



**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY  
SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Donation	-	10.550	\$0	\$70,073	\$0	\$70,073
School Breakfast Program	05PU-04/05	10.553	228,212	0	228,212	0
National School Lunch Program	LLP1/P4-04/05	10.555	699,338	0	699,338	0
Total U.S. Department of Agriculture - Nutrition Cluster			<b>927,550</b>	<b>70,073</b>	<b>927,550</b>	<b>70,073</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education_Grants to States	6BSD-2004-P	84.027	3,750	0	3,789	0
	6BSD-2005		17,367	0	14,710	0
	6BSF-2004		103,947	0	120,538	0
	6BSF-2005		1,038,652	0	941,620	0
Total Special Education_Grants to States			1,163,716	0	1,080,657	0
Special Education_Preschool Grants	PGS1-2004	84.173	3,038	0	3,398	0
	PGS1-2005		18,583	0	15,811	0
Total Special Education_Preschool Grants			21,621	0	19,209	0
Total Special Education Cluster			1,185,337	0	1,099,866	0
Adult Education_State Grant Program	ABS1-2004	84.002	26,378	0	19,049	0
	ABS1-2005		58,029	0	51,728	0
Total Adult Education_State Grant Program			84,407	0	70,777	0
Title 1 Grants to Local Educational Agencies	C1S1-2004	84.010	187,234	0	220,641	0
	C1S1-2005		1,109,099	0	1,085,394	0
Total Title 1 Grants to Local Educational Agencies			1,296,333	0	1,306,035	0
Vocational Education_Basic Grants to States	20C1-2004	84.048	49,410	0	24,217	0
	20C1-2005		132,547	0	129,382	0
Total Vocational Education_Basic Grants to States			181,957	0	153,599	0
Safe and Drug-Free Schools and Communities_State Grants	DRS1-2004	84.186	(141)	0	3,137	0
	DRS1-2005		34,844	0	34,570	0
Total Safe and Drug-Free Schools and Communities_State Grants			34,703	0	37,707	0
Even Start_State Educational Agencies	EVS1-2004	84.213	97,263	0	20,133	0
	EVS1-2005		232,270	0	210,616	0
Total Even Start_State Educational Agencies			329,533	0	230,749	0
Twenty-First Century Community Learning Centers	T1S1-2005	84.287	599,990	0	596,240	0
State Grants for Innovative Programs	C2S1-2004	84.298	13,337	0	60	0
	C2S1-2005		18,517	0	31,516	0
Total State Grants for Innovative Programs			31,854	0	31,576	0
Education Technology State Grants	TJS1-2004	84.318	8,057	0	2,488	0
	TJS1-2005		35,869	0	34,358	0
Total Education Technology State Grants			43,926	0	36,846	0
Comprehensive School Reform Demonstration	RFCC-2004	84.332	21,045	0	15,370	0
	RFCC-2005		50,000	0	35,158	0
Total Comprehensive School Reform Demonstration			71,045	0	50,528	0

(Continued)

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Improving Teacher Quality State Grants	TRS1-2004	84.367	97,702	0	59,187	0
	TRS1-2005		332,478	0	335,351	0
Total Improving Teacher Quality Program			<u>430,180</u>	<u>0</u>	<u>394,538</u>	<u>0</u>
Total U.S. Department of Education			<u><b>4,289,265</b></u>	<u><b>0</b></u>	<u><b>4,008,461</b></u>	<u><b>0</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
State Children's Insurance Program	-	93.767	5,006	0	5,006	0
Medical Assistance Program	-	93.778	57,273	0	57,273	0
Total U.S. Department of Health and Human Services			<u><b>62,279</b></u>	<u><b>0</b></u>	<u><b>62,279</b></u>	<u><b>0</b></u>
<b>Totals</b>			<u><u><b>\$5,279,094</b></u></u>	<u><u><b>\$70,073</b></u></u>	<u><u><b>\$4,998,290</b></u></u>	<u><u><b>\$70,073</b></u></u>

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

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (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**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance, (expenditures) is reported in the Schedule at the fair market value of the commodities received. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**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 - SUBRECIPIENTS**

The District passed-through certain Federal assistance received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As described in Note A, the District records expenditures of Federal awards to subrecipients when paid in cash.

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Twenty-first Century Community Learning Centers	84.287	\$596,240

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2005, wherein we noted the District restated fund balances in General and Other Governmental Funds as of July 1, 2004, as a result of the implementation of Governmental Accounting Standards Board Technical Bulletin No. 2004-02. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**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 in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated December 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002 through 2005-006. In a separate letter to the District's management dated December 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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 20, 2005



## Auditor of State Betty Montgomery

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

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 apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures 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.

As described in item 2005-008 in the accompanying schedule of findings, the District did not comply with requirements regarding subrecipient monitoring that apply to its Twenty-First Century Community Learning Centers grant. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Lancaster City School District, Fairfield County, Ohio, 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, 2005. The results of our auditing procedures also disclosed an other instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2005-009. In a separate letter to the District's management dated December 20, 2005, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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### **Internal Control Over Compliance**

The District's management 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 directly and materially affect a major federal program 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.

We noted certain matters involving the internal control over compliance and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings as items 2005-007 and 2005-008.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider item 2005-008 to be a material weakness.

### **Federal Awards Receipts and Expenditures Schedule**

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, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 20, 2005, wherein we noted the District restated fund balances in General and Other Governmental Funds as of July 1, 2004, as a result of the implementation of Governmental Accounting Standards Board Technical Bulletin No. 2004-02. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information 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 intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
**Auditor of State**

December 20, 2005

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified – Title I (CFDA #84.010) Qualified – 21 <sup>st</sup> Century Community Learning Centers (CFDA #84.287)
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I (CFDA #84.010) 21 <sup>st</sup> Century Community Learning Centers (CFDA #84.287)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

See federal finding number 2005-007 below; this finding is also required to be reported in accordance with GAGAS.

**FINDING NUMBER 2005-002**

Ohio Rev. Code § 5705.36(A)(1) requires that on or about the first day of each fiscal year, the fiscal officer 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 February 28, 2005. The fiscal year began July 1, 2004. The lack of filing this certificate limits the 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. The Board of Education should not pass permanent appropriations without confirmation from the Budget Commission that the fund balances have been certified.

**FINDING NUMBER 2005-003**

Ohio Rev. Code § 5705.36 (A)(2) allows the District to request increased amended certificates of estimated resources and reduce amended certifications upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. According to Ohio Rev. Code § 5705.36(A)(3), an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. According to Ohio Rev. Code § 5705.36(A)(4), a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The District only obtained three amended certificates during fiscal year 2005, causing revenue estimates that were significantly different than the District's actual receipts. At June 30, 2005, estimated receipts in the General Fund exceeded actual receipts by \$1,342,119 and a reduced amended certificate should have been obtained. Had a reduced amended certificate been obtained, it would have indicated a need to reduce appropriations in the General Fund. This may have prevented the District from carrying a negative unencumbered balance in the amount of (\$248,858) at June 30, 2005.

We recommend the District Treasurer regularly compare budgeted to actual receipts and obtain increased or decreased amended certificates as needed. The impact of such increases or decreases should also be compared with appropriations to determine if appropriation amendments are necessary.

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

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

**FINDING NUMBER 2005-004**

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom as certified by the budget commission, or in the case of appeal, by the board of tax appeals. 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 at year end:

<u>Fund</u>	<u>Total Certified Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
Public School Support (018)	\$205,393	\$212,451	(\$7,058)
Community Grants (019)	121,251	181,414	(60,163)
District Managed Student Activities (300)	419,596	547,414	(127,818)
Teacher Development (416)	15,972	17,500	(1,528)
Data Communications (451)	55,441	75,065	(19,624)
Schoolnet Professional Development (452)	4,734	8,546	(3,812)
Adult Basic Education (501)	266,726	323,747	(57,021)
Title V (573)	81,171	164,386	(83,215)
Drug Free Grant (584)	41,686	84,844	(43,158)
Title I (572) (various individual grants)	2,149,480	4,057,561	(1,908,081)
Ohio Reads (459)	87,888	229,190	(141,302)
Tech Grants (499) (various individual grants)	10,651	83,550	(72,899)
Title VI-B (516)	1,596,179	2,309,479	(713,300)
Vocational Education (524)	194,224	319,815	(125,591)
Public School Preschool (439)	278,591	477,184	(198,593)
Preschool Handicapped (587)	34,308	57,960	(23,652)
School Improvement Models Fund (032)	0	5,500	(5,500)
Miscellaneous Federal Grants (599)	739,899	796,480	(56,581)
Title III Fund (514)	0	61,250	(61,250)
Computer Network (450)	54,495	146,995	(92,500)

These violations were the result of several factors:

- The District did not certify their fund balances with the County Budget Commission as required by Ohio Rev. Code 5705.36
- The District did not file amended certificates throughout the year
- The District did not properly enter permanent appropriations into their accounting system, and
- The District did not receive a County Auditor Certificate that the total appropriations from each fund did not exceed the total official estimate or amended official estimate of resources.

We recommend the Board develop policies and procedures to correct these issues. Such policies and procedures should ensure the appropriate documents are filed with the County Budget Commission and County Auditor in a timely manner throughout the year and that such information is properly entered into the District's system. We also recommend the Board review the Official and Amended Certificates of Estimated Resources when passing permanent appropriations and amendments to ensure such appropriations do not exceed certified resources.

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-005**

Ohio Rev. Code § 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the District.

