site for the OGT program. As of June 30, 2004, LFDA owed \$8,296 to the School District for EMIS services and supplies and audit costs reimbursement.

Note 19 - Jointly Governed Organizations

Metropolitan Educational Council - The Metropolitan Educational Council (MEC) is a jointly governed organization. The organization is composed of over one hundred members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. MEC also provides a variety of services through its data processing center to thirty-one member districts (AC” sites) in the Ohio Counties of Fairfield, Franklin, Madison, Pickaway, and Union with the major emphasis being placed on fiscal services. MEC also provides services to the School District including pupil scheduling, attendance reporting, and grade reporting. The governing board of MEC is composed of either the

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superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts), and one representative from each county. MEC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for MEC. Financial statements for MEC can be obtained from the Metropolitan Educational Council, at 1600 Channingway Boulevard Suite 604, Columbus, Ohio 43232. The School District's payments to MEC in fiscal year 2004 were \$99,466 for computer services.

Fairfield County Council for Educational Collaboration - Fairfield County Council of Educational Collaboration (FCCEC) is a jointly governed organization operated by a Board which consists of superintendents, or a designated representative, from nine boards of education and the Ohio University-Lancaster Campus within Fairfield County. The purpose of the FCCEC is to bring together the public school systems and the public institutions for higher education in Fairfield County so that they can collectively devise and provide for enhanced educational opportunities for the students and citizens of our community. The areas of interest that may be addressed by the Council include, but are not limited to, student programming, school management issues, and other collaborative projects deemed appropriate by the governing body of the Council. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District made no contributions to FCCEC during fiscal year 2004.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various inservice for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District paid a membership fee of \$300 in fiscal year 2004.

Central Ohio Special Education Regional Resource Center - The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, and representatives of universities. The School District participates in the following services of COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, Early Childhood Services Project, and the Ohio Resource Center for Low Incidence and Severely Handicapped Project. These services are to assist the School District in complying with mandates of Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for COSERRC. The School District paid \$70 to COSERRC during fiscal year 2004.

Fairfield County Family, Adult, and Children First Council - The Fairfield County Family, Adult and Children First Council is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: Director of the Fairfield County Community Mental Health and Recovery Services Board, Health Commissioner of the Fairfield County Health Department, Health Commissioner of the City of Lancaster Health Department, Director of the Fairfield County Human Services, Director of the Children Services Department, Superintendent of the Fairfield County Mental

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Retardation and Development Disabilities, the Fairfield County Juvenile Court Judge, Superintendent of Lancaster City Schools, Superintendent of Fairfield County Board of Education, a representative of the City of Lancaster, Chair of the Fairfield County Commissioners, State Department of Youth Services Regional representative, representative from the County Head Start Agencies, a representative of the County's early intervention collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986", and a least three individuals representing the interests of families in the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. In fiscal year 2004, the School District made no contributions to the Council. Continued existence of the Council is not dependent on the School District's continued participation, no equity interest exists, and no debt is outstanding.

Fairfield County Multi-System Youth Committee - The Fairfield County Multi-System Youth Committee is a group of agencies that coordinate the provision of services to multi-need youth in the area. Members of the Committee include representatives of the Fairfield County Youth Services, Fairfield County Board of MR/DD, Fairfield County Mental Health and Recovery Services Board, Fairfield County Children Services, Fairfield County Health Department, New Horizons, the local office of the Rehabilitation Services Commission, Fairfield County Drug and Alcohol Recovery Services, the Lancaster City Health Department, and the Lancaster City Board of Education. The Committee received no additional monies from the School District during fiscal year 2004. Operations were paid from the previous existing balance that had accumulated from State and federal grants. No debt is currently outstanding. The Committee is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Committee.

School Study Council of Ohio - The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. Participating school districts have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. Participating school districts may elect to be associate members which entitles them to attend meetings and participate in Council discussions but not to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2004, the Board consisted of fourteen members. In fiscal year 2004, the School District obtained active membership privileges and paid \$1,554 to the Council.

Note 20 – Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and

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conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

Several claims and lawsuits are pending against the School District. In the opinion of the School District's Legal Counsel, any potential liability would not have a material effect on the School District's financial condition.

Note 22 - Set asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2003	(\$2,958,528)	\$0
Current Year Set-aside Requirement	866,991	866,991
Current Year Offsets	0	0
Qualifying Disbursements	(1,171,577)	(947,980)
Total	(\$3,263,114)	(\$80,989)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$3,263,114)	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. These extra amounts in the textbooks set-asides may be used to reduce the set-aside requirements of future years.

Note 23 – State School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

Note 24 – Lancaster-Fairfield Digital Academy Component Unit

A. Description of the School

The Lancaster-Fairfield Digital Academy (LFDA), formally known as the Lancaster Digital Academy (LDA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. LFDA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect LFDA's tax exempt status. LFDA's mission is to enhance and facilitate student learning by providing state of the art digital curriculum and instruction; innovative, collaborative leadership; and technical expertise and support that will prepare students to become lifelong learners and intelligent decision makers. The students may include, but will not be limited to, home schoolers, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students with the Lancaster City School District, Sponsor school district, that desire a specific course not currently offered but is available through online instruction.

LFDA was created on August 27, 2002 by entering a five year contract with the Lancaster City School District (the Sponsor). The Sponsor is responsible for evaluating the performance of LFDA and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the LFDA with the Treasurer of the Sponsor completing the role of Treasurer for the LFDA.

LFDA operates under the direction of a seven-member Board of Directors made up of five-members from the Lancaster City School District and two-members from the public. The first public member shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of LFDA. The second public member shall be a representative appointed by the Tri-Rivers Educational Computer Association (TRECA). After the first year of operation, the member appointed by TRECA will be replaced by a person who represents the interests of parents and students served by the conversion school. LFDA is a component unit of the Sponsor. The Sponsor appoints a majority of the board and is able to impose its will on the LFDA. The Sponsor can suspend the LFDA's operations for any of the following reasons: 1) The LFDA's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The LFDA's failure to meet generally accepted standards of fiscal management, 3) The LFDA's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of LFDA and the children it serves. During fiscal year 2004, LFDA paid purchased services to TRECA for providing planning, design, implementation, instructional, administrative, and technical services. Thus, LFDA did not have any employees. LFDA used the facilities of the Sponsor.

B. Summary of Significant Accounting Policies

The financial statements of the LFDA have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. LFDA also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict

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GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the LFDA's accounting policies are described below.

Basis of Presentation. The LFDA's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

LFDA uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Measurement Focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of LFDA are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how LFDA finances meet its cash flow needs.

Basis of Accounting. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. LFDA's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from nonexchange transactions, in which LFDA receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which LFDA must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to LFDA on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process. Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by LFDA's contract with its Lead Sponsor. The contract between LFDA and its Lead Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

Cash and Cash Equivalents. Cash received by LFDA is reflected as "Cash and Cash Equivalents" on the statement of net assets. LFDA had no investments during the fiscal year ended June 30, 2004.

Capital Assets. LFDA's capital assets during fiscal year 2004 consisted of computers and computer equipment. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. LFDA maintains a capitalization threshold of five hundred dollars. All of LFDA's reported capital assets are depreciated using the straight-line method over six years of useful life.

Net Assets. Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by LFDA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. LFDA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted Assets. There are certain resources set aside due to restricted state and federal grant fundings.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Operating Revenues and Expenses. Operating revenues are those revenues that are generated directly from the primary activity of LFDA. Operating expenses are necessary costs incurred to provide the service that is the primary activity of LFDA. All revenues and expenses not meeting this definition are reported as non-operating.

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.

C. Deposits

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At June 30, 2004, the carrying amount of LFDA's deposits was \$88,408 and the bank balance was \$107,224. \$100,000 of the bank balance was covered by federal depository insurance and the remaining \$7,224 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

D. Receivables

At June 30, 2004, receivables consisted of intergovernmental receivables of \$110,000 from the Ohio Public Charter Schools Program Grant. The receivable is expected to be collected in full within one year.

E. Contract with TRECA

LFDA entered into a two-year contract on September 25, 2002, with TRECA for management consulting services. Under the contract, the following terms were agreed upon:

- TRECA shall provide LFDA with instructional, supervisory/administrative, and technical services sufficient to effectively implement LFDA's educational plan and LFDA's assessment and accountability plan.
- All personnel providing services to LFDA on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to LFDA shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- LFDA shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to day operations of LFDA.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- In exchange for the services and support (including equipment) provided by TRECA, LFDA shall pay to TRECA a fee of \$60,000 for the 2002-2003 school year and \$25,000 for the 2003-2004 school year.
- LFDA shall pay TRECA \$3,500 per full-time high school student and \$2,500 per full-time K-8 student enrollment in LFDA per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

For fiscal year 2004, \$120,645.72 was paid to TRECA under this contract and \$2,651 was a payable to TRECA at June 30, 2004.

F. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Computer Equipment	0	105,401	0	105,401
Less Accumulated Depreciation	0	(12,457)	0	(12,457)
Capital Assets, Net	\$0	\$92,944	\$0	\$92,944

G. Risk Management

LFDA 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 fiscal year 2004, LFDA contracted with agent Berwanger Overmyer Associates a Hilb, Rogal, and Hamilton Company for its insurance coverage through Indiana Insurance Company. The types and amounts of coverage provided are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Medical Expense Limit - Any One Person/Occurrence	10,000
Fire Damage Limit - Any One Event	500,000
Personal and Advertising Injury	1,000,000
Errors and Omissions (Deductible \$10,000):	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any prior years and there have been no significant reductions in insurance coverage from the prior year.

H. Purchased Services

For the period July 1, 2003 through June 30, 2004, purchased service expenses were for the following services:

Type	Amount
Professional and Technical Services	\$243,104
Audit Services	4,161
Legal Services	216
Printing Services	2,200
Total	\$249,681

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

I. Related Party Transactions

Of the seven-member board of the LFDA, Lancaster City School District, Sponsor, appoints five-members. LFDA is presented as a component unit of the Sponsor. During fiscal year 2004, LFDA paid \$368 to their Sponsor for supplies reimbursements and \$60,000 for development of web delivered services, technology relating to those services and curricular design for at least two Ohio Graduation Test (OGT) areas including server set-up and design of the web site for the OGT program. As of June 30, 2004, LFDA owed \$8,296 to their Sponsor for EMIS services and supplies and audit costs reimbursement.

J. Contingencies

Grants. LFDA received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the LFDA. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the LFDA at June 30, 2004.

Litigation. A suit was filed in Franklin County Common Pleas Court, on May 14, 2001, alleging that Ohio's Community Schools Program violates the State's Constitution and State laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other court's pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The effect, if any, on LFDA is not presently determinable.

Ohio Department of Education Enrollment Review. The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by LFDA. These reviews are conducted to ensure LFDA is reporting accurate student enrollment data to the State, upon which foundation funding is calculated. The fiscal year 2004 review resulted in the discovery of an overpayment to LFDA in the amount of \$1,763. This amount has been reflected as deferred revenue and will be deducted from foundation funding in fiscal year 2005.

K. State School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The LFDA is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 25 – Subsequent Event

Beginning November 1, 2004, the School District contracted with Anthem as their new medical third party self insurance administrator. The School District is anticipating large savings from this change due to Anthem's negotiated agreements for payment of services to providers within their network.

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Lancaster City School District, Ohio

Combining and Individual Fund Statements

Lancaster City School District, Ohio
Combining Statements – Nonmajor Funds

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for revenues from specific sources which legally, or otherwise, are restricted to expenditures for specific purposes.

Food Service Fund – To account for the financial transactions related to the food service operations of the School District.

Scholarship Memorial Fund – To account for monies donated to the School District without conditions or limitations that is used for student scholarships.

Public School Support Fund - To account for specific local revenue sources (other than taxes) generated by individual school buildings. Expenditures include field trips, assemblies, materials and other items to supplement co-curricular and extra-curricular programs.

Community Grants Fund - To account for grants received from a private foundation which provides funds for the development of teaching staff.

District Managed Student Activity Fund - To account for student activity programs which have student participation in the activity but do not have student management of programs.

Auxiliary Services Fund - To account for funds which provide services and materials to pupils attending non-public schools within the School District.

Teacher Development Fund - To account for State revenues awarded the School District for providing assistance in the development of in-service programs.

Educational Management Information Systems Fund - To account for hardware and software development, or other costs associated with the requirements of the management information system.

Data Communications Fund - To account for State revenues awarded the School District to provide for data communication.

SchoolNet Professional Development Fund - To account for State funds awarded to the School District to provide for a limited number of staff professional development subsidies.

Summer School Intervention Fund - To account for State funds awarded to the School District to provide special summer school classes for students needing additional assistance.

Safe Schools Hotline Fund - To account for funds awarded to the School District by the State to promote safety in the School District.

Entry Year Grant Fund - To account for State funds awarded to the School District to be used to provide an entry year program for beginning teachers that hold two year provisional licenses and are teaching in their licensed field.

Adult Basic Education Fund - To account for instructional programs for persons sixteen years of age and older who are not enrolled in school and who have less than a twelfth grade education or its equivalent.