2. Blanket certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates - The District may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The District did not certify the availability of funds prior to the purchase commitment for twenty percent of expenditures tested. For these items, the District also did not prepare blanket certificates, super blanket certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-005 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2005-006**

Ohio Revised Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Auditor of State Bulletin 97-003 states that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

The Board approved advances of \$55,000 from the Permanent Improvement Capital Projects Fund to the General Fund and \$300,000 from the Self-Insurance Internal Service Fund to the General Fund. These advances are in violation of the above requirement because the advancing funds are restricted as to their use and the General Fund to which monies are being advanced has very little restrictions in place over its expenditures.

We recommend District management review Auditor of State Bulletin 97-003 and the *Ohio Compliance Supplement* for details concerning allowable advance provisions prior to advancing funds.

The financial statements have been corrected to remove the illegal advances and the General Fund has repaid the advances.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**1. Reportable Condition – Payroll Controls**

<b>Finding Number</b>	2005-007
<b>CFDA Title and Number</b>	Title I, #84.010
<b>Federal Award Number / Year</b>	044206-C1S1-2004, 044206-C1S1-2005
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Internal control procedures should be performed to ensure proper authorization and accuracy of input related to the payroll master listing and approval of salary notices. These procedures, when completed, should be evidenced by initials and/or signatures on the payroll master listing and salary notices. Such documentation provides evidence of reviews and verification of amounts related to the accuracy the approved salary amount.

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**1. Reportable Condition – Payroll Controls (Continued)**

There was no signed copy of the approved salary notice included in the personnel files for District employees nor was their any indication that changes made to the master file had been approved.

Evidence of these approvals and reviews is necessary to ensure the control procedures are being performed as intended and the appropriate salaries are being paid. The lack of approved salary notices or indication on the employee master file could result in the District overpaying salaries.

We recommend the Treasurer indicate his approval of salaries via signature on the salary notice. The Treasurer should also indicate his review of the employee master file via his initials and/or signature. Such procedures should become a routine part of processing payroll and making changes to standing data.

**2. Reportable Condition/Noncompliance Finding – Subrecipient Monitoring**

<b>Finding Number</b>	2005-008
<b>CFDA Title and Number</b>	21 <sup>st</sup> Century, #84.287
<b>Federal Award Number / Year</b>	044206-T1S1-2005
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

31 USC 7502 (f)(2)(B), 34 CFR 80.37(b), and 34 CFR 80.40(a) require that pass-through entities establish reasonable procedures to monitor subrecipients. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity. In addition to the above, a pass-through entity is also responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 (the revised circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.
- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable Federal regulations.

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**2. Reportable Condition/Noncompliance Finding – Subrecipient Monitoring (Continued)**

The District received \$599,990 in 21<sup>st</sup> Century grant funds from the Ohio Department of Education (ODE) and passed these funds through to two subrecipients, the West After School Center, Inc. and the Fairfield County Family, Adult, and Children First Council. Based on the Competitive Application, many grant responsibilities were passed on to the subrecipients. The District did not notify the subrecipients of their respective compliance requirements in writing. Per the Competitive Application, the District was still responsible for submitting all fiscal reports and for fund management. The District requested cash drawdowns and then passed those funds to the subrecipients, but did not establish procedures to obtain the subrecipients' cash balances or actual cash disbursements. The District reported grant expenditures to ODE in amounts equal to disbursements made to the subrecipients rather than the amount of grant funds spent by subrecipients. In addition, the District did not establish any procedures for during-the-award monitoring of the subrecipients.

The District should require its subrecipients to submit cash balances and disbursements and should monitor cash activity to ensure expenditures reported to ODE are accurate. The District should monitor the subrecipients' activities during the award period through reporting, site visits, regular contact or other means to ensure the subrecipients administer the grant in compliance with laws, regulations, and grant agreements.

**3. Noncompliance Finding – Project Cash Request Forms**

<b>Finding Number</b>	2005-009
<b>CFDA Title and Number</b>	21 <sup>st</sup> Century, #84.287
<b>Federal Award Number / Year</b>	044206-T1S1-2005
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

34 CFR 80.21 prescribes the basic standards and methods under which a federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors. 34 CFR 80.21(b) states that methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. The instructions for Project Cash Request (PCR) forms provided by the Ohio Department of Education (ODE) indicate that amounts must be expended within the period of time for which cash is requested (30 days).

The PCR instructions also indicate amounts reported in the fiscal summary section (i.e., project cash received, total award expenditures, fund cash balances, etc.) should trace to amounts actually expended as of the date of the request.

One cash request form of the District was not fully disbursed for 39 days.

In addition, amounts reported as expended on four of the nine Project Cash Request forms did not agree to disbursements made to the subrecipients or to actual expenditures made by the subrecipients.

LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**3. Noncompliance Finding – Project Cash Request Forms (Continued)**

The amounts reported and actually disbursed to the subrecipients were as follows:

<u>Date of Request</u>	<u>Amount Reported On Request Forms</u>	<u>Amount Actually Spent Per Ledgers</u>
February 23, 2005	\$359,994	\$299,995
April 6, 2005	419,993	359,994
May 12, 2005	479,992	449,993
June 3, 2005	539,991	449,993

The amounts actually expended by the subrecipients as of the date of the PCR is not known.

We recommend the District ensure it is only making cash requests in amounts which will be disbursed within one month and that amounts reported on the PCR reflect actual activity of the grant.

**LANCASTER CITY SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC Section 5705.36 – certifying available funds to County Auditor	No	Not Corrected – repeated as Finding # 2005-002
2004-002	ORC Section 5705.41(B) – Expenditures exceeding Appropriations	No	Partially Corrected – repeated in Management Letter
2004-003	ORC Section 5705.39 – Appropriations exceeding Estimated Resources	No	Not Corrected – repeated as Finding # 2005-004
2004-004	ORC Section 5705.10 – Negative Fund Balances	No	Partially Corrected – repeated in Management Letter
2004-005	ORC Section 5705.412 – certification of adequate funds for expenditure	Yes	



# **Lancaster City School District, Ohio**



## **Comprehensive Annual Financial Report (CAFR)**

**For the Fiscal Year Ended June 30, 2005**

**“A Community Focused on Student Achievement”**



Lancaster City School District, Ohio

Comprehensive Annual Financial Report  
(CAFR)



For the Fiscal Year Ended June 30, 2005  
Issued By: Treasurer's Office  
Scott D. Osborne, Treasurer/CFO

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**LANCASTER CITY SCHOOL DISTRICT, OHIO**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2005*  
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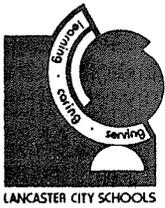
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# **Introductory Section**





# 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 20, 2005

To the Board of Education Members and Citizens  
Lancaster City School District:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Lancaster City School District (School District) for the year ended June 30, 2005. This CAFR includes an opinion from the Ohio Auditor of State's Office and conforms to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District.

State law requires that every general-purpose local government file with the Auditor of State and publish notice of the availability of their financial statements within 150 days after the close of the year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

This report will provide the taxpayers of the 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 District 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.

**CAFR Sections.** The CAFR is presented in three sections as follows:

1. Introductory Section, including the transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the School District's organization chart, and a list of principal officials.
2. Financial Section, beginning with the Independent Accountants' Report and including 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. Statistical Section, presenting selected social and economic data, financial trends, and the fiscal capacity of the School District.

## **PROFILE OF THE GOVERNMENT**

**Overview of the School District.** The 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. The School District educates students from kindergarten through grade twelve. During fiscal year 2005 the School District was comprised of a high school (serving about 1200 students in grades 10-12), 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. As of June 30, 2005, the citizens of Lancaster have an investment of \$7,186,794 net of depreciation in School District land, buildings, furniture and equipment, and vehicles.

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 facilities staffed by 268 non-certified employees, 417 certificated personnel, and 31 administrative employees who provide services to 5,988 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 represents 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, the School Study Council of Ohio, and the Lancaster-Fairfield Alternative School. 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.

## ASSESSING 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.

The City of Lancaster (City) 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.

**Development.** Construction for the U.S. Route 33 Lancaster Bypass to carry through US 33 traffic around the City was completed in late October 2005. This "interstate look-alike" highway with a divided four-lane cross-section in a limited-access right-of-way will lessen the traffic on Memorial Drive, and thus alleviate the traffic congestion on the City's major commercial corridor. This should attract customers to shop at the numerous businesses along this corridor, and attract new businesses to the corridor.

Road improvements associated with the Lancaster Bypass will also improve access to an important industrial development in the City called Rock Mill Corporate Park (industrial park). The City helped the Lancaster Area Community Improvement Corporation (CIC) develop the industrial park after Anchor Hocking donated the park's land to CIC. CIC has worked with City leaders to attract new businesses and jobs to the industrial park. There has been greater interest in the industrial park properties since construction of the Bypass began.

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

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

Single residence housing activity remained strong in all parts of the City. New housing starts in the River Valley Highlands, a joint Dominion Homes and Rockford Homes project on the City's northwest side, continued to be steady in 2005.

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

Redevelopment of existing sites along Memorial Drive continued into 2005. In 2004, the Hines Shopping Center had development plans to expand the existing uses and utilize unused portions of the property at 1132 North Memorial Drive. The retail building at the northeast corner of Memorial Drive and Sixth Avenue was removed and replaced with a larger building, more fully utilizing this corner property. These projects join the Edgewood Plaza, The Plaza and Park Street Plaza as redeveloped sites along the City's main commercial corridor.

Fairfield Medical Center began a \$27.5 million expansion in 2003 that continued through 2005. An older office building was removed and a 600 car parking garage was being built in its place. A new medical office building will be attached to the parking garage. The garage will have a roof top helipad. A three-story, 65,000 square foot addition to the hospital will enlarge the cafeteria and some of the hospital's laboratories. Also the addition will provide a new entrance to the emergency room with the emergency services being expanded.