(Continued)

Lancaster City School District, Ohio
Combining Statements – Nonmajor Funds (Continued)

Nonmajor Special Revenue Funds (Continued)

Title III Fund – To account for federal monies provided for strengthening instruction in science, mathematics, modern foreign languages, English, the arts, and computer learning.

Title V Fund – To account for federal revenues which support the implementation of a variety of programs such as computer education, gifted and talented programs, in-service training, and staff development.

Drug Free Grant Fund – To account for federal revenues which support the implementation of programs for drug abuse education and prevention.

Continuous Improvement Fund – To account for monies received from the Federal Government to enhance the School District's Continuous Improvement Goals.

Reducing Class Size Fund – To account for funds awarded to the School District by the Federal Government for the specific purpose of reducing class size at the primary level.

Reading Improvement Fund – To account for funds awarded to the School District from State and Federal revenues for the purpose of promoting the improvement of reading. This fund is the consolidation of the following funds for GAAP reporting purposes: Ohio Reads, Extended Learning Opportunities, Reading Improvement Grant, Even Start Grant, and Reading Excellence Grant.

Special Education Fund – To account for monies which are provided for the improvement of the educational and cultural status of disadvantaged pupils and to meet the special needs of educationally deprived children. This fund is the consolidation of the following funds for GAAP reporting purposes: Idea B, Title I, Disadvantaged Pupil Impact Aid.

Vocational Education Fund – To account for funds for the development of vocational education career development programs and for adults to acquire adequate employment skills. This fund is the consolidation of the Vocational Education Career Development, Agricultural Education Fifth Quarter Grant, and Vocational Education funds for GAAP reporting purposes.

Preschool Fund – To account for federal and State revenues awarded to the School District for the improvement and expansion of services provided for preschool children and handicapped preschool children. This fund is the consolidation of Public School Preschool and Preschool Handicapped funds for GAAP reporting purposes.

(Continued)

Lancaster City School District, Ohio
Combining Statements – Nonmajor Funds (Continued)

Nonmajor Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Bond Retirement Fund – This fund accounts for transfers from general fund property tax revenue to pay for general obligation bonded debt.

Nonmajor Capital Projects Funds

Capital projects funds account for the acquisitions, construction, or improvement of capital facilities.

Permanent Improvement - To account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

Computer Network - To account for State revenues awarded the School District from SchoolNet and SchoolNet Plus for the implementation of computer hardware throughout the district.

Lancaster City School District, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash and Cash Equivalents	\$1,211,369	\$10	\$16,187	\$1,227,566
Cash and Cash Equivalents With Fiscal Agents	0	0	666,645	666,645
Receivables:				
Accounts	4,151	0	0	4,151
Intergovernmental	783,842	0	0	783,842
Interfund	320	0	0	320
Prepays	161,107	0	0	161,107
Inventory Held for Resale	30,860	0	0	30,860
Materials and Supplies Inventory	13,541	0	0	13,541
<i>Total Assets</i>	<u>\$2,205,190</u>	<u>\$10</u>	<u>\$682,832</u>	<u>\$2,888,032</u>
Liabilities				
Accounts Payable	\$174,692	\$0	\$0	\$174,692
Contracts Payable	0	0	950	950
Accrued Salaries and Benefits Payable	558,871	0	0	558,871
Intergovernmental Payable	85,626	0	0	85,626
Matured Sick Leave Benefit Payable	5,326	0	0	5,326
Interfund Payable	402,557	10	0	402,567
Early Retirement Incentive Payable	3,500	0	0	3,500
Deferred Revenue	182,176	0	0	182,176
<i>Total Liabilities</i>	<u>1,412,748</u>	<u>10</u>	<u>950</u>	<u>1,413,708</u>
Fund Balances				
Reserved for Encumbrances	167,723	0	611,317	779,040
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	624,719	0	0	624,719
Capital Projects Funds	0	0	70,565	70,565
<i>Total Fund Balances</i>	<u>792,442</u>	<u>0</u>	<u>681,882</u>	<u>1,474,324</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,205,190</u>	<u>\$10</u>	<u>\$682,832</u>	<u>\$2,888,032</u>

Lancaster City School District, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Food Service	Scholarship Memorial	Public School Support	Community Grants	District Managed Student Activity	Auxiliary Services
Assets						
Cash and Cash Equivalents	\$334,508	\$36,506	\$110,073	\$93,393	\$57,829	\$219,581
Receivables:						
Accounts	2,007	0	0	1,109	267	378
Intergovernmental	103,935	0	2,025	0	2,558	0
Interfund	293	27	0	0	0	0
Prepays	23,517	0	0	0	113	4,499
Inventory Held for Resale	30,860	0	0	0	0	0
Materials and Supplies Inventory	11,812	0	1,729	0	0	0
<i>Total Assets</i>	<u>\$506,932</u>	<u>\$36,533</u>	<u>\$113,827</u>	<u>\$94,502</u>	<u>\$60,767</u>	<u>\$224,458</u>
Liabilities						
Accounts Payable	\$37,493	\$0	\$5,139	\$35,482	\$4,302	\$25,086
Accrued Salaries and Benefits Payable	137,008	0	0	0	0	41,631
Intergovernmental Payable	26,738	225	0	1,014	0	4,722
Matured Sick Leave Benefit Payable	5,326	0	0	0	0	0
Interfund Payable	0	0	0	8,476	2,065	0
Early Retirement Incentive Payable	3,500	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0
<i>Total Liabilities</i>	<u>210,065</u>	<u>225</u>	<u>5,139</u>	<u>44,972</u>	<u>6,367</u>	<u>71,439</u>
Fund Balances:						
Reserved for Encumbrances	4,565	0	11,851	45,135	11,075	47,541
Unreserved:						
Undesignated (Deficits)	292,302	36,308	96,837	4,395	43,325	105,478
<i>Total Fund Balances (Deficits)</i>	<u>296,867</u>	<u>36,308</u>	<u>108,688</u>	<u>49,530</u>	<u>54,400</u>	<u>153,019</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$506,932</u>	<u>\$36,533</u>	<u>\$113,827</u>	<u>\$94,502</u>	<u>\$60,767</u>	<u>\$224,458</u>

Teacher Development	Educational Management Information Systems	Data Communications	SchoolNet Professional Development	Summer School Intervention	Entry Year Grant	Adult Basic Education
\$15,972	\$40,087	\$13,688	\$594	\$13,718	\$2,989	\$298
0	0	0	0	0	0	0
0	0	0	0	24,745	0	22,040
0	0	0	0	0	0	0
0	0	0	0	6,425	0	158
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>\$15,972</u>	<u>\$40,087</u>	<u>\$13,688</u>	<u>\$594</u>	<u>\$44,888</u>	<u>\$2,989</u>	<u>\$22,496</u>
\$0	\$0	\$4,904	\$0	\$10,731	\$1,100	\$159
0	242	0	0	0	0	0
0	0	0	0	1,050	0	1,711
0	0	0	0	0	0	0
0	0	0	0	15,946	0	7,627
0	0	0	0	0	0	0
0	0	0	0	3,317	0	0
<u>0</u>	<u>242</u>	<u>4,904</u>	<u>0</u>	<u>31,044</u>	<u>1,100</u>	<u>9,497</u>
0	0	3,408	0	401	0	298
<u>15,972</u>	<u>39,845</u>	<u>5,376</u>	<u>594</u>	<u>13,443</u>	<u>1,889</u>	<u>12,701</u>
<u>15,972</u>	<u>39,845</u>	<u>8,784</u>	<u>594</u>	<u>13,844</u>	<u>1,889</u>	<u>12,999</u>
<u>\$15,972</u>	<u>\$40,087</u>	<u>\$13,688</u>	<u>\$594</u>	<u>\$44,888</u>	<u>\$2,989</u>	<u>\$22,496</u>

(Continued)

Lancaster City School District, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2004

	Title V	Drug Free Grant	Continuous Improvement	Reducing Class Size	Reading Improvement
Assets					
Cash and Cash Equivalents	\$74	\$3,151	\$18,366	\$6,774	\$24,828
Receivables:					
Accounts	0	0	0	0	0
Intergovernmental	13,337	0	20,286	220,662	97,263
Interfund	0	0	0	0	0
Prepays	0	0	0	6,338	1,170
Inventory Held for Resale	0	0	0	0	0
Materials and Supplies Inventory	0	0	0	0	0
<i>Total Assets</i>	<u>\$13,411</u>	<u>\$3,151</u>	<u>\$38,652</u>	<u>\$233,774</u>	<u>\$123,261</u>
Liabilities					
Accounts Payable	\$0	\$0	\$15,387	\$5,907	\$1,549
Accrued Salaries and Benefits Payable	0	0	0	52,324	14,628
Intergovernmental Payable	0	2,741	1,714	5,466	2,137
Matured Sick Leave Benefit Payable	0	0	0	0	0
Interfund Payable	24,195	6,693	26,687	164,872	74,267
Early Retirement Incentive Payable	0	0	0	0	0
Deferred Revenue	0	0	0	143,752	0
<i>Total Liabilities</i>	<u>24,195</u>	<u>9,434</u>	<u>43,788</u>	<u>372,321</u>	<u>92,581</u>
Fund Balances:					
Reserved for Encumbrances	74	410	1,273	846	8,831
Unreserved:					
Undesignated (Deficits)	(10,858)	(6,693)	(6,409)	(139,393)	21,849
<i>Total Fund Balances (Deficits)</i>	<u>(10,784)</u>	<u>(6,283)</u>	<u>(5,136)</u>	<u>(138,547)</u>	<u>30,680</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$13,411</u>	<u>\$3,151</u>	<u>\$38,652</u>	<u>\$233,774</u>	<u>\$123,261</u>

Special Education	Vocational Education	Preschool	Total Nonmajor Special Revenue Funds
\$154,457	\$4,003	\$60,480	\$1,211,369
0	0	390	4,151
237,071	37,894	2,026	783,842
0	0	0	320
108,984	5,644	4,259	161,107
0	0	0	30,860
0	0	0	13,541
<u>\$500,512</u>	<u>\$47,541</u>	<u>\$67,155</u>	<u>\$2,205,190</u>
\$25,568	\$1,885	\$0	\$174,692
273,783	8,029	31,226	558,871
33,103	116	4,889	85,626
0	0	0	5,326
40,640	29,880	1,209	402,557
0	0	0	3,500
0	35,107	0	182,176
<u>373,094</u>	<u>75,017</u>	<u>37,324</u>	<u>1,412,748</u>
31,977	15	23	167,723
<u>95,441</u>	<u>(27,491)</u>	<u>29,808</u>	<u>624,719</u>
<u>127,418</u>	<u>(27,476)</u>	<u>29,831</u>	<u>792,442</u>
<u>\$500,512</u>	<u>\$47,541</u>	<u>\$67,155</u>	<u>\$2,205,190</u>

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Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004*

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property Taxes	\$0	\$348,086	\$0	\$348,086
Intergovernmental	5,503,440	0	4,940	5,508,380
Interest	2,779	0	137	2,916
Tuition and Fees	33,936	0	0	33,936
Charges for Services	1,035,095	0	0	1,035,095
Rent	765	0	0	765
Extracurricular Activities	358,927	0	0	358,927
Gifts and Donations	57,457	0	1,565	59,022
<i>Total Revenues</i>	<u>6,992,399</u>	<u>348,086</u>	<u>6,642</u>	<u>7,347,127</u>
Expenditures				
Current:				
Instruction:				
Regular	633,056	0	8	633,064
Special	1,438,579	0	0	1,438,579
Vocational	77,880	0	0	77,880
Adult/Continuing	111,635	0	0	111,635
Support Services:				
Pupils	563,487	0	0	563,487
Instructional Staff	1,124,327	0	0	1,124,327
Administration	179,133	0	0	179,133
Fiscal	13,833	0	0	13,833
Business	47	0	0	47
Operation and Maintenance of Plant	1,792	0	0	1,792
Pupil Transportation	2,809	0	0	2,809
Central	76,833	0	0	76,833
Operation of Non-Instructional Services:				
Food Service Operations	2,095,796	0	0	2,095,796
Other Non-Instructional Services	822,454	0	0	822,454
Extracurricular Activities	296,513	0	0	296,513
Capital Outlay	13,800	0	52,563	66,363
Debt Service:				
Principal Retirement	0	345,000	0	345,000
Interest and Fiscal Charges	0	7,849	0	7,849
<i>Total Expenditures</i>	<u>7,451,974</u>	<u>352,849</u>	<u>52,571</u>	<u>7,857,394</u>
<i>Excess of Revenues Under Expenditures</i>	(459,575)	(4,763)	(45,929)	(510,267)
Other Financing Sources				
Proceeds from Capital Leases	0	0	700,000	700,000
<i>Net Change in Fund Balances</i>	(459,575)	(4,763)	654,071	189,733
<i>Fund Balances Beginning of Year</i>	<u>1,252,017</u>	<u>4,763</u>	<u>27,811</u>	<u>1,284,591</u>
<i>Fund Balances End of Year</i>	<u>\$792,442</u>	<u>\$0</u>	<u>\$681,882</u>	<u>\$1,474,324</u>

Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances*
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004