**Industrial.** The City purchased acres from the Newell Corporation's Anchor Hocking Distribution Center and established the Lancaster Industrial Park on Camp Ground Road which adjoins the Rock Mill Corporate Park. Work began on the infrastructure in 2003, and was completed in 2004. It provides small lots to accommodate small businesses looking to erect small office/warehouse buildings. Local business owners commented about a lack of available space in the City for small or new businesses needing small office/warehouse combination facilities. Two local businesses have already moved their business and erected small warehouse/office buildings in the development in 2004.

**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 2005 fiscal year were optimistic with the approval of a 3-year 3.9 mil Emergency Levy in March 2004. The School District still maintained a very tight budget as we entered an era of more accountability within public schools. \$3.3 million in appropriation reductions for fiscal years 2004 and 2005 has enabled the School District to maintain a positive cash balance excluding encumbrances. These past reductions will continue as those positions, services, and supplies have not been reinstated. With slightly increased funding from the State and with the additional funds provided by the community, the School District has been able to provide many opportunities but at a reduced level. The 3-year 3.9 mil Emergency Levy that voters approved in March 2004 began collections with the February 2005 tax settlement. This additional money enabled the School District 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 repair 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 waiting for 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 decision dated December 2002.

**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**

**For the 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, 2005. Some of those were as follows:

1. The School District achieved a ranking of “Effective” from the State Department of Education. This was an upgrade from a ranking of “Continuous Improvement”. This was the highest ranking the School District has ever received. The High School received a ranking of “Excellent”, a first for any building in the School District.

2. In our continuing effort to restructure our curricular programs:
  - The School District established the Lancaster-Fairfield Digital Academy in fiscal year 2003. In its third year, the LFDA has provided on-line classroom instruction to an average of 47 students, up from the prior year enrollment of 30 students.
  - The School District continued to initiate all elementary teachers to align academic content and instruction in their regular classrooms.
  - The School District authorized and initiated a performance audit to be completed by the Auditor of State's Office. This is in order to maintain accountability and seek ways to operate more efficiently as a school district. The performance audit began in late 2005 and completion is estimated for early 2006.
  - The School District installed eight modular classrooms at the Tarhe Elementary School location in order to ease overcrowding and provide for a better learning environment.
  - The School District closed one elementary building, North Elementary, at the close of the 2005 fiscal year. This was due to the age of the building and safety issues within the building.
3. Fiscal year 2005 was the first year of the School District's Lancaster School Network (LSN) television station. This television station provides school and community information to the Lancaster community 24 hours a day, 365 days a year through the local Time Warner cable system. The School District will continue developing procedures to enhance our public relations with the community.

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 School District.

**For the Future.** The School District will continue to have to seek ways to be more efficient, do more with less, while continuing to offer an excellent education to all children who attend Lancaster City Schools. Some challenges that the School District will continue to operate under are the prior and current year's appropriation reductions for positions, services, and supplies. This amounts to \$3.9 million since fiscal year 2004 which includes additional appropriation reductions for July 1, 2005. While none of those cuts have been reinstated, more budget cuts are anticipated in the future. State funding of schools in Ohio is always an uncertainty; therefore, the School District needs to remain flexible to the changes that most likely will come due to the State government's lack of focus and responsibility to fund schools adequately in Ohio.

### **LONG-TERM FINANCIAL PLANNING**

The School District will need to seek additional revenue in fiscal year 2006. This is a direct result of the passage of House Bill 66 (HB66) that the State Legislature approved prior to July 1, 2005. The impact of the changes and passage of HB66 to the School District is staggering. The State of Ohio's continued lack of response to the Supreme Court's ruling in December 2002 regarding school funding, has brought the School District on the brink of a financial crisis. Two key changes resulting from HB66 on the School District are the elimination of the Tangible Personal Property Tax and the elimination of the Cost of Doing Business Factor from the school funding formula. These changes will be catastrophic to the School District. Also impacting the School District is the continued loss of students to Community (Charter) Schools and other public schools through open-enrollment. This loss of students amounted to in

excess of \$1.5 million to the School District during fiscal year 2005. The changes in the tax structure to Ohio will force a tax burden shift from commercial/industrial taxpayers to residential taxpayers.

Due to these changes resulting from HB66, the School District has placed a property tax replacement levy on the February 2006 election ballot. The approval of this levy is needed in order to maintain current programs and financial stability to the School District. Without the passage of this levy, the School District will be forced to reduce its budget by approximately \$4 million. This will be catastrophic to the School District and the children of the Lancaster community. If these budget cuts are implemented, educational programs and opportunities for the children of the School District will be reduced in a massive amount. Over the last 10 years, the School District has realized a decline in enrollment from 6,615 students in fiscal year 1996 to 5,988 students in fiscal year 2005; however, the fiscal year 2006 count completed in October 2005 showed an increase in the student count of 48 students over fiscal year 2005. Due to the decline in students over the years, along with the lack of funds to repair/replace aging buildings, the Board of Education was forced to close North Elementary at the end of fiscal year 2005. While the School District will have an immediate need for an increase in operational funds, the School District's aging and outdated buildings continue to be a burden and strain on the general fund. The lack of available funds to repair and replace buildings will only get worse with time and the cost of repair/replacement will increase. All buildings in the School District are at least 38 years or older, with the exception of the modular school classrooms installed at Tarhe Elementary during fiscal year 2005. The School District is in the process of creating a building/maintenance repair/replacement plan. This plan will be completed by 2006.

The District has requested and is in the process of having a performance audit completed by the Auditor of State's Office to help identify cost saving measures or efficiencies to maximize student achievement impact from public dollars. Without the approval of additional funds, the School District will be forced to eliminate programs to maintain financial stability. Staffing levels could be reduced to State minimum standards.

The School District, in the past, has met these challenges and it is hoped, will continue to meet the challenges in the future for its students. After all, WE ARE A DISTRICT FOCUSED ON STUDENT ACHIEVEMENT.

## FINANCIAL INFORMATION

**Internal Controls.** Management assumes full responsibility for the completeness and reliability of the information contained in this report. All disclosures necessary to enable the reader to acquire the maximum understanding of the School District's financial activity have been included. Management has established an internal control framework designed to compile sufficient reliable information for preparation of the School District financial statements, in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the School District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. 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. Furthermore, as a recipient of federal and state financial assistance, the School District must ensure compliance with applicable laws and regulations that relate to these programs. These internal controls are subject to periodic evaluation by management.

**Budget Process.** The School District is required to have a balanced budget. The Board of Education adopts the School District budget annually in early January. The fiscal year begins on July 1 and ends on June 30. Budgets are controlled at the fund/function level for the general fund and the fund level for all remaining funds, except agency funds which are not required to be budgeted. The treasurer has been authorized to allocate the Board of Education's appropriations during the fiscal year among objects within a fund and function for the general fund and among functions and objects within a fund for all remaining

funds. 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 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 third year the School District has prepared financial statements following 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 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 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 basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

*Statement of Budgetary.* 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.

**Management's Discussion and Analysis.** GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The School District's MD&A can be found immediately following the Independent Accountant's Report.

## **CASH MANAGEMENT POLICIES AND PRACTICE**

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), federal agency securities, and demand deposit accounts. The total amount of interest earned for all funds was \$108,127 for the fiscal year ended June 30, 2005, \$100,556 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.

The School District adopted an Investment Policy as set forth in the Ohio Revised Code that sets guidelines and limits the type of investments the School District may utilize and reinforces state statute investing procedures. Information regarding School District investments is found in note 6 of the notes to the basic financial statements.

### **PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

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 \$3,576,586 paid as the employer portion to STRS and \$1,008,228 paid as the employer portion to SERS. See Notes 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 Hilb, Rogal, and Hobbs for insurance coverage with the Netherlands Insurance Company.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 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 \$108,997,200 with a \$5,000 deductible. Inland marine is insured for \$5,488,871 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**

In compliance with State statute, the basic financial statements have been audited by the Ohio Auditor of State's Office. The independent auditor concluded that the School District's financial statements for the year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent accountant's report is presented as the first component of the financial section of this report. In addition, the School District coordinates the requirement for the "Single Audit" of all its federal funds received through the Auditor of State.

### **AWARDS AND ACKNOWLEDGMENTS**

**Awards.** 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, 2004. 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 thirteen years out of the last fourteen 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, Superintendent'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 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



Denise D. Callihan, Ph.D.  
Superintendent  
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, 2004