	Food Service	Scholarship Memorial	Public School Support	Community Grants
Revenues				
Intergovernmental	\$1,038,937	\$0	\$0	\$88,496
Interest	2,474	305	0	0
Tuition and Fees	0	0	0	0
Charges for Services	1,035,095	0	0	0
Rent	0	0	765	0
Extracurricular Activities	0	0	77,600	5,245
Gifts and Donations	0	13,603	13,510	30,344
<i>Total Revenues</i>	<u>2,076,506</u>	<u>13,908</u>	<u>91,875</u>	<u>124,085</u>
Expenditures				
Current:				
Instruction:				
Regular	0	0	28,783	4,289
Special	0	0	0	33,688
Vocational	0	0	0	19,888
Adult/Continuing	0	0	0	0
Support Services:				
Pupils	0	0	1,300	3,102
Instructional Staff	0	0	1,759	0
Administration	0	0	20,968	0
Fiscal	0	0	0	0
Business	0	0	47	0
Operation and Maintenance of Plant	0	0	1,792	0
Pupil Transportation	0	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	2,078,457	0	17,339	0
Other Non-Instructional Services	0	12,275	0	0
Extracurricular Activities	0	0	0	7,140
Capital Outlay	0	0	0	13,800
<i>Total Expenditures</i>	<u>2,078,457</u>	<u>12,275</u>	<u>71,988</u>	<u>81,907</u>
<i>Net Change in Fund Balance</i>	(1,951)	1,633	19,887	42,178
<i>Fund Balances (Deficits) at</i>				
<i>Beginning of Year</i>	<u>298,818</u>	<u>34,675</u>	<u>88,801</u>	<u>7,352</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>\$296,867</u>	<u>\$36,308</u>	<u>\$108,688</u>	<u>\$49,530</u>

District Managed Student Activity	Auxiliary Services	Teacher Development	Educational Management Information Systems	Data Communications	SchoolNet Professional Development
\$0	\$874,564	\$0	\$22,190	\$39,000	\$4,140
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
276,082	0	0	0	0	0
0	0	0	0	0	0
<u>276,082</u>	<u>874,564</u>	<u>0</u>	<u>22,190</u>	<u>39,000</u>	<u>4,140</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	19,582	49,885	0
0	0	0	0	0	0
0	765,591	0	0	0	0
289,373	0	0	0	0	0
0	0	0	0	0	0
<u>289,373</u>	<u>765,591</u>	<u>0</u>	<u>19,582</u>	<u>49,885</u>	<u>3,546</u>
(13,291)	108,973	0	2,608	(10,885)	594
<u>67,691</u>	<u>44,046</u>	<u>15,972</u>	<u>37,237</u>	<u>19,669</u>	<u>0</u>
<u>\$54,400</u>	<u>\$153,019</u>	<u>\$15,972</u>	<u>\$39,845</u>	<u>\$8,784</u>	<u>\$594</u>

(Continued)

Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances*
Nonmajor Special Revenue Funds (Continued)
For the Fiscal Year Ended June 30, 2004

	Summer School Intervention	Safe Schools Hotline	Entry Year Grant	Adult Basic Education
Revenues				
Intergovernmental	\$108,543	\$6,041	\$7,700	\$153,176
Interest	0	0	0	0
Tuition and Fees	0	0	0	0
Charges for Services	0	0	0	0
Rent	0	0	0	0
Extracurricular Activities	0	0	0	0
Gifts and Donations	0	0	0	0
<i>Total Revenues</i>	<u>108,543</u>	<u>6,041</u>	<u>7,700</u>	<u>153,176</u>
Expenditures				
Current:				
Instruction:				
Regular	97,955	0	6,630	0
Special	0	0	0	0
Vocational	0	0	0	0
Adult/Continuing	0	0	0	79,247
Support Services:				
Pupils	0	0	0	14,241
Instructional Staff	0	0	0	24,371
Administration	0	0	0	0
Fiscal	0	0	0	750
Business	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0
Pupil Transportation	0	0	0	0
Central	0	6,041	0	0
Operation of Non-Instructional Services:				
Food Service Operations	0	0	0	0
Other Non-Instructional Services	0	0	0	0
Extracurricular Activities	0	0	0	0
Capital Outlay	0	0	0	0
<i>Total Expenditures</i>	<u>97,955</u>	<u>6,041</u>	<u>6,630</u>	<u>118,609</u>
<i>Net Change in Fund Balance</i>	10,588	0	1,070	34,567
<i>Fund Balances (Deficits) at Beginning of Year</i>	<u>3,256</u>	<u>0</u>	<u>819</u>	<u>(21,568)</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>\$13,844</u>	<u>\$0</u>	<u>\$1,889</u>	<u>\$12,999</u>

Title V	Drug Free Grant	Continuous Improvement	Reducing Class Size	Reading Improvement	Special Education
\$43,908	\$39,901	\$35,049	\$207,210	\$454,755	\$2,076,899
0	0	0	0	0	0
0	0	0	0	0	880
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
43,908	39,901	35,049	207,210	454,755	2,077,779
51,523	77	69,635	153,345	96,830	0
0	0	0	0	0	1,403,865
0	0	0	0	0	0
0	0	0	0	32,388	0
5,752	48,283	0	0	0	413,586
0	0	20,188	305,543	395,376	308,848
0	0	0	0	0	129,947
0	0	720	0	1,800	10,316
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
7,089	3,251	0	500	0	33,748
0	0	0	0	0	0
0	0	0	0	0	0
64,364	51,611	90,543	459,388	526,394	2,300,310
(20,456)	(11,710)	(55,494)	(252,178)	(71,639)	(222,531)
9,672	5,427	50,358	113,631	102,319	349,949
(\$10,784)	(\$6,283)	(\$5,136)	(\$138,547)	\$30,680	\$127,418

(Continued)

Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances*
Nonmajor Special Revenue Funds (Continued)
For the Fiscal Year Ended June 30, 2003

	Vocational Education	Preschool	Total Nonmajor Special Revenue Funds
Revenues			
Intergovernmental	\$122,191	\$180,740	\$5,503,440
Interest	0	0	2,779
Tuition and Fees	0	33,056	33,936
Charges for Services	0	0	1,035,095
Rent	0	0	765
Extracurricular Activities	0	0	358,927
Gifts and Donations	0	0	57,457
<i>Total Revenues</i>	<u>122,191</u>	<u>213,796</u>	<u>6,992,399</u>
Expenditures			
Current:			
Instruction:			
Regular	0	123,989	633,056
Special	0	1,026	1,438,579
Vocational	57,992	0	77,880
Adult/Continuing	0	0	111,635
Support Services:			
Pupils	56,812	20,411	563,487
Instructional Staff	3,349	61,347	1,124,327
Administration	6,744	21,474	179,133
Fiscal	0	247	13,833
Business	0	0	47
Operation and Maintenance of Plant	0	0	1,792
Pupil Transportation	2,809	0	2,809
Central	1,052	273	76,833
Operation of Non-Instructional Services:			
Food Service Operations	0	0	2,095,796
Other Non-Instructional Services	0	0	822,454
Extracurricular Activities	0	0	296,513
Capital Outlay	0	0	13,800
<i>Total Expenditures</i>	<u>128,758</u>	<u>228,767</u>	<u>7,451,974</u>
<i>Net Change in Fund Balance</i>	(6,567)	(14,971)	(459,575)
<i>Fund Balances (Deficits) at Beginning of Year</i>	<u>(20,909)</u>	<u>44,802</u>	<u>1,252,017</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>(\$27,476)</u>	<u>\$29,831</u>	<u>\$792,442</u>

Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004*

	Permanent Improvement	Computer Network	Total Nonmajor Capital Projects Funds
Revenues			
Intergovernmental	\$0	\$4,940	\$4,940
Interest	137	0	137
Gifts and Donations	1,565	0	1,565
<i>Total Revenues</i>	<u>1,702</u>	<u>4,940</u>	<u>6,642</u>
Expenditures			
Current:			
Instruction:			
Regular	0	8	8
Capital Outlay	34,442	18,121	52,563
<i>Total Expenditures</i>	<u>34,442</u>	<u>18,129</u>	<u>52,571</u>
<i>Excess of Revenues Under Expenditures</i>	(32,740)	(13,189)	(45,929)
Other Financing Sources			
Proceeds from Capital Lease	700,000	0	700,000
<i>Net Change in Fund Balances</i>	667,260	(13,189)	654,071
<i>Fund Balances Beginning of Year</i>	<u>14,622</u>	<u>13,189</u>	<u>27,811</u>
<i>Fund Balances End of Year</i>	<u><u>\$681,882</u></u>	<u><u>\$0</u></u>	<u><u>\$681,882</u></u>

Lancaster City School District, Ohio
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2004

This fund accounts for those student activity programs which have student participation in the activity and have student involvement in the management of the programs.

	Balance 7/1/03	Additions	Reductions	Balance 6/30/04
Student Managed Activity				
Assets				
Cash and Cash Equivalents	\$67,166	\$103,478	\$93,085	\$77,559
Total Assets	<u>\$67,166</u>	<u>\$103,478</u>	<u>\$93,085</u>	<u>\$77,559</u>
Liabilities				
Due to Students	\$67,166	\$103,478	\$93,085	\$77,559
Total Liabilities	<u>\$67,166</u>	<u>\$103,478</u>	<u>\$93,085</u>	<u>\$77,559</u>

Lancaster City School District, Ohio

*Individual Fund Schedules of Revenues, Expenditures/Expenses,
And Changes in Fund Balances
Budget and Actual (Budget Basis)*

Lancaster City School District, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$23,190,250	\$23,190,250	\$22,543,825	(\$646,425)
Intergovernmental	18,873,311	18,873,311	19,398,140	524,829
Interest	500,000	500,000	80,568	(419,432)
Tuition and Fees	578,682	578,682	1,229,171	650,489
Rent	44,000	44,000	44,550	550
Extracurricular Activities	92,500	92,500	82,547	(9,953)
Gifts and Donations	0	0	1,193	1,193
Miscellaneous	0	0	3,325	3,325
<i>Total Revenues</i>	43,278,743	43,278,743	43,383,319	104,576
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	13,675,125	13,517,497	13,517,497	0
Fringe Benefits	4,176,500	4,483,790	4,483,790	0
Purchased Services	90,775	69,502	51,835	17,667
Materials and Supplies	1,071,721	914,740	913,114	1,626
Capital Outlay - New	70,000	52,590	52,590	0
Capital Outlay - Replacement	230,169	182,835	173,405	9,430
Total Regular	19,314,290	19,220,954	19,192,231	28,723
Special:				
Salaries and Wages	3,717,600	3,834,544	3,834,544	0
Fringe Benefits	1,322,800	1,432,975	1,432,975	0
Purchased Services	112,400	21,503	19,508	1,995
Materials and Supplies	42,347	56,674	52,591	4,083
Capital Outlay - New	15,000	9,305	9,305	0
Capital Outlay - Replacement	7,394	2,894	2,568	326
Total Special	5,217,541	5,357,895	5,351,491	6,404
Vocational:				
Salaries and Wages	1,769,700	1,761,998	1,761,998	0
Fringe Benefits	615,050	580,069	580,069	0
Purchased Services	16,400	14,833	9,352	5,481
Materials and Supplies	62,052	57,113	54,070	3,043
Capital Outlay - New	25,000	24,118	24,118	0
Capital Outlay - Replacement	10,000	9,750	9,099	651
Total Vocational	2,498,202	2,447,881	2,438,706	9,175
Adult/Continuing:				
Salaries and Wages	65,100	47,533	47,533	0
Fringe Benefits	13,600	13,600	10,089	3,511
Materials and Supplies	2,500	2,500	2,179	321
Capital Outlay - New	989	989	989	0
Total Adult/Continuing	\$82,189	\$64,622	\$60,790	\$3,832

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund (Continued)
For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other:				
Purchased Services	\$937,987	\$1,230,181	\$1,891,535	(\$661,354)
Total Instruction	28,050,209	28,321,533	28,934,753	(613,220)
Support Services:				
Pupils:				
Salaries and Wages	1,234,700	1,348,954	1,348,954	0
Fringe Benefits	434,200	445,486	445,486	0
Purchased Services	512,296	425,573	425,573	0
Materials and Supplies	161,764	116,245	107,228	9,017
Total Pupils	2,342,960	2,336,258	2,327,241	9,017
Instructional Staff:				
Salaries and Wages	1,917,900	1,547,134	1,546,555	579
Fringe Benefits	862,542	767,500	767,500	0
Purchased Services	161,850	117,069	117,069	0
Materials and Supplies	181,401	222,846	193,065	29,781
Capital Outlay - New	15,000	18,811	18,811	0
Capital Outlay - Replacement	0	13,368	13,340	28
Other	8,000	8,000	2,099	5,901
Total Instructional Staff	3,146,693	2,694,728	2,658,439	36,289
Board of Education:				
Salaries and Wages	8,000	8,700	8,700	0
Fringe Benefits	800	1,428	1,428	0
Purchased Services	0	251	251	0
Materials and Supplies	1,000	247	247	0
Other	65,224	157,659	157,659	0
Total Board of Education	75,024	168,285	168,285	0
Administration:				
Salaries and Wages	2,647,882	2,853,506	2,853,506	0
Fringe Benefits	950,400	1,017,693	1,017,693	0
Purchased Services	341,546	386,345	318,955	67,390
Materials and Supplies	22,793	21,302	13,713	7,589
Capital Outlay - New	0	2,369	2,369	0
Capital Outlay - Replacement	0	9,177	9,177	0
Other	11,200	12,012	12,012	0
Total Administration	3,973,821	4,302,404	4,227,425	74,979
Fiscal:				
Salaries and Wages	286,000	327,224	327,224	0
Fringe Benefits	110,300	114,839	114,839	0
Purchased Services	93,117	101,460	101,460	0
Materials and Supplies	10,010	10,009	9,442	567
Capital Outlay - New	2,500	0	0	0
Other	580,000	547,976	547,976	0
Total Fiscal	\$1,081,927	\$1,101,508	\$1,100,941	\$567

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund (Continued)
For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Business:				
Salaries and Wages	\$84,500	\$88,288	\$88,288	\$0
Fringe Benefits	46,500	46,501	45,875	626
Purchased Services	280,736	271,337	237,581	33,756
Materials and Supplies	75,162	75,407	(25,977)	101,384
Other	5,000	5,000	882	4,118
Total Business	491,898	486,533	346,649	139,884
Operation and Maintenance of Plant:				
Salaries and Wages	1,860,800	1,910,312	1,910,312	0
Fringe Benefits	813,400	872,328	872,328	0
Purchased Services	2,147,445	1,971,719	1,971,719	0
Materials and Supplies	436,242	337,637	324,365	13,272
Capital Outlay - New	2,990	8,169	8,169	0
Capital Outlay - Replacement	1,609	8,271	5,767	2,504
Total Operation and Maintenance of Plant	5,262,486	5,108,436	5,092,660	15,776
Pupil Transportation:				
Salaries and Wages	895,800	854,624	854,624	0
Fringe Benefits	405,900	406,790	406,790	0
Purchased Services	74,200	85,920	85,920	0
Materials and Supplies	171,321	163,108	147,481	15,627
Capital Outlay - New	70,000	37,674	37,674	0
Capital Outlay - Replacement	780	121,848	121,848	0
Total Pupil Transportation	1,618,001	1,669,964	1,654,337	15,627
Central:				
Salaries and Wages	73,800	112,949	112,949	0
Fringe Benefits	55,500	55,501	55,031	470
Purchased Services	90,621	49,999	37,282	12,717
Materials and Supplies	19,999	29,222	29,222	0
Capital Outlay - New	10,000	0	0	0
Capital Outlay - Replacement	24,215	24,624	24,624	0
Other	1,000	200	200	0
Total Central	275,135	272,495	259,308	13,187
Total Support Services	18,267,945	18,140,611	17,835,285	305,326
Extracurricular Activities:				
Academic and Subject Oriented Activities:				
Salaries and Wages	52,300	52,300	47,927	4,373
Fringe Benefits	11,100	11,100	7,022	4,078
Purchased Services	600	600	91	509
Materials and Supplies	1,000	1,000	21	979
Other	3,000	3,000	1,704	1,296
Total Academic and Subject Oriented Activities	\$68,000	\$68,000	\$56,765	\$11,235

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund (Continued)
For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Occupation Oriented Activities:				
Salaries and Wages	\$4,200	\$4,200	\$1,486	\$2,714
Fringe Benefits	800	800	550	250
Total Occupation Oriented Activities	5,000	5,000	2,036	2,964
Sports Oriented Activities:				
Salaries and Wages	322,800	338,949	338,949	0
Fringe Benefits	71,500	55,351	55,202	149
Total Sports Oriented Activities	394,300	394,300	394,151	149
School and Public Service				
Co-Curricular Activities:				
Salaries and Wages	45,100	37,761	32,041	5,720
Fringe Benefits	5,900	5,900	4,906	994
Purchased Services	0	250	250	0
Materials and Supplies	2,000	3,389	3,389	0
Total School and Public Service				
Co-Curricular Activities	53,000	47,300	40,586	6,714
Total Extracurricular Activities	520,300	514,600	493,538	21,062
<i>Total Expenditures</i>	<i>46,838,454</i>	<i>46,976,744</i>	<i>47,263,576</i>	<i>(286,832)</i>
<i>Excess of Revenues Under Expenditures</i>	<i>(3,559,711)</i>	<i>(3,698,001)</i>	<i>(3,880,257)</i>	<i>(182,256)</i>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	10,000	10,000	77,214	67,214
Advances In	30,000	30,000	28,770	(1,230)
Advances Out	(25,000)	(405,950)	(402,557)	3,393
Operating Transfers Out	(49,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<i>(34,000)</i>	<i>(365,950)</i>	<i>(296,573)</i>	<i>69,377</i>
<i>Net Change in Fund Balance</i>	<i>(3,593,711)</i>	<i>(4,063,951)</i>	<i>(4,176,830)</i>	<i>(112,879)</i>
<i>Fund Balance Beginning of Year</i>	<i>4,763,147</i>	<i>4,763,147</i>	<i>4,763,147</i>	<i>0</i>
<i>Prior Year Encumbrances Appropriated</i>	<i>1,144,354</i>	<i>1,144,354</i>	<i>1,144,354</i>	<i>0</i>
<i>Fund Balance at End of Year</i>	<i>\$2,313,790</i>	<i>\$1,843,550</i>	<i>\$1,730,671</i>	<i>(\$112,879)</i>

Lancaster City School District, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Food Service Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$716,045	\$934,680	\$218,635
Interest	2,000	2,407	407
Charges for Services	981,955	1,039,145	57,190
<i>Total Revenues</i>	<u>1,700,000</u>	<u>1,976,232</u>	<u>276,232</u>
Expenditures			
Current:			
Non-Instructional Services:			
Food Service Operations:			
Salaries and Wages	686,853	686,811	42
Fringe Benefits	330,631	330,631	0
Purchased Services	3,041	2,538	503
Materials and Supplies	772,080	771,290	790
Capital Outlay - New	116,000	115,980	20
Capital Outlay - Replacement	9,176	9,176	0
Other	5,000	4,823	177
<i>Total Expenditures</i>	<u>1,922,781</u>	<u>1,921,249</u>	<u>1,532</u>
<i>Net Change in Fund Balance</i>	(222,781)	54,983	277,764
<i>Fund Balance Beginning of Year</i>	206,615	206,615	0
<i>Prior Year Encumbrances Appropriated</i>	33,082	33,082	0
<i>Fund Balance at End of Year</i>	<u>\$16,916</u>	<u>\$294,680</u>	<u>\$277,764</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Scholarship Memorial Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Interest	\$0	\$307	\$307
Gifts and Donations	2,000	13,603	11,603
<i>Total Revenues</i>	<u>2,000</u>	<u>13,910</u>	<u>11,910</u>
Expenditures			
Current:			
Support Services:			
Instructional Staff:			
Capital Outlay - New	703	0	703
Non-Instructional Services:			
Community Services:			
Other	14,089	12,550	1,539
<i>Total Expenditures</i>	<u>14,792</u>	<u>12,550</u>	<u>2,242</u>
<i>Net Change in Fund Balance</i>	(12,792)	1,360	14,152
<i>Fund Balance Beginning of Year</i>	<u>35,146</u>	<u>35,146</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$22,354</u></u>	<u><u>\$36,506</u></u>	<u><u>\$14,152</u></u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Public School Support Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Rent	\$1,000	\$765	(\$235)
Extracurricular Activities	81,450	77,600	(3,850)
Gifts and Donations	7,550	11,486	3,936
<i>Total Revenues</i>	<u>90,000</u>	<u>89,851</u>	<u>(149)</u>
Expenditures			
Current:			
Instruction:			
Regular:			
Purchased Services	23,240	16,584	6,656
Materials and Supplies	59,649	20,457	39,192
Capital Outlay - New	3,500	1,494	2,006
Capital Outlay - Replacement	2,100	0	2,100
Other	227	227	0
Total Instruction	<u>88,716</u>	<u>38,762</u>	<u>49,954</u>
Support Services:			
Pupils:			
Purchased Services	2,250	1,300	950
Materials and Supplies	500	0	500
Capital Outlay - Replacement	100	0	100
Total Pupils	<u>2,850</u>	<u>1,300</u>	<u>1,550</u>
Instructional Staff:			
Purchased Services	790	0	790
Materials and Supplies	1,991	1,759	232
Capital Outlay - New	2,400	0	2,400
Total Instructional Staff	<u>5,181</u>	<u>1,759</u>	<u>3,422</u>
Administration:			
Purchased Services	4,363	3,225	1,138
Materials and Supplies	2,480	1,309	1,171
Capital Outlay - New	310	310	0
Other	18,668	16,362	2,306
Total Administration	<u>25,821</u>	<u>21,206</u>	<u>4,615</u>
Business:			
Purchased Services	47	47	0
Operation and Maintenance of Plant:			
Purchased Services	1,800	1,792	8
Pupil Transportation:			
Purchased Services	200	0	200
Total Support Services	<u>\$35,899</u>	<u>\$26,104</u>	<u>\$9,795</u>

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Public School Support Fund (Continued)
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Non-Instructional Services:			
Food Service Operations:			
Purchased Services	\$200	\$0	\$200
Materials and Supplies	27,389	18,078	9,311
Total Food Service Operations	27,589	18,078	9,511
Community Services:			
Materials and Supplies	413	0	413
Total Non-Instructional Services	28,002	18,078	9,924
Extracurricular Activities:			
School and Public Service Co-Curricular Activities:			
Other	1,300	0	1,300
<i>Total Expenditures</i>	153,917	82,944	70,973
<i>Net Change in Fund Balance</i>	(63,917)	6,907	70,824
<i>Fund Balance Beginning of Year</i>	85,097	85,097	0
<i>Prior Year Encumbrances Appropriated</i>	3,747	3,747	0
<i>Fund Balance at End of Year</i>	\$24,927	\$95,751	\$70,824

Lancaster City School District, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Community Grants Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$35,981	\$88,496	\$52,515
Extracurricular Activities	2,133	5,245	3,112
Gifts and Donations	11,886	29,235	17,349
<i>Total Revenues</i>	<u>\$50,000</u>	<u>\$122,976</u>	<u>\$72,976</u>
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	300	0	300
Capital Outlay - Replacement	2,045	2,045	0
Total Regular	<u>2,345</u>	<u>2,045</u>	<u>300</u>
Special:			
Purchased Services	450	450	0
Vocational:			
Purchased Services	3,172	3,172	0
Materials and Supplies	7,377	6,628	749
Capital Outlay - New	90,891	90,571	320
Other	113	113	0
Total Vocational	<u>101,553</u>	<u>100,484</u>	<u>1,069</u>
Total Instruction	<u>104,348</u>	<u>102,979</u>	<u>1,369</u>
Support Services:			
Pupils:			
Purchased Services	4,527	2,659	1,868
Materials and Supplies	443	443	0
Total Support Services	<u>4,970</u>	<u>3,102</u>	<u>1,868</u>
Extracurricular Activities:			
Sport Oriented Activities:			
Purchased Services	7,140	7,140	0
Capital Outlay:			
Other Facilities Acquisition and Construction Services:			
Purchased Services	20,000	13,800	6,200
<i>Total Expenditures</i>	<u>136,458</u>	<u>127,021</u>	<u>9,437</u>
<i>Excess of Revenues Under Expenditures</i>	(86,458)	(4,045)	82,413
Other Financing Sources			
Advances In	0	8,476	8,476
<i>Net Change in Fund Balance</i>	(86,458)	4,431	90,889
<i>Fund Balance Beginning of Year</i>	5,994	5,994	0
<i>Prior Year Encumbrances Appropriated</i>	7,097	7,097	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$73,367)</u>	<u>\$17,522</u>	<u>\$90,889</u>

Lancaster City School District, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
District Managed Student Activity Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Extracurricular Activities	\$300,000	\$276,719	(\$23,281)
Expenditures			
Current:			
Extracurricular Activities:			
Academic and Subject Oriented Activities:			
Purchased Services	132,527	20,248	112,279
Materials and Supplies	34,034	15,924	18,110
Capital Outlay - New	18,000	0	18,000
Capital Outlay - Replacement	7,500	0	7,500
Other	21,055	7,785	13,270
Total Academic and Subject Oriented Activities	213,116	43,957	169,159
Sport Oriented Activities:			
Salaries and Wages	17,236	17,236	0
Purchased Services	78,188	70,850	7,338
Materials and Supplies	122,428	118,056	4,372
Capital Outlay - New	4,143	4,143	0
Capital Outlay - Replacement	3,900	1,900	2,000
Other	34,550	31,835	2,715
Total Sport Oriented Activities	260,445	244,020	16,425
School and Public Service Co-Curricular Activities:			
Purchased Services	15,744	8,113	7,631
Materials and Supplies	8,000	7,535	465
Capital Outlay - New	1,650	1,608	42
Other	1,000	0	1,000
Total School and Public Service Co-Curricular Activities	26,394	17,256	9,138
Total Extracurricular Activities	499,955	305,233	194,722
Capital Outlay:			
Other Facilities Acquisition and Construction:			
Capital Outlay - Replacement	3,000	0	3,000
Total Expenditures	502,955	305,233	197,722
Excess of Revenues Under Expenditures	(202,955)	(28,514)	174,441
Other Financing Sources			
Advances In	0	2,065	2,065
Net Change in Fund Balance	(202,955)	(26,449)	176,506
Fund Balance Beginning of Year	55,004	55,004	0
Prior Year Encumbrances Appropriated	14,375	14,375	0
Fund Balance (Deficit) at End of Year	(\$133,576)	\$42,930	\$176,506