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



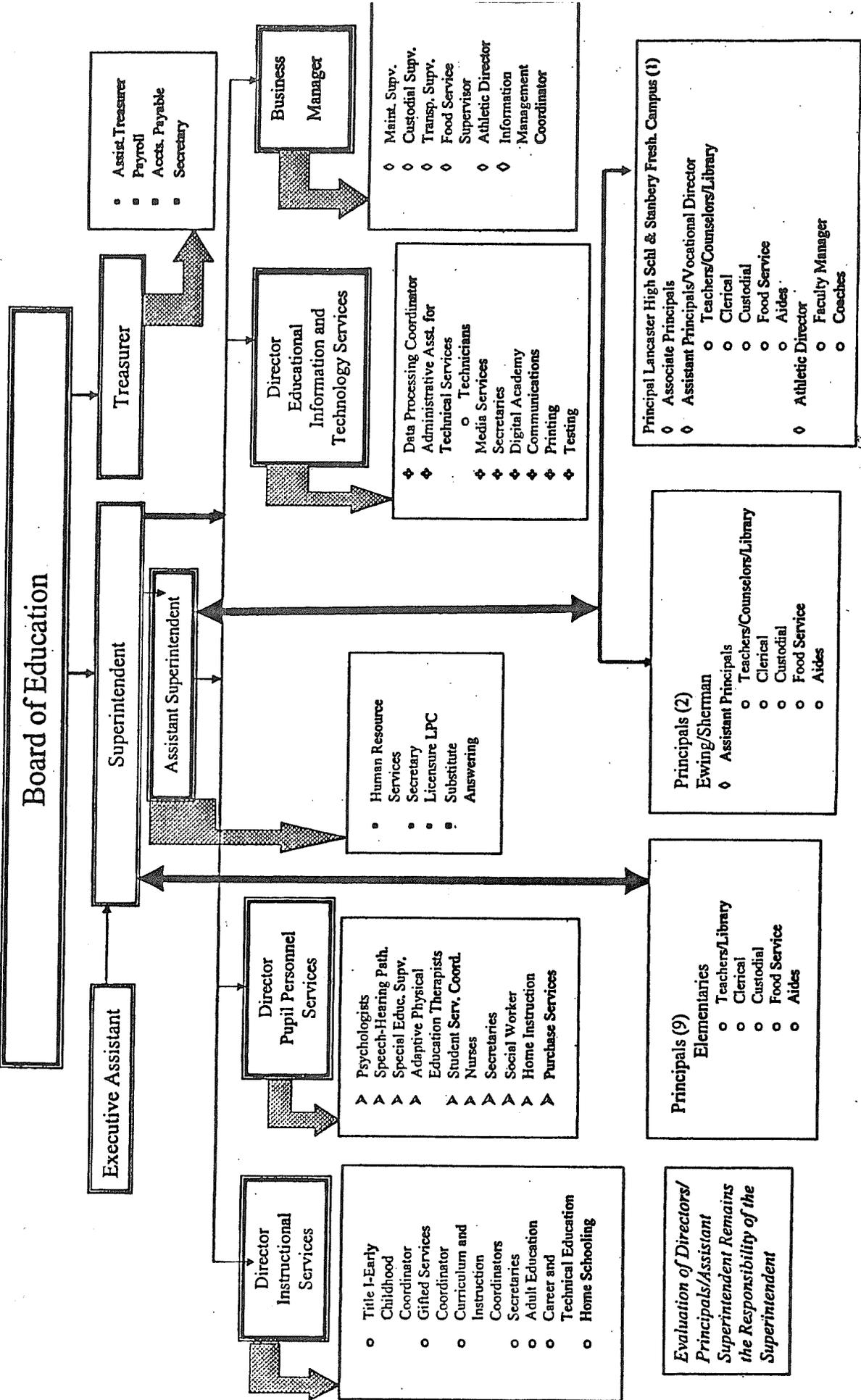
*Nancy L. Zjelke*

President

*Jeffrey R. Emer*

Executive Director

# Lancaster City Schools' Organizational Chart



**LANCASTER CITY SCHOOL DISTRICT, OHIO**

*ORGANIZATIONAL CHART*

*(Continued)*

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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, 2005*

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BOARD OF EDUCATION

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

Treasurer

Scott D. Osborne

Administration

Ms. Denise D. Callihan . . . . .Superintendent  
Mr. Rob Walker . . . . . Assistant Superintendent  
Mr. Jack Stiers . . . . .Business Manager  
Mr. Steven Clippinger . . . . .Director of Educational Information and Technology  
Mr. Stanley Krulia . . . . .Director of Pupil Personnel  
Ms. Peggy Merton . . . . . Director of Instructional Services

# Financial Section







## 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, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District restated fund balances as of July 1, 2004, as a result of the implementation of Governmental Accounting Standards Board Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*, to properly reflect all pension liability as a fund liability.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules, and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining 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.



**Betty Montgomery**  
**Auditor of State**

December 20, 2005

**Lancaster City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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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 School District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the notes to the basic financial statements.

### **Financial Highlights**

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$1,314,057.
- General revenues accounted for \$43,065,335 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$11,868,065 or 22 percent of total revenues of \$54,933,400.
- Total assets of governmental activities increased \$1,261,521 or 3.2 percent, as the major changes are a result of a decrease in cash and cash equivalents and cash and cash equivalents with fiscal agents of \$2,940,400, offset by an increase in property taxes receivable of \$3,811,874, an increase in capital assets of \$332,079, and the addition of a capital lease receivable of \$125,000. 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). The decrease in cash and cash equivalents with fiscal agent was due to the completion of modular construction project.
- Total liabilities of governmental activities increased from \$33,951,473 to \$36,527,051. Long-term liabilities such as capital leases, intergovernmental payables, and compensated absences make up 12.3 percent of the total liabilities.
- The School District had \$56,247,457 in expenses related to governmental activities; only \$11,868,065 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 \$45,714,213 in revenues, \$47,909,510 in expenditures, and \$79,014 in other financing sources. The general fund's balance decreased \$2,116,283.

### **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 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 look at the School District's most significant fund with all 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, 2005*  
*Unaudited*

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***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 2005?" 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, extracurricular activities, intergovernmental, and interest and fiscal charges.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 9. 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, 2005*  
*Unaudited*

**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 2005 compared to 2004.

Table 1 – Net Assets

	Governmental Activities		
	2005	2004	Change
<b>Assets</b>			
Current and Other Assets	\$33,056,482	\$32,127,040	\$929,442
Capital Assets	7,186,794	6,854,715	332,079
Total Assets	<u>40,243,276</u>	<u>38,981,755</u>	<u>1,261,521</u>
<b>Liabilities</b>			
Long-Term Liabilities	4,477,046	4,820,801	(343,755)
Other Liabilities	32,050,005	29,130,672	2,919,333
Total Liabilities	<u>36,527,051</u>	<u>33,951,473</u>	<u>2,575,578</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	6,645,029	6,821,223	(176,194)
Restricted	822,176	603,826	218,350
Unrestricted (Deficit)	<u>(3,750,980)</u>	<u>(2,394,767)</u>	<u>(1,356,213)</u>
Total Net Assets	<u><u>\$3,716,225</u></u>	<u><u>\$5,030,282</u></u>	<u><u>(\$1,314,057)</u></u>

Total assets increased \$1,261,521. The majority of the increase in current and other assets was due to an increase in property taxes receivable of \$3,811,874 and a decrease in cash and cash equivalents and cash and cash equivalents with fiscal agents of \$2,940,400. New in 2005 was a receivable for a capital lease in the amount of \$125,000. Capital assets increased by \$332,079 due mainly to the purchase and installation of modular school buildings. 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 decrease in cash with fiscal agent was due to the completion of the modular school building project. The School District passed a 3.9 mill emergency tax levy on March 2, 2004. Collections of the new tax levy began with the February 2005 tax settlement. Property taxes receivable increased due to the School District recognizing a full year of the new 3.9 mill emergency tax levy, increased due to the completion of the tri-annual appraisal update, increased due to the late payment of the June personal property tax settlement not being collected until July, 2005, and increased due to the increase in delinquent taxes.

Total liabilities increased by \$2,575,578. The majority of the change was due to the increase of \$3,010,177 in deferred revenue due mainly to the increase in taxes receivable, a decrease of \$323,754 in accrued salaries and benefits payable, an increase in intergovernmental payable of \$222,428, a \$353,222 increase of matured sick leave benefit payables, a \$305,224 decrease of claims payable, and a decrease of \$343,755 in long term liabilities. The overall decrease in the long-term liabilities of \$343,755 is a result of a \$128,450 decrease in capital leases, a decrease in compensated absences of \$212,813, and a decrease in intergovernmental payable of \$2,492.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to fiscal year 2004.

**Lancaster City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

Table 2 – Changes in Net Assets

	Governmental Activities	
	2005	2004
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$2,772,689	\$2,788,532
Operating Grants, Contributions, and Interest	8,858,004	7,515,221
Capital Grants and Contributions	237,372	86,962
Total Program Revenues	<u>11,868,065</u>	<u>10,390,715</u>
General Revenues		
Property Taxes	25,245,138	25,793,658
Grants and Entitlements	17,400,697	17,426,697
Gain on Sale of Capital Assets	0	4,610
Gain on Sale of Capital Assets due to a Capital Lease	192,757	0
Payment in Lieu of Taxes	125,960	251,920
Unrestricted Contributions	0	1,193
Investment Earnings	96,361	36,063
Miscellaneous	4,422	4,542
Total General Revenues	<u>43,065,335</u>	<u>43,518,683</u>
Total Revenues	<u>54,933,400</u>	<u>53,909,398</u>
<b>Program Expenses</b>		
Instruction		
Regular	23,028,446	22,052,347
Special	6,499,927	7,025,886
Vocational	2,555,949	2,531,200
Adult/Continuing	164,390	173,621
Support Services		
Pupil	3,019,821	2,904,142
Instructional Staff	3,501,558	3,641,341
Board of Education	212,283	91,367
Administration	4,391,395	4,420,010
Fiscal	1,089,018	1,213,261
Business	426,089	354,735
Operation and Maintenance of Plant	4,656,265	4,715,175
Pupil Transportation	1,761,350	1,653,057
Central	267,753	330,620
Operation of Non-Instructional Services:		
Food Service Operations	2,077,895	2,096,921
Other	1,077,936	816,371
Extracurricular Activities	891,207	846,956
Intergovernmental	596,240	0
Interest and Fiscal Charges	29,935	2,548
Total Expenses	<u>56,247,457</u>	<u>54,869,558</u>
Decrease in Net Assets	<u>(\$1,314,057)</u>	<u>(\$960,160)</u>

**Lancaster City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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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 \$66,301,523 from 2004 to 2005.

In March 2004, the School District passed a 3 year 3.9 mill Emergency Operating Levy. This will generate \$3.2 million dollars per fiscal year over the next 3 years to allow the School District to provide current levels of opportunity. The emergency operating tax levy began collections in February, 2005.