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Auxiliary Services Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$700,000	\$874,564	\$174,564
Expenditures			
Current:			
Non-Instructional Services:			
Community Services:			
Salaries and Wages	263,143	219,672	43,471
Fringe Benefits	87,433	71,108	16,325
Purchased Services	176,910	173,601	3,309
Materials and Supplies	239,566	208,325	31,241
Capital Outlay - New	129,768	87,036	42,732
Other	68,500	58,475	10,025
<i>Total Expenditures</i>	<u>965,320</u>	<u>818,217</u>	<u>147,103</u>
<i>Net Change in Fund Balance</i>	(265,320)	56,347	321,667
<i>Fund Balance Beginning of Year</i>	62,387	62,387	0
<i>Prior Year Encumbrances Appropriated</i>	28,371	28,371	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$174,562)</u>	<u>\$147,105</u>	<u>\$321,667</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Teacher Development Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
<i>Total Revenues</i>	\$0	\$0	\$0
Expenditures			
Current:			
Support Services:			
Instructional Staff:			
Salaries and Wages	5,000	0	5,000
Purchased Services	3,236	0	3,236
Capital Outlay - New	7,672	0	7,672
Total Support Services	15,908	0	15,908
Non-Instructional Services:			
Community Services:			
Materials and Supplies	64	0	64
Total Expenditures	15,972	0	15,972
<i>Net Change in Fund Balance</i>	(15,972)	0	15,972
<i>Fund Balance Beginning of Year</i>	15,972	15,972	0
<i>Fund Balance at End of Year</i>	\$0	\$15,972	\$15,972

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Educational Management Information Systems Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$20,000	\$22,190	\$2,190
Expenditures			
Current:			
Support Services:			
Central:			
Salaries and Wages	20,952	20,845	107
Purchased Services	17,790	0	17,790
<i>Total Expenditures</i>	<u>38,742</u>	<u>20,845</u>	<u>17,897</u>
<i>Net Change in Fund Balance</i>	(18,742)	1,345	20,087
<i>Fund Balance Beginning of Year</i>	<u>38,742</u>	<u>38,742</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$20,000</u>	<u>\$40,087</u>	<u>\$20,087</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Data Communications Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$40,000	\$39,000	(\$1,000)
Expenditures			
Current:			
Support Services:			
Central:			
Purchased Services	62,433	57,057	5,376
<i>Net Change in Fund Balance</i>	(22,433)	(18,057)	4,376
<i>Fund Balance Beginning of Year</i>	14,972	14,972	0
<i>Prior Year Encumbrances Appropriated</i>	8,461	8,461	0
<i>Fund Balance at End of Year</i>	<u>\$1,000</u>	<u>\$5,376</u>	<u>\$4,376</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
SchoolNet Professional Development Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$0	\$4,140	\$4,140
Expenditures			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	4,140	3,546	594
<i>Net Change in Fund Balance</i>	(4,140)	594	4,734
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$4,140)	\$594	\$4,734

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Summer School Intervention Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$20,000	\$87,115	\$67,115
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	15,266	3,793	11,473
Fringe Benefits	3,783	152	3,631
Materials and Supplies	102,274	99,786	2,488
<i>Total Expenditures</i>	<u>121,323</u>	<u>103,731</u>	<u>17,592</u>
<i>Excess of Revenues Under Expenditures</i>	(101,323)	(16,616)	84,707
Other Financing Sources			
Advances In	0	15,946	15,946
<i>Net Change in Fund Balance</i>	(101,323)	(670)	100,653
<i>Fund Balance Beginning of Year</i>	<u>3,256</u>	<u>3,256</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$98,067)</u>	<u>\$2,586</u>	<u>\$100,653</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Safe Schools Hotline Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$0	\$6,041	\$6,041
Expenditures			
Current:			
Support Services:			
Central:			
Purchased Services	6,041	6,041	0
<i>Net Change in Fund Balance</i>	(6,041)	0	6,041
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$6,041)	\$0	\$6,041

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Entry Year Grant Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$0	\$7,700	\$7,700
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	4,749	3,795	954
Fringe Benefits	534	534	0
Purchased Services	880	252	628
Materials and Supplies	973	812	161
Other	137	137	0
<i>Total Expenditures</i>	<u>7,273</u>	<u>5,530</u>	<u>1,743</u>
<i>Net Change in Fund Balance</i>	(7,273)	2,170	9,443
<i>Fund Balance Beginning of Year</i>	146	146	0
<i>Prior Year Encumbrances Appropriated</i>	<u>673</u>	<u>673</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>(\$6,454)</u></u>	<u><u>\$2,989</u></u>	<u><u>\$9,443</u></u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Adult Basic Education Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$120,000	\$131,136	\$11,136
Expenditures			
Current:			
Instruction:			
Adult/Continuing:			
Salaries and Wages	69,765	61,590	8,175
Fringe Benefits	10,523	8,884	1,639
Materials and Supplies	10,676	9,259	1,417
Total Instruction	90,964	79,733	11,231
Support Services:			
Pupils:			
Salaries and Wages	13,122	12,060	1,062
Fringe Benefits	2,027	1,862	165
Purchased Services	450	389	61
Total Pupils	15,599	14,311	1,288
Instructional Staff:			
Salaries and Wages	21,750	19,197	2,553
Fringe Benefits	3,720	1,545	2,175
Purchased Services	4,695	3,537	1,158
Materials and Supplies	500	404	96
Other	250	0	250
Total Instructional Staff	30,915	24,683	6,232
Fiscal:			
Other	750	750	0
Total Support Services	47,264	39,744	7,520
Total Expenditures	138,228	119,477	18,751
<i>Excess of Revenues Over (Under) Expenditures</i>	(18,228)	11,659	29,887
Other Financing Sources (Uses)			
Advances In	0	7,627	7,627
Advances Out	(23,632)	(23,632)	0
<i>Total Other Financing Sources (Uses)</i>	(23,632)	(16,005)	7,627
<i>Net Change in Fund Balance</i>	(41,860)	(4,346)	37,514
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	4,346	4,346	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$37,514)	\$0	\$37,514

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Title III Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$25,000	\$0	(\$25,000)
Expenditures			
<i>Total Expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	25,000	0	(25,000)
Other Financing Uses			
Operating Transfers Out	<u>(4,447)</u>	<u>(4,447)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	20,553	(4,447)	(25,000)
<i>Fund Balance Beginning of Year</i>	<u>4,447</u>	<u>4,447</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$25,000</u></u>	<u><u>\$0</u></u>	<u><u>(\$25,000)</u></u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Title V Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$30,000	\$30,571	\$571
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	39,582	39,582	0
Fringe Benefits	6,497	6,224	273
Materials and Supplies	2,286	2,286	0
Other	80	80	0
Total Regular	48,445	48,172	273
Special:			
Salaries and Wages	5,521	5,521	0
Total Instruction	53,966	53,693	273
Support Services:			
Pupils:			
Purchased Services	14,213	5,752	8,461
Non-Instructional Services:			
Community Services:			
Materials and Supplies	8,156	7,663	493
<i>Total Expenditures</i>	76,335	67,108	9,227
<i>Excess of Revenues Under Expenditures</i>	(46,335)	(36,537)	9,798
Other Financing Sources (Uses)			
Advances In	0	24,195	24,195
Operating Transfers Out	(4,267)	(4,267)	0
<i>Total Other Financing Sources (Uses)</i>	(4,267)	19,928	24,195
<i>Net Change in Fund Balance</i>	(50,602)	(16,609)	33,993
<i>Fund Balance Beginning of Year</i>	13,618	13,618	0
<i>Prior Year Encumbrances Appropriated</i>	2,991	2,991	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$33,993)	\$0	\$33,993

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Drug Free Grant Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$20,000	\$39,901	\$19,901
Expenditures			
Current:			
Instruction:			
Regular:			
Materials and Supplies	471	470	1
Support Services:			
Pupils:			
Purchased Services	48,301	48,300	1
Other	1,073	1,073	0
Total Support Services	49,374	49,373	1
Non-Instructional Services:			
Community Services:			
Purchased Services	3,397	3,251	146
<i>Total Expenditures</i>	53,242	53,094	148
<i>Excess of Revenues Under Expenditures</i>	(33,242)	(13,193)	20,049
Other Financing Sources			
Advances In	0	6,693	6,693
<i>Net Change in Fund Balance</i>	(33,242)	(6,500)	26,742
<i>Fund Balance Beginning of Year</i>	6,500	6,500	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$26,742)	\$0	\$26,742

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Continuous Improvement Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$350,847	\$14,763	(\$336,084)
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	12,312	2,529	9,783
Fringe Benefits	2,542	254	2,288
Purchased Services	357	357	0
Materials and Supplies	54,589	53,355	1,234
Other	20,176	20,176	0
Total Instruction	89,976	76,671	13,305
Support Services:			
Instructional Staff:			
Purchased Services	27,000	5,638	21,362
Materials and Supplies	29,836	23,771	6,065
Capital Outlay - New	10,076	9,999	77
Total Instructional Staff	66,912	39,408	27,504
Fiscal:			
Other	720	720	0
Total Support Services	67,632	40,128	27,504
Non-Instructional Services:			
Community Services:			
Materials and Supplies	924	0	924
<i>Total Expenditures</i>	158,532	116,799	41,733
<i>Excess of Revenues Over (Under) Expenditures</i>	192,315	(102,036)	(294,351)
Other Financing Sources			
Advances In	0	26,687	26,687
<i>Net Change in Fund Balance</i>	192,315	(75,349)	(267,664)
<i>Fund Balance Beginning of Year</i>	54,278	54,278	0
<i>Prior Year Encumbrances Appropriated</i>	21,071	21,071	0
<i>Fund Balance at End of Year</i>	\$267,664	\$0	(\$267,664)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Reducing Class Size Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$0	\$121,586	\$121,586
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	132,462	114,041	18,421
Fringe Benefits	39,979	37,779	2,200
Total Instruction	172,441	151,820	20,621
Support Services:			
Instructional Staff:			
Salaries and Wages	180,799	149,103	31,696
Fringe Benefits	44,346	42,805	1,541
Purchased Services	118,827	77,117	41,710
Materials and Supplies	9,336	8,970	366
Total Support Services	353,308	277,995	75,313
Non-Instructional Services:			
Community Services:			
Purchased Services	500	500	0
<i>Total Expenditures</i>	526,249	430,315	95,934
<i>Excess of Revenues Under Expenditures</i>	(526,249)	(308,729)	217,520
Other Financing Sources			
Advances In	0	8,714	8,714
Operating Transfers In	0	164,872	164,872
<i>Total Other Financing Sources</i>	0	173,586	173,586
<i>Net Change in Fund Balance</i>	(526,249)	(135,143)	391,106
<i>Fund Balance Beginning of Year</i>	119,264	119,264	0
<i>Prior Year Encumbrances Appropriated</i>	15,900	15,900	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$391,085)	\$21	\$391,106

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Ohio Reads Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$80,000	\$66,500	(\$13,500)
Expenditures			
Current:			
Instruction:			
Regular:			
Materials and Supplies	28,305	28,154	151
Other	147	147	0
Total Instruction	28,452	28,301	151
Support Services:			
Instructional Staff:			
Salaries and Wages	12,800	11,125	1,675
Purchased Services	49,009	48,096	913
Materials and Supplies	10,277	10,238	39
Capital Outlay - New	1,399	1,399	0
Other	14,190	8,769	5,421
Total Support Services	87,675	79,627	8,048
<i>Total Expenditures</i>	116,127	107,928	8,199
<i>Net Change in Fund Balance</i>	(36,127)	(41,428)	(5,301)
<i>Fund Balance Beginning of Year</i>	14,774	14,774	0
<i>Prior Year Encumbrances Appropriated</i>	34,853	34,853	0
<i>Fund Balance at End of Year</i>	\$13,500	\$8,199	(\$5,301)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Extended Learning Opportunities Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<i>Total Revenues</i>	\$0	\$0	\$0
Expenditures			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	6,216	0	6,216
<i>Net Change in Fund Balance</i>	(6,216)	0	6,216
<i>Fund Balance Beginning of Year</i>	6,216	6,216	0
<i>Fund Balance at End of Year</i>	\$0	\$6,216	\$6,216

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Reading Improvement Grant Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<i>Total Revenues</i>	\$0	\$0	\$0
Expenditures			
Current:			
Instruction:			
Regular:			
Materials and Supplies	7,795	7,795	0
<i>Net Change in Fund Balance</i>	(7,795)	(7,795)	0
<i>Fund Balance Beginning of Year</i>	1,329	1,329	0
<i>Prior Year Encumbrances Appropriated</i>	6,466	6,466	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$0