The DeRolf IV Ohio Supreme Court 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 46 percent of revenues for governmental activities for the School District in fiscal year 2005. 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 of \$1,477,350 is due mainly to the increase in federal and state grants. The School District received \$599,990 in a new federal grant entitled "21<sup>st</sup> Century Grant". The purpose of this grant was to pass through monies to the Eastside Center for Success and the West After School Center for after school tutoring programs. Additional grant monies were recognized in the reducing class size grant of \$234,994 and the special education grants of \$778,515. The remaining increases/decreases 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 57 percent of governmental program expenses, support services make up approximately 34 percent of the program expenses, operation of non-instructional services make up approximately 6 percent of program expenses, and the remaining 3 percent of program expenses is related to extracurricular activities, intergovernmental, and interest and fiscal charges 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, 2005*  
*Unaudited*

Table 3 – Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
<b>Program Expenses</b>				
Instruction:				
Regular	\$23,028,446	\$21,489,379	\$22,052,347	\$20,556,203
Special	6,499,927	3,696,020	7,025,886	4,485,289
Vocational	2,555,949	1,903,587	2,531,200	1,932,093
Adult/Continuing	164,390	2,244	173,621	(6,412)
Support Services:				
Pupil	3,019,821	2,372,006	2,904,142	2,414,179
Instructional Staff	3,501,558	2,287,745	3,641,341	2,676,048
Board of Education	212,283	212,283	91,367	91,367
Administration	4,391,395	4,087,121	4,420,010	4,094,882
Fiscal	1,089,018	1,070,184	1,213,261	1,146,109
Business	426,089	426,089	354,735	354,675
Operation and Maintenance of Plant	4,656,265	4,591,476	4,715,175	4,651,057
Pupil Transportation	1,761,350	1,502,541	1,653,057	1,511,587
Central	267,753	206,982	330,620	203,940
Operation of Non-Instructional Services:				
Food Service Operations	2,077,895	(91,019)	2,096,921	(4,398)
Other	1,077,936	102,621	816,371	(106,924)
Extracurricular Activities	891,207	493,948	846,956	476,600
Intergovernmental	596,240	(3,750)	0	0
Interest and Fiscal Charges	29,935	29,935	2,548	2,548
Totals	<u>\$56,247,457</u>	<u>\$44,379,392</u>	<u>\$54,869,558</u>	<u>\$44,478,843</u>

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2005, only 21 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 79 percent is provided through taxes and entitlements.

**Lancaster City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**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 \$45,714,213, expenditures of \$47,909,510, and other financing sources of \$79,014. To address the small carryover fund balance, the School District passed an emergency operating tax levy on March 2, 2004. Tax collections began with the February 2005 tax settlement. This represented approximately one-half of the total amount from the new levy will generate per year. The levy was passed to increase revenues and to be able to allow the School District to maintain programs and provide for a positive ending cash balance at year's end. Due to appropriation reductions of \$2.2 million effective August 1, 2003 and another \$1.1 million effective August 1, 2004 due to the reduction of positions, services, and supplies that were not reinstated, and the additional revenue generated by the March 2, 2004 emergency levy, the School District was able to maintain a positive cash balance, excluding encumbrances, for fiscal year 2005.

***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 2005, the School District amended its general fund budget. 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 \$45,134,069, which was above original estimates of \$43,056,924 for a difference of \$2,077,145.

The School District's ending unobligated fund balance was negative \$248,858 due to the encumbrance of unperformed services for miscellaneous goods and services.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the School District had \$7,186,794 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2005 balances compared to 2004.

**Lancaster City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

Table 4 – Capital Assets at June 30, 2005  
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land	\$523,846	\$531,089
Land Improvements	634,870	673,999
Buildings and Improvements	3,908,204	3,459,229
Furniture and Equipment	1,189,412	1,263,187
Vehicles	930,462	893,719
Construction in Progress	0	33,492
Totals	\$7,186,794	\$6,854,715

During fiscal year 2005, the School District sold land and a building through a capital lease agreement, purchased and installed modular buildings at Tarhe Elementary, purchased equipment, and purchased four new buses. See Note 9 for more detailed information of the School District's capital assets.

***Debt***

During fiscal year 2005, the School District paid down a capital lease by \$128,450.

Table 5 – Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2005	2004
Capital Leases	\$571,550	\$700,000

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

**Economic Factors**

The School District enacted \$1.1 million in budget cuts effective August 1, 2004. This budget cut was necessary in addition to \$2.2 million in cuts made August 1, 2003 to provide for a positive cash balance ending June 30, 2005. The School District Board of Education will continue to monitor and evaluate the financial condition of the School District and make adjustments when needed. The School District voters did approve a 3.9 mill operating levy in March 2004. The School District received approximately half of the annual total amount the levy will generate in new revenue in fiscal year 2005. Fiscal year 2006 will be the first year of full collection of the operating levy that was approved in March 2004. The School District also implemented a Board Finance Committee during fiscal year 2005 to help monitor the School District's financial stability. This Committee meets once a month and reports to the Board of Education any recommendations and analysis. 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 opportunities our students have come accustomed to.

**Lancaster City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**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](mailto:S.OSBORNE@LANCASTER.K12.OH.US).

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**Lancaster City School District, Ohio**

*Statement of Net Assets*

*June 30, 2005*

	Primary Government	Component Unit
	Governmental Activities	Lancaster-Fairfield Digital Academy
<b>Assets</b>		
Cash and Cash Equivalents	\$2,044,228	\$207,458
Cash and Cash Equivalents with Fiscal Agents	60,816	0
Cash and Cash Equivalents in Segregated Accounts	5,215	0
Restricted Assets:		
Cash and Cash Equivalents	0	34,700
Materials and Supplies Inventory	166,895	0
Inventory Held for Resale	31,537	0
Accounts Receivable	36,561	0
Accrued Interest Receivable	15,287	0
Due from Component Unit	9,000	0
Intergovernmental Receivable	1,102,067	0
Restricted Assets:		
Intergovernmental Receivable	0	125,000
Prepays	81,549	0
Payment in Lieu of Taxes Receivable	251,920	0
Property Taxes Receivable	29,126,407	0
Capital Lease Receivable	125,000	0
Nondepreciable Capital Assets	523,846	0
Depreciable Capital Assets, Net	6,662,948	88,699
<i>Total Assets</i>	<u>40,243,276</u>	<u>455,857</u>
<b>Liabilities</b>		
Accounts Payable	503,723	340
Accrued Salaries and Benefits Payable	4,620,124	0
Matured Sick Leave Benefit Payable	498,615	0
Claims Payable	1,010,663	0
Accrued Interest Payable	1,012	0
Intergovernmental Payable	2,082,226	5,142
Payable from Restricted Assets:		
Due to Primary Government	0	9,000
Deferred Revenue	23,333,642	0
Long-Term Liabilities:		
Due Within One Year	474,471	0
Due In More Than One Year	4,002,575	0
<i>Total Liabilities</i>	<u>36,527,051</u>	<u>14,482</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	6,645,029	88,699
Restricted for:		
Capital Projects	157,992	0
Other Purposes	664,184	150,700
Unrestricted (Deficit)	(3,750,980)	201,976
<i>Total Net Assets</i>	<u>\$3,716,225</u>	<u>\$441,375</u>

See accompanying notes to the basic financial statements

**Lancaster City School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$23,028,446	\$860,644	\$609,498	\$68,925
Special	6,499,927	123,488	2,680,419	0
Vocational	2,555,949	125,992	482,750	43,620
Adult/Continuing	164,390	64,167	97,979	0
Support Services:				
Pupil	3,019,821	45,224	602,591	0
Instructional Staff	3,501,558	0	1,213,813	0
Board of Education	212,283	0	0	0
Administration	4,391,395	18,464	285,810	0
Fiscal	1,089,018	18,834	0	0
Business	426,089	0	0	0
Operation and Maintenance of Plant	4,656,265	64,789	0	0
Pupil Transportation	1,761,350	17,858	118,576	122,375
Central	267,753	0	60,771	0
Operation of Non-Instructional Services:				
Food Service Operations	2,077,895	1,038,083	1,130,831	0
Other	1,077,936	339	974,976	0
Extracurricular Activities	891,207	394,807	0	2,452
Intergovernmental	596,240	0	599,990	0
Interest and Fiscal Charges	29,935	0	0	0
<i>Total Primary Government</i>	<u>\$56,247,457</u>	<u>\$2,772,689</u>	<u>\$8,858,004</u>	<u>\$237,372</u>
<b>Component Unit</b>				
Lancaster-Fairfield Digital Academy	<u>\$332,577</u>	<u>\$0</u>	<u>\$153,000</u>	<u>\$0</u>

**General Revenues**

Property Taxes Levied for General Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Gain on Sale of Capital Assets Due to a Capital Lease  
Payment in Lieu of Taxes  
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
(\$21,489,379)	\$0
(3,696,020)	0
(1,903,587)	0
(2,244)	0
(2,372,006)	0
(2,287,745)	0
(212,283)	0
(4,087,121)	0
(1,070,184)	0
(426,089)	0
(4,591,476)	0
(1,502,541)	0
(206,982)	0
91,019	0
(102,621)	0
(493,948)	0
3,750	0
(29,935)	0
(44,379,392)	0
0	(179,577)
25,245,138	0
17,400,697	342,310
192,757	0
125,960	0
96,361	0
4,422	0
43,065,335	342,310
(1,314,057)	162,733
5,030,282	278,642
\$3,716,225	\$441,375