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Even Start Grant Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$317,477	\$290,992	(\$26,485)
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	61,479	41,056	20,423
Fringe Benefits	28,292	17,479	10,813
Purchased Services	2,945	2,915	30
Materials and Supplies	6,842	6,842	0
Capital Outlay - New	1,000	0	1,000
Total Regular	100,558	68,292	32,266
Adult/Continuing:			
Salaries and Wages	31,776	22,875	8,901
Fringe Benefits	5,031	3,522	1,509
Purchased Services	2,686	1,967	719
Materials and Supplies	4,865	3,608	1,257
Capital Outlay - New	1,182	1,182	0
Total Adult/Continuing	45,540	33,154	12,386
Total Instruction	146,098	101,446	44,652
Support Services:			
Instructional Staff:			
Salaries and Wages	69,114	43,895	25,219
Fringe Benefits	11,787	6,849	4,938
Purchased Services	310,197	310,197	0
Materials and Supplies	2,697	1,765	932
Capital Outlay - New	710	710	0
Other	1,751	1,751	0
Total Instructional Staff	396,256	365,167	31,089
Fiscal:			
Other	1,800	1,800	0
Total Support Services	398,056	366,967	31,089
<i>Total Expenditures</i>	544,154	468,413	75,741
<i>Excess of Revenues Under Expenditures</i>	(226,677)	(177,421)	49,256
Other Financing Sources			
Advances In	0	74,267	74,267
<i>Net Change in Fund Balance</i>	(226,677)	(103,154)	123,523
<i>Fund Balance Beginning of Year</i>	65,424	65,424	0
<i>Prior Year Encumbrances Appropriated</i>	37,730	37,730	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$123,523)	\$0	\$123,523

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Reading Excellence Grant Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
<i>Total Revenues</i>	\$0	\$0	\$0
Expenditures			
<i>Total Expenditures</i>	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance Beginning of Year</i>	204	204	0
<i>Fund Balance at End of Year</i>	\$204	\$204	\$0

Lancaster City School District, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Idea B Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$400,000	\$675,806	\$275,806
Expenditures			
Current:			
Instruction:			
Special:			
Salaries and Wages	38,788	31,778	7,010
Fringe Benefits	7,580	6,495	1,085
Purchased Services	5,500	2,770	2,730
Materials and Supplies	15,406	15,182	224
Capital Outlay - New	35,670	27,667	8,003
Total Instruction	102,944	83,892	19,052
Support Services:			
Pupils:			
Salaries and Wages	55,329	47,884	7,445
Fringe Benefits	15,547	13,288	2,259
Purchased Services	265,002	255,847	9,155
Materials and Supplies	12,000	11,163	837
Capital Outlay - New	67,469	67,120	349
Total Pupils	415,347	395,302	20,045
Instructional Staff:			
Salaries and Wages	180,280	131,904	48,376
Fringe Benefits	114,303	104,702	9,601
Purchased Services	31,493	30,603	890
Total Instructional Staff	326,076	267,209	58,867
Administration:			
Salaries and Wages	102,207	93,005	9,202
Fringe Benefits	41,545	35,373	6,172
Purchased Services	1,000	997	3
Materials and Supplies	750	750	0
Total Administration	145,502	130,125	15,377
Fiscal:			
Other	10,316	10,316	0
Total Support Services	897,241	802,952	94,289
Non-Instructional Services:			
Community Services:			
Salaries and Wages	22,997	19,135	3,862
Fringe Benefits	3,860	0	3,860
Total Non-Instructional Services	26,857	19,135	7,722
<i>Total Expenditures</i>	1,027,042	905,979	121,063
<i>Excess of Revenues Under Expenditures</i>	(\$627,042)	(\$230,173)	\$396,869

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Idea B Fund (Continued)
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Other Financing Sources			
Advances In	\$0	\$40,640	\$40,640
<i>Net Change in Fund Balance</i>	(627,042)	(189,533)	437,509
<i>Fund Balance Beginning of Year</i>	151,743	151,743	0
<i>Prior Year Encumbrances Appropriated</i>	37,790	37,790	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$437,509)	\$0	\$437,509

Lancaster City School District, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Title I Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$882,523	\$960,886	\$78,363
Tuition and Fees	0	880	880
<i>Total Revenues</i>	<u>\$882,523</u>	<u>\$961,766</u>	<u>\$79,243</u>
Expenditures			
Current:			
Instruction:			
Special:			
Salaries and Wages	1,044,259	892,103	152,156
Fringe Benefits	310,609	262,447	48,162
Purchased Services	2,000	0	2,000
Materials and Supplies	5,249	2,208	3,041
Total Instruction	<u>1,362,117</u>	<u>1,156,758</u>	<u>205,359</u>
Support Services:			
Pupils:			
Salaries and Wages	45,533	37,782	7,751
Fringe Benefits	15,575	14,882	693
Purchased Services	798	550	248
Total Pupils	<u>61,906</u>	<u>53,214</u>	<u>8,692</u>
Instructional Staff:			
Salaries and Wages	107,937	65,740	42,197
Fringe Benefits	36,100	20,699	15,401
Purchased Services	16,525	1,661	14,864
Materials and Supplies	17,261	4,607	12,654
Total Instructional Staff	<u>177,823</u>	<u>92,707</u>	<u>85,116</u>
Total Support Services	<u>239,729</u>	<u>145,921</u>	<u>93,808</u>
Non-Instructional Services:			
Community Services:			
Salaries and Wages	9,505	8,267	1,238
Fringe Benefits	2,454	2,353	101
Purchased Services	310	0	310
Materials and Supplies	434	396	38
Total Non-Instructional Services	<u>12,703</u>	<u>11,016</u>	<u>1,687</u>
<i>Total Expenditures</i>	<u>1,614,549</u>	<u>1,313,695</u>	<u>300,854</u>
<i>Net Change in Fund Balance</i>	(732,026)	(351,929)	380,097
<i>Fund Balance Beginning of Year</i>	388,589	388,589	0
<i>Prior Year Encumbrances Appropriated</i>	67	67	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$343,370)</u>	<u>\$36,727</u>	<u>\$380,097</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Disadvantaged Pupil Impact Aid Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$200,000	\$203,136	\$3,136
Expenditures			
Current:			
Instruction:			
Special:			
Salaries and Wages	135,008	116,588	18,420
Fringe Benefits	46,932	40,374	6,558
Total Instruction	181,940	156,962	24,978
Support Services:			
Pupils:			
Salaries and Wages	12,760	10,793	1,967
Fringe Benefits	4,979	4,252	727
Total Pupils	17,739	15,045	2,694
Instructional Staff:			
Salaries and Wages	14,201	6,573	7,628
Fringe Benefits	2,547	1,075	1,472
Total Instructional Staff	16,748	7,648	9,100
Total Support Services	34,487	22,693	11,794
<i>Total Expenditures</i>	216,427	179,655	36,772
<i>Net Change in Fund Balance</i>	(16,427)	23,481	39,908
<i>Fund Balance Beginning of Year</i>	36,658	36,658	0
<i>Fund Balance at End of Year</i>	\$20,231	\$60,139	\$39,908

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Vocational Education Career Development Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$14,355	\$12,996	(\$1,359)
Expenditures			
Current:			
Instruction:			
Vocational:			
Materials and Supplies	8,335	8,335	0
Support Services:			
Instructional Staff:			
Purchased Services	2,795	2,415	380
Materials and Supplies	1,398	1,398	0
Total Instructional Staff	4,193	3,813	380
<i>Total Expenditures</i>	12,528	12,148	380
<i>Excess of Revenues Over Expenditures</i>	1,827	848	(979)
Other Financing Sources (Uses)			
Advances In	645	687	42
Advances Out	(2,492)	(2,492)	0
<i>Total Other Financing Sources (Uses)</i>	(1,847)	(1,805)	42
<i>Net Change in Fund Balance</i>	(20)	(957)	(937)
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	957	957	0
<i>Fund Balance at End of Year</i>	\$937	\$0	(\$937)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Agricultural Education Fifth Quarter Grant Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$0	\$900	\$900
Expenditures			
Current:			
Instruction:			
Vocational:			
Salaries and Wages	2,632	2,632	0
Fringe Benefits	368	368	0
<i>Total Expenditures</i>	<u>3,000</u>	<u>3,000</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	(3,000)	(2,100)	900
Other Financing Sources			
Advances In	0	2,100	2,100
<i>Net Change in Fund Balance</i>	(3,000)	0	3,000
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$3,000)</u>	<u>\$0</u>	<u>\$3,000</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Vocational Education Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$120,000	\$105,508	(\$14,492)
Expenditures			
Current:			
Instruction:			
Vocational:			
Materials and Supplies	18,702	18,412	290
Capital Outlay - New	13,588	13,427	161
Capital Outlay - Replacement	19,258	19,258	0
Total Instruction	51,548	51,097	451
Support Services:			
Pupils:			
Salaries and Wages	59,056	51,625	7,431
Fringe Benefits	24,820	10,615	14,205
Purchased Services	10,268	10,193	75
Total Pupils	94,144	72,433	21,711
Administration:			
Purchased Services	6,744	6,744	0
Pupil Transportation:			
Purchased Services	2,965	2,809	156
Central:			
Materials and Supplies	1,052	1,052	0
Total Support Services	104,905	83,038	21,867
<i>Total Expenditures</i>	156,453	134,135	22,318
<i>Excess of Revenues Under Expenditures</i>	(36,453)	(28,627)	7,826
Other Financing Sources (Uses)			
Advances In	0	27,093	27,093
Advances Out	(2,646)	(2,646)	0
<i>Total Other Financing Sources (Uses)</i>	(2,646)	24,447	27,093
<i>Net Change in Fund Balance</i>	(39,099)	(4,180)	34,919
<i>Fund Balance Beginning of Year</i>	2,103	2,103	0
<i>Prior Year Encumbrances Appropriated</i>	4,180	4,180	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$32,816)	\$2,103	\$34,919

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Public School Preschool Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$151,503	\$170,632	\$19,129
Tuition and Fees	28,497	32,665	4,168
<i>Total Revenues</i>	<u>180,000</u>	<u>203,297</u>	<u>23,297</u>
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	104,943	90,819	14,124
Fringe Benefits	30,647	30,647	0
Materials and Supplies	1,280	1,086	194
Total Instruction	<u>136,870</u>	<u>122,552</u>	<u>14,318</u>
Support Services:			
Pupils:			
Purchased Services	4,400	2,918	1,482
Materials and Supplies	500	262	238
Total Pupils	<u>4,900</u>	<u>3,180</u>	<u>1,720</u>
Instructional Staff:			
Salaries and Wages	38,421	31,980	6,441
Fringe Benefits	28,203	27,993	210
Purchased Services	1,000	730	270
Total Instructional Staff	<u>67,624</u>	<u>60,703</u>	<u>6,921</u>
Administration:			
Salaries and Wages	14,998	12,991	2,007
Fringe Benefits	7,644	7,644	0
Materials and Supplies	1,000	647	353
Total Administration	<u>23,642</u>	<u>21,282</u>	<u>2,360</u>
Pupil Transportation:			
Purchased Services	2,000	0	2,000
Central:			
Materials and Supplies	500	273	227
Total Support Services	<u>98,666</u>	<u>85,438</u>	<u>13,228</u>
<i>Total Expenditures</i>	<u>235,536</u>	<u>207,990</u>	<u>27,546</u>
<i>Net Change in Fund Balance</i>	(55,536)	(4,693)	50,843
<i>Fund Balance Beginning of Year</i>	63,581	63,581	0
<i>Fund Balance at End of Year</i>	<u>\$8,045</u>	<u>\$58,888</u>	<u>\$50,843</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Preschool Handicapped Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$20,000	\$8,082	(\$11,918)
Expenditures			
Current:			
Instruction:			
Special:			
Materials and Supplies	2,655	543	2,112
Capital Outlay - New	483	483	0
Other	500	0	500
Total Instruction	3,638	1,026	2,612
Support Services:			
Pupils:			
Salaries and Wages	11,785	10,195	1,590
Fringe Benefits	1,904	1,427	477
Purchased Services	5,450	5,450	0
Total Pupils	19,139	17,072	2,067
Fiscal:			
Other	247	247	0
Total Support Services	19,386	17,319	2,067
<i>Total Expenditures</i>	23,024	18,345	4,679
<i>Excess of Revenues Under Expenditures</i>	(3,024)	(10,263)	(7,239)
Other Financing Sources			
Advances In	0	1,209	1,209
<i>Net Change in Fund Balance</i>	(3,024)	(9,054)	(6,030)
<i>Fund Balance Beginning of Year</i>	6,830	6,830	0
<i>Prior Year Encumbrances Appropriated</i>	2,224	2,224	0
<i>Fund Balance at End of Year</i>	\$6,030	\$0	(\$6,030)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Bond Retirement Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Property Taxes	\$352,850	\$352,859	\$9
Expenditures			
Debt Service:			
Principal Retirement	345,000	345,000	0
Interest and Fiscal Charges	7,850	7,849	1
<i>Total Expenditures</i>	<u>352,850</u>	<u>352,849</u>	<u>1</u>
<i>Net Change in Fund Balance</i>	0	10	10
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$10</u>	<u>\$10</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Permanent Improvement Fund
For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Gifts and Donations	\$10,000	\$1,565	(\$8,435)
Expenditures			
Current:			
Extracurricular Activities:			
Sport Oriented Activities:			
Capital Outlay - New	5,000	0	5,000
Capital Outlay:			
Building Acquisition and Construction Services:			
Capital Outlay - New	700,000	644,809	55,191
<i>Total Expenditures</i>	<u>705,000</u>	<u>644,809</u>	<u>60,191</u>
<i>Excess of Revenues Under Expenditures</i>	(695,000)	(643,244)	51,756
Other Financing Sources			
Proceeds of a Capital Lease	0	700,000	700,000
<i>Net Change in Fund Balance</i>	(695,000)	56,756	751,756
<i>Fund Balance Beginning of Year</i>	<u>14,622</u>	<u>14,622</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>(\$680,378)</u></u>	<u><u>\$71,378</u></u>	<u><u>\$751,756</u></u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Computer Network Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$17,491	\$17,031	(\$460)
Expenditures			
Current:			
Instruction:			
Regular:			
Materials and Supplies	1,759	1,759	0
Capital Outlay - New	2,441	2,441	0
Total Regular	4,200	4,200	0
Special:			
Capital Outlay - New	18,011	18,011	0
Total Instruction	22,211	22,211	0
Support Services:			
Instructional Staff:			
Materials and Supplies	460	0	460
<i>Total Expenditures</i>	22,671	22,211	460
<i>Net Change in Fund Balance</i>	(5,180)	(5,180)	0
<i>Fund Balance Beginning of Year</i>	989	989	0
<i>Prior Year Encumbrances Appropriated</i>	4,191	4,191	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$0

Lancaster City School District, Ohio
Schedule of Revenues, Expenses, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Employee Benefits Self Insurance Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Charges for Services	\$6,000,000	\$6,621,539	\$621,539
Expenses			
Current:			
Support Services:			
Central:			
Purchased Services	399,725	349,579	50,146
Other	7,851,994	5,852,444	1,999,550
<i>Total Expenses</i>	<u>8,251,719</u>	<u>6,202,023</u>	<u>2,049,696</u>
<i>Net Change in Fund Balance</i>	(2,251,719)	419,516	2,671,235
<i>Fund Deficit Beginning of Year</i>	<u>184,808</u>	<u>184,808</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$2,066,911)</u>	<u>\$604,324</u>	<u>\$2,671,235</u>

Lancaster City School District, Ohio
Schedule of Revenues, Expenses, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Endowment Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Interest	\$2,000	\$413	(\$1,587)
Expenses			
Current:			
Non-Instructional Services:			
Community Services:			
Other	4,000	384	3,616
<i>Net Change in Fund Balance</i>	(2,000)	29	2,029
<i>Fund Balance Beginning of Year</i>	39,087	39,087	0
<i>Fund Balance at End of Year</i>	\$37,087	\$39,116	\$2,029

Statistical Section



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Statistical Section

The following statistical tables reflect social and economic data, financial trends, and fiscal capacity of the School District. The School District has not had any bonded debt for ten years; therefore, a few statistical tables are not presented.

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TABLE 1

Lancaster City School District, Ohio
*Governmental Activities Revenues by Source
and Expenses by Function
Last Two Fiscal Years*

	2004	2003 (1)
Program Revenues:		
Charges for Services	\$2,788,532	\$1,873,837
Operating Grants, Contributions, and Interest	7,515,221	7,593,348
Capital Grants and Contributions	86,962	130,167
General Revenues:		
Property Taxes	25,793,658	22,780,715
Grants and Entitlements not Restricted to Specific Programs	17,426,697	17,575,519
Gain on Sale of Capital Assets	4,610	0
Revenue in Lieu of Taxes	251,920	0
Unrestricted Contributions	1,193	0
Investment Earnings	36,063	136,182
Miscellaneous	4,542	59,048
Total	\$53,909,398	\$50,148,816
Expenses:		
Current:		
Instruction:		
Regular	\$22,052,347	\$20,367,452
Special	7,025,886	6,656,191
Vocational	2,531,200	2,595,702
Adult/Continuing	173,621	159,410
Support Services:		
Pupils	2,904,142	2,898,958
Instructional Staff	3,641,341	3,579,711
Board of Education	91,367	65,509
Administration	4,420,010	4,466,070
Fiscal	1,213,261	1,059,217
Business	354,735	414,309
Operation & Maintenance of Plant	4,715,175	4,330,316
Pupil Transportation	1,653,057	1,637,916
Central	330,620	319,329
Operation of Non-Instructional Services:		
Food Service Operations	2,096,921	1,832,795
Other	816,371	890,972
Extracurricular Activities	846,956	909,644
Interest and Fiscal Charges	2,548	17,479
Total	\$54,869,558	\$52,200,980

Source: School District Financial Records

(1) 2003 was the first year for full accrual reporting.

Lancaster City School District, Ohio
*General Fund Revenues by Source
and Expenditures by Function
Last Ten Fiscal Years*

	Modified Accrual			
	2004 (4)	2003 (4)	2002	2001
General Revenues:				
Property Taxes	\$25,845,408	\$21,667,066	\$23,729,594	\$21,071,030
Intergovernmental (1)	19,360,710	19,839,622	19,100,299	17,354,836
Interest	31,446	134,252	284,148	729,488
Tuition and Fees (5)	1,213,130	390,800	229,887	398,763
Rent (2)	45,256	39,950	46,684	57,207
Extracurricular Activities	82,547	13,547	102,792	98,998
Gifts and Donations (3)	1,193	0	0	650
Miscellaneous	2,463	55,444	11,830	118,896
Total	\$46,582,153	\$42,140,681	\$43,505,234	\$39,829,868
General Expenditures:				
Current:				
Instruction:				
Regular	\$21,069,501	\$19,843,457	\$19,113,373	\$18,167,773
Special	5,425,705	5,419,513	4,825,717	4,477,723
Vocational	2,431,796	2,551,427	2,322,021	2,286,961
Adult/Continuing	61,986	58,577	50,851	55,211
Support Services:				
Pupils	2,315,062	2,394,238	2,096,249	2,166,870
Instructional Staff	2,527,759	2,994,254	2,826,197	2,548,355
Board of Education	90,980	65,570	47,722	47,867
Administration	4,197,453	4,344,979	3,897,642	3,695,899
Fiscal	1,177,786	1,071,964	1,034,684	1,007,946
Business	353,989	417,654	439,514	424,996
Operation & Maintenance of Plant	4,608,306	4,891,872	4,562,871	4,370,916
Pupil Transportation	1,491,584	1,874,916	1,390,855	1,852,323
Central	250,689	221,016	261,930	221,876
Non-Instructional Services	2,013	0	0	0
Extracurricular Activities	496,440	538,227	492,034	449,863
Refund of Taxes	0	0	0	0
Capital Outlay	0	0	0	0
Intergovernmental	0	0	0	0
Debt Service	0	14,146	97,128	104,328
Total	\$46,501,049	\$46,701,810	\$43,458,788	\$41,878,907

Source: School District Financial Records

- (1) Includes revenues from State Foundation Programs and State portion of taxes through rollback and homestead program.
- (2) Prior to 1996, rent revenues were posted to miscellaneous revenues.
- (3) Prior to 1997, gifts and donations were posted to miscellaneous revenues.
- (4) Includes modified accrual information only.
- (5) Prior to 2004, open enrollment monies were posted at net by on the State Foundation.

TABLE 2

2000	1999	1998	1997	1996	1995
\$22,523,694	\$21,954,762	\$19,368,690	\$16,692,804	\$16,267,569	\$15,548,740
16,391,071	15,450,115	14,194,594	14,681,452	14,915,965	13,249,422
740,831	593,331	523,478	398,022	331,021	393,124
136,531	75,846	309,057	443,335	274,330	584,022
59,644	53,696	40,217	53,954	48,821	0
136,831	130,573	110,087	10,228	9,638	0
2,100	59,000	5,130	5,975	0	0
35,806	25,772	284,198	23,540	32,399	18,948
<u>\$40,026,508</u>	<u>\$38,343,095</u>	<u>\$34,835,451</u>	<u>\$32,309,310</u>	<u>\$31,879,743</u>	<u>\$29,794,256</u>
\$16,234,568	\$15,862,665	\$14,494,590	\$13,485,263	\$15,314,619	\$15,007,405
3,877,485	3,544,519	3,191,336	3,050,528	3,074,511	2,871,651
2,311,165	2,267,254	2,147,313	2,067,348	2,089,360	2,115,463
58,628	55,469	58,899	51,409	41,587	41,317
1,914,507	1,794,659	1,462,295	1,453,073	1,456,155	1,430,948
2,406,051	2,221,071	1,569,884	1,509,075	1,600,755	1,659,275
41,759	38,986	36,180	30,943	47,498	60,821
3,475,062	2,938,618	2,766,342	2,651,472	3,085,059	2,916,580
845,760	868,931	848,768	705,532	758,055	743,373
380,951	343,396	363,777	298,072	284,098	299,988
3,621,686	3,186,972	3,054,801	2,963,566	3,137,718	3,290,558
1,646,420	1,357,535	1,314,338	1,014,336	947,826	1,198,153
207,554	237,661	262,999	92,722	96,679	259,165
0	0	0	0	0	0
420,013	410,362	360,083	96,475	366,580	399,985
0	97,398	97,399	57,856	0	0
208,157	798,387	0	0	12,879	365,794
0	0	0	0	278	0
207,536	104,385	93,823	1,472,437	0	0
<u>\$37,857,302</u>	<u>\$36,128,268</u>	<u>\$32,122,827</u>	<u>\$31,000,107</u>	<u>\$32,313,657</u>	<u>\$32,660,476</u>

Lancaster City School District, Ohio
*Property Tax Levies and Collections -
 Real and Public Utility Real Property Taxes
 Last Ten Years (1)*

Year	Current Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Tax Collections
2003 (3)	\$20,859,109	\$18,824,306	90.2%	\$687,412	\$19,511,718
2002	20,523,167	18,580,625	90.5%	628,482	19,209,107
2001	19,587,472	18,363,808	93.8%	477,612	18,841,420
2000	19,222,550	18,119,912	94.3%	511,831	18,631,743
1999	18,806,325	17,670,646	94.0%	559,776	18,230,422
1998	18,573,715	17,604,769	94.8%	367,752	17,972,521
1997	17,751,413	17,019,038	95.9%	275,746	17,294,784
1996	13,091,385	12,600,145	96.2%	259,585	12,859,730
1995	13,570,658	13,079,968	96.4%	235,696	13,315,664
1994 (2)	11,036,660	10,799,381	97.9%	292,317	11,091,698

Source: Fairfield County Auditor

- (1) Presented on calendar year basis because that is the manner that information is maintained by the County Auditor.
- (2) This year does not include homestead and rollback, State grants designed to reimburse local governments for reductions in tax revenues based on statutory exemptions.
- (3) Calendar year 2003 delinquent taxes were higher than normal due to the timing of payments from taxpayers.

TABLE 3

Percent of Total Collections to Current Tax Levies	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Current Tax Levy
93.5%	\$2,532,241	12.1%
93.6%	898,348	4.4%
96.2%	1,164,559	5.9%
96.9%	951,366	4.9%
96.9%	917,165	4.9%
96.8%	888,749	4.8%
97.4%	684,435	3.9%
98.2%	435,086	3.3%
98.1%	428,361	3.2%
100.5%	412,045	3.7%

Lancaster City School District, Ohio
Assessed and Estimated Actual Values of Taxable Property
Last Ten Years

Year	Agricultural, Residential, Commercial, Industrial, and Utility Real Estate		Public Utility Personal	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2004	\$700,513,710	\$2,001,467,743	\$24,990,810	\$99,963,240
2003	687,668,010	1,964,765,743	24,737,880	98,951,520
2002	678,068,930	1,937,339,800	23,959,830	95,839,320
2001	575,134,650	1,643,241,857	27,143,180	30,844,522
2000	565,619,400	1,616,055,429	27,774,830	31,562,307
1999	552,019,860	1,577,199,600	30,298,140	34,429,700
1998	489,202,190	1,397,720,542	30,177,900	34,298,068
1997	478,148,440	1,331,138,400	30,794,250	35,048,101
1996	467,615,310	1,336,043,700	31,464,720	35,880,500
1995	358,421,040	1,024,060,114	32,161,080	36,671,800

Source: Fairfield County Auditor

(1) This amount is calculated based on the following percentages:

- Real Estate is assessed at 35 percent of actual value.
- Public Utility real is assessed at 35 percent of actual value.
- Public Utility personal is assessed at 35 percent of actual value.
- Tangible personal is assessed at 25 percent of true value for capital assets and 23 percent for inventory.