**Lancaster City School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$475,542	\$1,207,071	\$1,682,613
Cash and Cash Equivalents in Segregated Accounts	5,215	0	5,215
Receivables:			
Property Taxes	29,126,407	0	29,126,407
Payment in Lieu of Taxes	251,920	0	251,920
Accounts	24,744	10,049	34,793
Intergovernmental	333,484	768,583	1,102,067
Accrued interest	15,287	0	15,287
Interfund	264,789	853	265,642
Capital Lease	0	125,000	125,000
Due from Component Unit	9,000	0	9,000
Prepays	426,196	88,965	515,161
Inventory Held for Resale	0	31,537	31,537
Materials and Supplies Inventory	153,078	13,817	166,895
<i>Total Assets</i>	<u>\$31,085,662</u>	<u>\$2,245,875</u>	<u>\$33,331,537</u>
<b>Liabilities</b>			
Accounts Payable	\$373,446	\$130,277	\$503,723
Accrued Salaries and Benefits Payable	4,087,323	532,801	4,620,124
Intergovernmental Payable	1,861,091	221,135	2,082,226
Matured Sick Leave Benefit Payable	498,615	0	498,615
Interfund Payable	853	254,044	254,897
Deferred Revenue	25,502,059	128,008	25,630,067
<i>Total Liabilities</i>	<u>32,323,387</u>	<u>1,266,265</u>	<u>33,589,652</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	475,041	155,045	630,086
Reserved for Property Taxes	2,838,658	0	2,838,658
Unreserved, Undesignated, Reported in:			
General Fund	(4,551,424)	0	(4,551,424)
Special Revenue Funds	0	761,788	761,788
Capital Projects Funds	0	62,777	62,777
<i>Total Fund Balances (Deficit)</i>	<u>(1,237,725)</u>	<u>979,610</u>	<u>(258,115)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$31,085,662</u>	<u>\$2,245,875</u>	<u>\$33,331,537</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, 2005*

<b>Total Governmental Fund Balances (Deficit)</b>		(\$258,115)
<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.		7,186,794
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	1,850,583	
Payment in Lieu of Taxes	251,920	
Capital Lease Receivable	125,000	
Accrued Interest	157	
Tuition and Charges from Other Districts	65,757	
Extracurricular Activities	3,008	2,296,425
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.		(1,030,821)
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	(571,550)	
Intergovernmental Payable	(17,436)	
Accrued Interest Payable	(1,012)	
Compensated Absences Payable	(3,888,060)	(4,478,058)
Net Assets of Governmental Activities		\$3,716,225

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, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$24,761,939	\$0	\$24,761,939
Payment in Lieu of Taxes	125,960	0	125,960
Intergovernmental	19,473,834	7,183,522	26,657,356
Interest	100,556	6,731	107,287
Tuition and Fees	1,108,509	29,462	1,137,971
Charges for Services	0	1,019,233	1,019,233
Rent	44,653	480	45,133
Extracurricular Activities	92,261	500,789	593,050
Gifts and Donations	0	15,483	15,483
Miscellaneous	6,501	0	6,501
<i>Total Revenues</i>	<u>45,714,213</u>	<u>8,755,700</u>	<u>54,469,913</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	22,333,953	550,446	22,884,399
Special	5,119,404	1,473,003	6,592,407
Vocational	2,433,971	189,933	2,623,904
Adult/Continuing	63,132	101,258	164,390
Support Services:			
Pupils	2,423,232	566,532	2,989,764
Instructional Staff	2,379,032	1,165,019	3,544,051
Board of Education	212,283	0	212,283
Administration	4,228,796	178,843	4,407,639
Fiscal	1,096,604	0	1,096,604
Business	423,449	0	423,449
Operation and Maintenance of Plant	4,574,338	1,794	4,576,132
Pupil Transportation	1,811,706	4,085	1,815,791
Central	196,113	59,884	255,997
Operation of Non-Instructional Services:			
Food Service Operations	0	2,129,614	2,129,614
Other Non-Instructional Services	1,339	1,079,039	1,080,378
Extracurricular Activities	528,545	300,176	828,721
Capital Outlay	0	700,601	700,601
Intergovernmental	0	596,240	596,240
Debt Service:			
Principal Retirement	67,713	60,737	128,450
Interest and Fiscal Charges	15,900	14,263	30,163
<i>Total Expenditures</i>	<u>47,909,510</u>	<u>9,171,467</u>	<u>57,080,977</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,195,297)</u>	<u>(415,767)</u>	<u>(2,611,064)</u>
<b>Other Financing Sources (Uses)</b>			
Payment from Capital Lease	0	75,000	75,000
Proceeds from Sale of Capital Assets	12,374	0	12,374
Transfers In	66,640	24,147	90,787
Transfers Out	0	(90,787)	(90,787)
<i>Total Other Financing Sources (Uses)</i>	<u>79,014</u>	<u>8,360</u>	<u>87,374</u>
<i>Net Change in Fund Balances</i>	<u>(2,116,283)</u>	<u>(407,407)</u>	<u>(2,523,690)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>878,558</u>	<u>1,387,017</u>	<u>2,265,575</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,237,725)</u>	<u>\$979,610</u>	<u>(\$258,115)</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, 2005*

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**Net Change in Fund Balances - Total Governmental Funds** (\$2,523,690)

*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	1,037,733	
Capital Contributions	50,000	
Depreciation Expense	(723,777)	363,956

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:

Loss on disposal of capital assets	(12,260)	
Gain on disposal of capital assets due to a capital lease	192,757	
Payments from capital lease	(75,000)	
Proceeds from sale of capital assets	(12,374)	93,123

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

Interest	(5,516)	
Reimbursements from Component Unit	(2,079)	
Grants	(182,176)	
Delinquent Taxes	483,199	
Tuition and Charges from Other School Districts	(25,706)	
Extracurricular Activities	3,008	270,730

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 228

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	2,492	
Compensated Absences Payable	212,813	215,305

Repayment of capital leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 128,450

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.

137,841

*Change in Net Assets of Governmental Activities* (\$1,314,057)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$22,800,000	\$24,400,000	\$24,443,441	\$43,441
Payment in Lieu of Taxes	123,320	130,000	125,960	(4,040)
Intergovernmental	18,873,364	20,623,839	19,277,446	(1,346,393)
Interest	63,664	69,349	65,027	(4,322)
Tuition and Fees	1,059,119	1,093,029	1,081,795	(11,234)
Rent	44,645	53,617	45,601	(8,016)
Extracurricular Activities	87,896	95,746	89,778	(5,968)
Miscellaneous	4,916	5,355	5,021	(334)
<i>Total Revenues</i>	43,056,924	46,470,935	45,134,069	(1,336,866)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	19,199,794	19,669,790	19,625,394	44,396
Special	5,294,230	5,201,537	5,185,295	16,242
Vocational	2,298,186	2,455,861	2,451,646	4,215
Adult/Continuing	59,500	62,923	62,923	0
Other	1,125,000	2,749,707	2,802,350	(52,643)
Support Services:				
Pupils	2,386,222	2,478,332	2,469,476	8,856
Instructional Staff	3,232,930	2,430,063	2,397,387	32,676
Board of Education	75,357	104,954	103,807	1,147
Administration	4,129,439	4,216,979	4,220,481	(3,502)
Fiscal	1,083,712	1,234,570	1,222,297	12,273
Business	448,043	433,326	413,232	20,094
Operation and Maintenance of Plant	4,855,871	4,593,676	4,585,991	7,685
Pupil Transportation	1,877,279	1,797,368	1,794,618	2,750
Central	217,390	219,494	209,233	10,261
Extracurricular Activities	528,184	518,717	516,023	2,694
<i>Total Expenditures</i>	46,811,137	48,167,297	48,060,153	107,144
<i>Excess of Revenues Under Expenditures</i>	(3,754,213)	(1,696,362)	(2,926,084)	(1,229,722)
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	12,115	13,097	12,374	(723)
Advances In	540,709	589,062	552,285	(36,777)
Advances Out	(25,000)	(412,796)	(412,796)	0
Transfers In	65,252	71,180	66,650	(4,530)
Transfers Out	(25,000)	(20,760)	0	20,760
<i>Total Other Financing Sources (Uses)</i>	568,076	239,783	218,513	(21,270)
<i>Net Change in Fund Balance</i>	(3,186,137)	(1,456,579)	(2,707,571)	(1,250,992)
<i>Fund Balance Beginning of Year</i>	1,730,671	1,730,671	1,730,671	0
<i>Prior Year Encumbrances Appropriated</i>	728,042	728,042	728,042	0
<i>Fund Balance (Deficits) End of Year</i>	(\$727,424)	\$1,002,134	(\$248,858)	(\$1,250,992)

See accompanying notes to the basic financial statements

**Lancaster City School District, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2005*

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	Employee Benefits Self Insurance
<b>Current Assets</b>	
Cash and Cash Equivalents	\$361,615
Cash and Cash Equivalents with Fiscal Agents	60,816
Accounts Receivable	1,768
<i>Total Assets</i>	<u>424,199</u>
<b>Current Liabilities</b>	
Interfund Payable	10,745
Deferred Revenue	433,612
Claims Payable	1,010,663
<i>Total Liabilities</i>	<u>1,455,020</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u><u>(\$1,030,821)</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, 2005*

	Employee Benefits Self Insurance
<b>Operating Revenues</b>	
Charges for Services	\$6,347,773
<b>Operating Expenses</b>	
Purchased Services	340,050
Claims	5,869,882
<i>Total Operating Expenses</i>	6,209,932
<i>Change in Net Assets</i>	137,841
<i>Net Assets (Deficit) Beginning of Year</i>	(1,168,662)
<i>Net Assets (Deficit) End of Year</i>	(\$1,030,821)
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, 2005