TABLE 4

Tangible Personal		Total		
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Ratio
\$96,326,426	\$385,305,704	\$821,830,946	\$2,486,736,687	33%
103,361,862	413,447,448	815,767,752	2,477,164,711	33%
103,443,261	413,773,044	805,472,021	2,446,952,164	33%
104,448,658	417,794,632	706,726,488	2,091,881,011	34%
96,227,521	384,910,084	689,621,751	2,032,527,820	34%
100,399,698	401,598,700	682,717,698	2,013,228,000	34%
101,329,802	405,319,208	620,709,892	1,837,337,818	34%
95,374,490	381,497,960	604,317,180	1,747,684,461	35%
85,449,242	341,796,900	584,529,272	1,713,721,100	34%
83,869,025	335,476,100	474,451,145	1,396,208,014	34%

TABLE 5

Lancaster City School District, Ohio
Property Tax Rates - Direct and Overlapping Governments
(per \$1,000 of Assessed Valuation)
Last Ten Years

Year	Lancaster City School District			Berne Twp Levy (1)	Greenfield Twp Levy (1)	Hocking Twp Levy (1)	Pleasant Twp Levy (1)	Lancaster City Levy	Fairfield County Levy	Total Levy (2)	
	General Operation	Bonded Indebtedness	Total School								
2004	\$64.60	(3)	\$0.00	\$64.60	\$7.70	\$12.20	\$4.70	\$9.10	\$3.40	7.05	75.05
2003	64.60		0.00	64.60	7.70	12.20	4.70	9.10	3.40	7.05	75.05
2002	64.60		0.00	64.60	7.70	12.20	4.20	9.10	3.40	7.05	75.05
2001	64.60		0.00	64.60	7.70	8.20	4.20	6.60	3.40	7.05	75.05
2000	64.60		0.00	64.60	7.70	8.20	4.20	6.60	3.40	7.05	75.05
1999	64.60		0.00	64.60	7.70	8.20	4.20	6.60	3.40	7.05	75.05
1998	64.60		0.00	64.60	7.70	8.20	4.20	6.60	3.40	7.05	75.05
1997	56.70		0.00	56.70	7.70	8.20	4.20	6.60	3.40	7.05	67.15
1996	56.70		0.00	56.70	7.70	8.20	4.20	5.10	3.40	7.05	67.15
1995	56.70		0.00	56.70	7.70	8.20	4.20	5.10	3.40	7.05	67.15

Source: Fairfield County Auditor

- (1) Included in the Lancaster City School District attendance areas are portions of Berne, Greenfield, Hocking, and Pleasant Townships.
- (2) Based on the School District, City, and County Levies. Those living in the portions of the townships included in the city school district would have a total rate slightly different.
- (3) Due to specific Ohio Legislation, the "effective" rate of tax for the School District is 24.45 mills for agricultural/residential property and 28.50 mills for industrial/commercial property for 2004.

TABLE 6

Lancaster City School District, Ohio
Computation of Direct and Overlapping General Obligation Bonded Debt
December 31, 2003

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to School District (1)	Amount Applicable to School District
School District	\$0	N/A	\$0
City of Lancaster	3,125,441	100.00%	3,125,441
Fairfield County	<u>11,350,000</u>	26.75%	<u>3,036,125</u>
Totals	<u><u>\$14,475,441</u></u>		<u><u>\$6,161,566</u></u>

Source: Fairfield County Auditor

(1) Overlapping percentage was calculated by dividing each overlapping subdivision's assessed valuation within the School District by the subdivision's total assessed valuation.

TABLE 7

Lancaster City School District, Ohio
Computation of Legal Debt Margin (1)
June 30, 2004

Assessed Value	<u>\$821,830,946</u>
Debt Limit - 9% of Assessed Value	\$73,964,785
Amount of Debt Applicable to Debt Limit: Net Bonded Debt	<u>0</u>
Overall Debt Margin	<u>\$73,964,785</u>
Bonded Debt Limit - .10% of Assessed Value	\$821,831
Amount of Debt Applicable	<u>0</u>
Unvoted Debt Margin	<u>\$821,831</u>
Additional Limit for Unvoted Energy Conservation Long-Term Notes:	
Debt Limit - .9% of Assessed Value	\$7,396,479
Energy Conservation Long-Term Notes	<u>0</u>
Additional Unvoted Debt Margin	<u>\$7,396,479</u>

Source: Fairfield County Auditor and School District Financial Records.

(1) Ohio Bond Law sets a limit of 9% for all debt and 1/10 of 1% for unvoted debt.

TABLE 8

Lancaster City School District, Ohio
Demographic Statistics
Last Ten Years

Year	Population Lancaster City	(1)	Per Capita Income Fairfield County	Median Age Fairfield County	(2)	Unemployment Rate Fairfield County %
2003	36,120	(1)	\$33,323	36.20	(3)	4.5%
2002	35,860	(1)	31,852	36.20	(3)	4.2
2001	35,600	(1)	30,445	36.20	(3)	3.0
2000	35,335	(2)	31,154	36.20	(2)	2.3
1999	38,983	(1)	27,816	35.98	(1)	3.0
1998	38,254	(1)	27,260	35.21	(1)	3.0
1997	36,900	(1)	25,415	34.97	(1)	3.2
1996	36,900	(1)	23,709	34.71	(1)	4.1
1995	36,900	(1)	22,130	34.40	(1)	3.8
1994	35,570	(1)	20,681	34.08	(1)	5.3

Sources: Ohio Bureau of Employment Services
Lancaster-Fairfield Chamber of Commerce

- (1) Population and Median Age from 1993-1999 and 2001-2003 is estimated.
- (2) U.S. Bureau of Census, Federal 2000 Census
- (3) Used the latest Federal 2000 Census for Median Age

TABLE 9

Lancaster City School District, Ohio
Property Value, Construction, and Bank Deposits (4)
Last Ten Years

Year	Assessed Property Value (1)	Residential Construction (2)		Commercial Construction (2)		Average Monthly Bank Deposits (3) In Thousands
		Number of Units	Construction Value	Number of Units	Construction Value	
2003	\$815,767,752	150	\$22,961,571	11	\$31,040,000	\$387,312
2002	805,472,021	127	18,108,013	42	17,445,500	370,588
2001	706,726,488	122	14,375,874	57	1,753,961	329,712
2000	689,621,751	125	17,619,415	100	11,044,336	286,562
1999	682,717,698	134	18,635,408	63	25,723,471	247,807
1998	620,709,892	176	23,901,412	3	1,290,000	190,113
1997	604,317,180	165	20,187,790	54	6,004,000	172,771
1996	584,529,272	117	14,114,049	47	18,869,600	163,183
1995	474,451,145	97	11,161,223	14	4,916,116	149,434
1994	469,240,361	52	4,831,339	17	16,973,867	108,995

(1) Source: Fairfield County Auditor

Assessed Property Values shown for Lancaster City School District

(2) Source: City of Lancaster Engineering Department

(3) Figures reflect totals for Fairfield County.

Source: Department of Data Services, Federal Reserve Bank of Cleveland

(4) Bank Deposits are presented on a calendar year basis.

TABLE 10

Lancaster City School District, Ohio
Principal Taxpayers
Real Estate Tax (Including Public Utility Personal and Real)
December 31, 2003

Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value	Nature of Business
Glimcher Holdings	\$18,902,590	2.61%	Property
Ohio Power Company	12,980,810	1.79	Electric
Ohio Bell Telephone	5,673,240	0.78	Telephone
Anchor Hocking Glass Corporation	5,289,150	0.73	Glass
RP River Valley LLC	4,705,010	0.65	Property
Lancaster Phase One Group	3,982,800	0.55	Property
Plaza Inc. A New York Corporation	3,279,800	0.45	Property
Lowes Home Centers, Incorporated	2,728,170	0.38	Retail
Riverview Medical Office	2,529,040	0.35	Medical
Fairfield Medical Center	2,410,840	0.33	Medical

Source: Fairfield County Auditor

(1) Assessed values are for the 2004 collection year (\$725,504,520).

TABLE 11

Lancaster City School District, Ohio
Principal Taxpayers
Tangible Personal Property Tax (Excluding Public Utility)
December 31, 2003

Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value	Nature of Business
Anchor Hocking Consumer Glass Company	\$10,887,620	11.30%	Glass
RalCorp Holdings Inc. (Ralston)	6,736,060	6.99	Foods
McDermott, Inc.	6,017,830	6.25	Electronics
Cyril Scott Company	4,270,950	4.43	Paper
Crown Cork & Seal Company (USA)	4,095,740	4.25	Glass Closures
Lancaster Glass Corporation	2,805,350	2.91	Glass
Time Warner Cable Inc.	2,003,470	2.08	Cable
SQM North America Corporation	1,834,460	1.90	Horticulture
Bob Boyd Ford Inc.	1,818,610	1.89	Vehicle Sales/Service
International Paper Company	1,730,370	1.80	Paper

Source: Fairfield County Auditor

(1) Assessed values are for the 2004 collection year (\$96,326,426).

TABLE 12

Lancaster City School District, Ohio
Enrollment Statistics
Last Ten Fiscal Years

Year	General Fund Expenditures	Average Daily Membership	Per Pupil Cost
2004	\$46,501,049	6,107	\$7,614
2003	46,701,810	6,197	7,536
2002	43,458,788	6,170	7,044
2001	41,878,907	6,230	6,722
2000	37,857,302	6,421	5,896
1999	36,128,268	6,562	5,506
1998	32,122,827	6,542	4,910
1997	31,000,107	6,532	4,746
1996	32,313,657	6,615	4,885
1995	32,660,476	6,530	5,002

Source: School District Financial Records

TABLE 13

Lancaster City School District, Ohio
Teacher Education and Experience
 June 30, 2004

Degree	Number of Teachers	Percentage of Total
Bachelor's Degree	32	7.38%
Bachelor + 15	6	1.39%
Bachelor + 30 (150 hours)	113	26.10%
Master's Degree	119	27.48%
Master's + 15	38	8.78%
Master's +30	90	20.79%
Master's + 45	35	8.08%
Total	433	* 100.00%

Years of Experience in District	Number of Teachers	Percentage of Total
0-5	137	31.64%
6-10	66	15.24%
11 and over	230	53.12%
Total	433	* 100.00%

* Full-time equivalent teaching staff

Source: Lancaster City School District Personnel Records

TABLE 14

Lancaster City School District, Ohio
Average A.C.T. Scores
Last Five Fiscal Years

Year	English	Math	Reading	Science	Composite
A.C.T. - Lancaster High School (Juniors and Seniors)					
2000	20.3	21.7	21.6	22.0	21.5
2001	20.8	22.3	22.4	22.2	22.0
2002	20.2	21.7	21.4	21.4	21.4
2003	20.7	22.0	22.7	21.9	21.9
2004	20.5	21.7	22.5	22.1	21.9
A.C.T. - Ohio (Graduating Class)					
2000	20.7	21.2	21.9	21.4	21.4
2001	20.7	21.1	21.8	21.5	21.4
2002	20.6	21.2	21.8	21.5	21.4
2003	20.6	21.1	21.8	21.4	21.4
2004	20.7	21.1	21.9	21.5	21.4
A.C.T. - U.S.A. (Graduating Class)					
2000	20.5	20.7	21.4	21.0	21.0
2001	20.5	20.7	21.3	21.0	21.0
2002	20.2	20.6	21.1	20.8	20.8
2003	20.3	20.6	21.2	20.8	20.8
2004	20.4	20.7	21.3	20.9	20.9

Note: The A.C.T. Standard Score Scale Range from 1 to 36.

TABLE 15

Lancaster City School District, Ohio
Average S.A.T. Scores
Last Five Fiscal Years

	Year	Verb Mean	Math Mean
S.A.T. - Lancaster High School			
	2000	525	554
	2001	530	539
	2002	546	555
	2003	535	546
	2004	526	544
S.A.T. - Ohio			
	2000	533	539
	2001	534	539
	2002	533	540
	2003	536	541
	2004	538	542
S.A.T. - U.S.A.			
	2000	505	514
	2001	506	514
	2002	504	516
	2003	507	519
	2004	508	518

Note: The S.A.T. Scores Range from 200-800

TABLE 16

Lancaster City School District, Ohio
A Return to the Community
Fiscal Year 2004

Local Tax Receipts (cash basis)	
General Property Taxes	\$16,595,382
Tangible Personal	6,250,585
Manufactured Homes Taxes	<u>50,717</u>
Total Local Tax Receipts	<u>\$22,896,684</u>
Local Payroll	
Total Payroll Fiscal 2004	\$31,699,390
Total Staff (Including Part-time)	736
Staff Living Locally (in Fairfield County)	539
Percentage of Staff Living Locally	73.2%
Local Payroll (31,699,390 x 73.2%)	\$23,203,953
Locally Purchased Supplies/Services	
The Lancaster City Schools Purchased Supplies and Services from Approximately 648 Local Individuals and Businesses during Fiscal 2004	
Amount Spent Locally for Purchase of Supplies and Services	<u>2,794,095</u>
Total Expenditures of Funds Locally	<u>\$25,998,048</u>
Total Expenditures of the General Fund for fiscal year 2004	<u>\$46,501,049</u>

Source: School District Records

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Betty Montgomery**

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**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2004**