	Employee Benefits Self Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Interfund Services Provided	\$6,195,712
Cash Payments to Suppliers for Services	(357,170)
Cash Payments for Claims	(6,175,106)
<i>Net Cash Used for Operating Activities</i>	(336,564)
<b>Cash Flows from Noncapital Financing Activities</b>	
Advances In	10,745
<i>Net Increase in Cash and Cash Equivalents</i>	(325,819)
<i>Cash and Cash Equivalents Beginning of Year</i>	748,250
<i>Cash and Cash Equivalents End of Year</i>	\$422,431
<b>Reconciliation of Operating Income to</b>	
<b>Net Cash Used for Operating Activities:</b>	
Operating Income	\$137,841
<b>Adjustments to Reconcile</b>	
<b>Changes in Assets and Liabilities:</b>	
Decrease in Accounts Receivable	(1,768)
Increase in Accounts Payable	(17,120)
Increase in Deferred Revenue	(150,293)
Increase in Claims Payable	(305,224)
<i>Net Cash Used for Operating Activities</i>	(\$336,564)

See accompanying notes to the basic financial statements

**Lancaster City School District, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2005*

	Private Purpose	
	Trust	
	Endowment	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$39,730	\$86,004
<i>Total Assets</i>	39,730	\$86,004
<b>Liabilities</b>		
Due to Students	0	\$86,004
<i>Total Liabilities</i>	0	\$86,004
<b>Net Assets</b>		
Held in Trust for Scholarships	39,730	
<i>Total Net Assets</i>	\$39,730	

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, 2005*

	Endowment
<b>Additions</b>	
Interest	\$840
<b>Deductions</b>	
Scholarships Awarded	226
<i>Change in Net Assets</i>	614
<i>Net Assets Beginning of Year</i>	39,116
<i>Net Assets End of Year</i>	\$39,730
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, 2005*

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**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 facilities staffed by 268 non-certificated employees, 417 certificated personnel, and 31 administrative employees who provide services to 5,988 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, 2005*

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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 person representing the interests of parents and students of the LFDA. 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 eight 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, Lancaster-Fairfield Alternative School, 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 the extent to which each governmental function is self-financing or draws from the general revenues of the

**Lancaster City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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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, 2005*

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**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, 2005*

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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, 2005, but which were levied to finance fiscal year 2006 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 administrator of the dental self insurance program which is presented as "cash and cash equivalents with fiscal agents".

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

Investments are reported at fair value which is based on quoted market prices.

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, 2005.

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 2005 amounted to \$100,556, which includes \$37,930 assigned from other School District funds.

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.

**Lancaster City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition 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.

***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 externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation.

**Lancaster City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***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 and compensated absences 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. 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.

***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 and property taxes.

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

**Lancaster City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for scholarships, music and athletic programs, auxiliary services, preschool services, and state and federal grants restricted to expenditures for specified purposes.

The government-wide statement of net assets reports \$822,176 of restricted net assets, of which none of it is restricted by enabling legislation.

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 fund and function level for the general fund and the fund level for all remaining funds. The treasurer has been authorized to allocate Board appropriations among objects within a fund and function during the fiscal year for the general fund and among functions and objects within all remaining funds.

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 amended certificate in effect at the time final appropriations were passed.

**Lancaster City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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 – Prior Period Restatements and Changes in Accounting Principle**

***Changes in Account Principles*** For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, and GASB Technical Bulletin No. 2004-02, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers”, and early-implemented GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”.

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 “Deposits and Investments” for the required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation affected the fund balances of governmental funds, but had no effect on net assets. The effect of the implementation of this technical bulletin is presented below.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

	General	Nonmajor	Total
Fund Balances, June 30, 2004	\$1,219,747	\$1,474,324	\$2,694,071
GASB Technical Bulletin 2004-02 Restatement	(341,189)	(87,307)	(428,496)
Adjusted Fund Balance, June 30, 2004	\$878,558	\$1,387,017	\$2,265,575

**Note 4 – Accountability and Compliance**

**A. Accountability**

The following funds had deficit fund balances/net assets as of June 30, 2005:

	<u>Deficit Fund Balances/Net Assets</u>
<u>General Fund:</u>	
General	(\$1,237,725)
<u>Special Revenue Funds:</u>	
Reducing Class Size	(114,551)
Preschool	(13,583)
<u>Internal Service Fund:</u>	
Employee Benefits Self-Insurance	(1,030,821)

**Lancaster City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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The deficit balances in the general fund, 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 changed the medical and dental third party self insurance administrator to Anthem during fiscal year 2005. The School District has seen a reduction in expenses since this change took place on November 1, 2004 for medical and February 1, 2005 for dental due to Anthem's negotiated agreements with the providers within their network. The deficit in the general fund is of great concern to the School District. The School District has taken steps to place an operating levy on the ballot in February, 2006.

***B. Legal Compliance***

The School District's July 1, 2005 fund balances were not certified to the County Auditor until February 28, 2005, which is contrary to Section 5705.36, Revised Code.

Revised Code Section 5705.36 also requires that a reduced amended certificate be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The School District did not request a reduced amended certificate for the general fund when actual revenues were \$1.3 million less than estimated. Had the School District obtained a reduced certificate, a reduction in appropriations would have also been required. The lack of obtaining a reduced amended certificate along with a corresponding reduction in appropriations contributed to the School District's negative unencumbered general fund balance of (\$248,858).

The general fund had original appropriations in excess of estimated resources contrary to Section 5705.39, Revised Code, in the amount of \$727,424.

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>	
Public School Support	(\$7,058)
Community Grants	(60,163)
District Managed Student Activity	(127,818)
Teacher Development	(1,528)
Data Communications	(19,624)
SchoolNet Professional Development	(3,812)
Adult Basic Education	(57,021)
Title V	(83,215)
Drug Free Grant	(43,158)
Continuous Improvement	(19,999)
Ohio Reads	(141,302)
Reading Improvement Grant	(66,684)
Idea B	(713,300)
Title I	(1,964,661)
Vocational Education	(125,591)
Public School Preschool	(198,593)
Preschool Handicapped	(23,652)
School Improvement Model	(5,500)
Title III	(\$61,250)
	(continued)

**Lancaster City School District, Ohio**  
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	<u>Excess</u>
(continued)	
<u>Capital Projects Fund:</u>	
Computer Network	(\$92,500)

The following accounts/funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Revised Code:

	<u>Excess</u>
<u>General Fund:</u>	
General	
Other Instruction	(\$52,643)
Support Services – Administration	(3,502)
<u>Special Revenue Funds:</u>	
Food Service	(36,962)
Entry Year Grant	(96)

In addition, the School District did not properly certify the availability of funds prior to entering into an obligation which is a violation of 5705.41(D).

The School District advanced \$55,000 from permanent improvement capital projects fund to the general fund and \$300,000 from the employee benefits self-insurance internal service fund to the general fund which is a violation of State law. Since fiscal year end, the School District’s general fund has repaid the advances to correct this violation.

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

**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. Segregated accounts and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
4. Investments reported at cost (budget basis) rather than fair value (GAAP basis).
5. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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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	(\$2,116,283)
Net Adjustment for Revenue Accruals	(530,407)
Net Adjustment for Expenditure Accruals	280,497
Beginning:	
Segregated Accounts	180
Fair Value of Investments	(55,730)
Prepaid Items	730,484
Ending:	
Segregated Accounts	(5,215)
Fair Value of Investments	11,028
Prepaid Items	(426,196)
Transfers In	10
Advances In	552,285
Advances Out	(412,796)
Adjustment for Encumbrances	<u>(735,428)</u>
Budget Basis	<u><u>(\$2,707,571)</u></u>

**Note 6 - Deposits and Investments**

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.

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;

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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 the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

***Cash with Fiscal Agent*** At June 30, 2005, 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 40. To obtain financial information about the pooled account, write to Medical Mutual of Ohio, 2060 Eastern Ninth Street, Cleveland, Ohio 44115-1355.

***Deposits*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$251,521 of the School District's bank balance of \$451,521 was exposed to custodial credit risk because it 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.

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

***Investments*** As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

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	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$14,400	30 Days
Federal Home Loan Bank Bond	988,440	1/25/2007
Federal National Mortgage Association Bond	<u>1,000,630</u>	6/29/2007
Total	<u><u>\$2,003,470</u></u>	

**Interest Rate Risk**

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of two years. The Treasurer cannot make investments which he does not reasonably believe can be held until the maturity date.

**Credit Risk**

The Federal Home Loan Bank Bond carried a credit rating by Moody's of Aaa and Standard & Poor's of AAA. The Federal National Mortgage Association Bond carried a rating by Fitch, Inc. of AAA, Moody's of Aaa, and Standard & Poor's of AAA. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices other than what has been approved by State statute.

**Concentration of Credit Risk**

The School District places no limit on the amount it may invest in any one issuer. The School District's investments in Federal Home Loan Bank Bond represented 49 percent, the Federal National Mortgage Association Bond represented 50 percent, and STAR Ohio represented 1 percent of the School District's total investments.

**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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, 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.

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Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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 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, 2005, are available to finance fiscal year 2005 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, 2005 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, 2005, was in the amount of \$1,103,524 in the general fund. The amount available as an advance at June 30, 2005, was \$2,838,658 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 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$700,513,710	85%	\$772,751,290	87%
Public Utility Personal	24,990,810	3%	25,676,090	3%
Tangible Personal Property	96,326,426	12%	89,705,089	10%
<b>Total</b>	<b>\$821,830,946</b>	<b>100%</b>	<b>\$888,132,469</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$64.60		\$68.40	

**Note 8 - Receivables**

Receivables at June 30, 2005, 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:

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	<u>Amounts</u>
<b>Governmental Activities</b>	
Miscellaneous Reimbursements	\$46,057
EMIS Services	3,000
Preschool Handicapped Grant	9,838
Homestead and Rollback	2,336
Foundation Adjustments	13,849
Title V Grant	14,386
Teaching Services	32,012
Summer School Intervention Grant	92,541
Television Station Franchise Fee	9,680
Medicare	165,216
Vocational Education Grants	4,185
Tuition from Other Districts	53,757
E-Rate	21,224
Idea B Grant	273,342
Access Grant	1,383
School Lunch Reimbursement	113,903
Title I Grant	150,512
Reducing Class Size Grant	88,934
21st Century Grant	5,912
Total	<u>\$1,102,067</u>

**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 to the School District is due by June 15 of each fiscal year for the next ten years. Up to \$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 2006 for fiscal years 2005 and 2006 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 "payment in lieu of taxes" is shown. A receivable has been recorded in the amount of \$251,920 which represents amounts measurable at June 30, 2005.

**Lancaster City School District, Ohio**  
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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
<b>Nondepreciable Capital Assets</b>				
Land	\$531,089	\$0	(\$7,243)	\$523,846
Construction in Progress	33,492	636,723	(670,215)	0
Total Capital Assets not being depreciated	<u>564,581</u>	<u>636,723</u>	<u>(677,458)</u>	<u>523,846</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,077,173	0	0	1,077,173
Buildings and Improvements	16,121,518	680,215	(29,032)	16,772,701
Furniture and Equipment	4,937,872	187,804	(126,561)	4,999,115
Vehicles	2,145,497	253,206	0	2,398,703
Total at Historical Cost	<u>24,282,060</u>	<u>1,121,225</u>	<u>(155,593)</u>	<u>25,247,692</u>
Less Accumulated Depreciation				
Land Improvements	(403,174)	(39,129)	0	(442,303)
Buildings and Improvements	(12,662,289)	(231,240)	29,032	(12,864,497)
Furniture and Equipment	(3,674,685)	(236,945)	101,927	(3,809,703)
Vehicles	(1,251,778)	(216,463)	0	(1,468,241)
Total Accumulated Depreciation	<u>(17,991,926)</u>	<u>(723,777)</u>	<u>130,959</u>	<u>(18,584,744)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>6,290,134</u>	<u>397,448</u>	<u>(24,634)</u>	<u>6,662,948</u>
Governmental Activities Capital Assets, Net	<u><u>\$6,854,715</u></u>	<u><u>\$1,034,171</u></u>	<u><u>(\$702,092)</u></u>	<u><u>\$7,186,794</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$214,485
Special	26,612
Vocational	14,598
Support Services:	
Pupil	13,304
Instructional Staff	22,717
Administration	18,287
Fiscal	5,669
Business	2,131
Operation and Maintenance	89,638
Pupil Transportation	198,362
Central	14,166
Extracurricular	62,486
Operation of Non-Instructional Services:	
Food Service Operations	32,713
Other	<u>8,609</u>
Total Depreciation Expense	<u><u>\$723,777</u></u>

**Lancaster City School District, Ohio**  
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**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 2005, the School District contracted with Hilb, Rogal, and Hobbs for insurance coverage with the Netherlands Insurance Company. The types and amounts of coverage provided are as follows:

Coverage	Amount	Deductible
Building and Personal Property - replacement cost	\$108,997,200	\$5,000
Flood	1,000,000	100,000
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	5,448,871	1,000
General Liability per Occurrence	1,000,000	0
General Aggregate	3,000,000	0
Products/Completed Operations Aggregate	3,000,000	0
Personal and Advertising Injury	1,000,000	0
Employee Benefits Liability Per Employee	1,000,000	1,000
Employee Benefits Liability Aggregate	3,000,000	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
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.

***B. Workers' Compensation***

For fiscal year 2005, 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.

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**C. Medical and Dental**

The School District provides a limited medical and dental insurance program for its employees. Claims are paid directly to the third party administrator out of the School District's self-insurance internal service fund. Central Benefits, Inc. serviced all medical claims by employees through October 31, 2004 and then Anthem began to service all new medical claims beginning November 1, 2004. Medical Mutual serviced all dental claims submitted by employees through January 31, 2005 and then Anthem began to service all new dental claims beginning February 1, 2005. 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 \$906 for certified and classified employees for family coverage and up to \$369 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 \$1,010,663 reported in the internal service fund at June 30, 2005, 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
2004	\$922,297	\$6,161,827	\$5,768,237	\$1,315,887
2005	1,315,887	5,869,882	6,175,106	1,010,663

**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 up 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.

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***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.

**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 or by calling (614) 222-5853.

Plan members are required to contribute 10 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003, were \$662,803, \$573,006, and \$541,440, respectively; 52 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

***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 or by calling (614) 227-4090.

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

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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, 2005, plan members were required to contribute 10 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 2004, 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.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$3,306,132, \$3,208,758, and \$3,169,222, respectively; 82 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$14,984 made by the School District and \$57,059 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.

STRS retirees who participated in the DB or combined plans and their 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. All 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, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$255,470 for fiscal year 2005.

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STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$345,425 to fund health care benefits, including the surcharge.

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, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

**Note 14 - Capitalized Leases**

During the prior fiscal year, the School District entered into a lease obligation for the purchase and installation of modular buildings at the Tarhe Elementary School. 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.

The following is a schedule of the future long-term minimum lease payments required under the capital lease as of June 30, 2005.

Year	Governmental Activities	
	Principal	Interest
2006	\$133,985	\$24,628
2007	139,758	18,855
2008	145,746	12,868
2009	152,061	6,552
Total	\$571,550	\$62,903

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The equipment was originally capitalized in the amount of \$670,215. Principal payments in fiscal year 2005 totaled \$128,450 in the governmental funds.

Property under Capital Lease	\$670,215
Less: Accumulated Depreciation	<u>(11,170)</u>
Total June 30, 2005	<u><u>\$659,045</u></u>

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/2004	Additions	Deductions	Principal Outstanding 6/30/2005	Due in One Year
<b>Governmental Activities</b>					
Capital Leases Payable	\$700,000	\$0	\$128,450	\$571,550	\$133,985
Intergovernmental Payable	19,928	0	2,492	17,436	4,982
Compensated Absences Payable	4,100,873	843,904	1,056,717	3,888,060	335,504
Total Governmental Activities					
Long-Term Obligations	<u><u>\$4,820,801</u></u>	<u><u>\$843,904</u></u>	<u><u>\$1,187,659</u></u>	<u><u>\$4,477,046</u></u>	<u><u>\$474,471</u></u>

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

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 improvement services.

The following table lists the special assessment payments required as of June 30, 2005.

Year	
2006	\$4,982
2007	4,982
2008	4,982
2009	2,490
Total	<u><u>\$17,436</u></u>

The School District's overall legal debt margin was \$79,931,922, with an unvoted debt margin of \$888,132 at June 30, 2005.

**Note 16 – Capital Lease Receivable**

School District-owned building and land is leased to the Fairfield County Juvenile Court. The lease has no interest and is for a period of five years. At the conclusion of the lease period, Fairfield County Juvenile Court may purchase the leased properties for \$1. The School District has classified this agreement as a capital lease. The lease payments to the School District are paid into the permanent improvement capital projects fund. On a full accrual basis, the amount of the receivable is recorded as revenue.

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Year	
2006	\$31,250
2007	31,250
2008	31,250
2009	31,250
Total	\$125,000

**Note 17 - Interfund Balances**

Interfund balances at June 30, 2005 consist of the following individual interfund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	\$264,789	\$853
Other Governmental Funds:		
Food Service	780	0
Scholarship Memorial	73	0
Community Grants	0	241
Auxiliary Services	0	505
Summer School Intervention	0	68,248
Title V	0	8,362
Reducing Class Size	0	175,208
Special Education	0	1,480
Total Other Governmental Funds	853	254,044
Internal Service Fund:		
Employee Benefits Self Insurance	0	10,745
Total All Funds	\$265,642	\$265,642

The general fund made advances to other non-major governmental funds and the employee benefits self insurance internal service fund, in the amount of \$263,068 to subsidize negative cash balances. The general fund was owed \$241 from community grants special revenue fund due to an error in the posting of a rent receipt. The general fund was also owed \$1,480 from the special education special revenue fund for the reimbursement of salaries. In addition, the general fund owed \$853 to the food service fund and the scholarship memorial fund for their portion of interest earnings for June, 2005. The interfund payables are anticipated to be repaid within one year.

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Interfund transfers during 2005, consisted of the following:

<u>Transfer From</u>	Transfer To		<u>Totals</u>
	<u>Major Fund General</u>	<u>Other Nonmajor Governmental</u>	
Other Nonmajor Governmental	<u>\$66,640</u>	<u>\$24,147</u>	<u>\$90,787</u>

The before mentioned transfer from/to were used to move cash balances totaling \$66,630 of various other nonmajor governmental funds to the general fund due to the closure of grants and inactive funds, to move \$10 to the general fund due to the misposting of tax receipts in the bond retirement debt service fund during prior years, and to move \$24,147 from the reducing class size special revenue fund to the title v special revenue fund for \$17,327 and the drug free grant special revenue fund for \$6,820 due to the carryover of grant monies approved by the State.

**Note 18 – Related Party Transactions**

During fiscal year 2005, the School District received from the LFDA \$2,079 for audit services reimbursement, \$35,000 for imaging services, and \$42,042 for administrative and technical services. As of June 30, 2005, the School District was owed \$9,000 from the LFDA for Educational Management Information System services.

**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 (“C” 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 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 2005 were \$114,513 for computer services and support.

***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

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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 2005.

***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 2005.

***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 \$1,200 to COSERRC during fiscal year 2005.

***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 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 2005, the School District received a federal grant entitled the "21<sup>st</sup> Century Grant" in which the School District passed through \$296,245 to the Council to operate the Eastside Center for Success program. Continued existence of the Council is not dependent on the School District's continued participation, no equity interest exists, and no debt is outstanding.

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***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 2005. 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 2005, the Board consisted of seventeen members. In fiscal year 2005, the School District obtained active membership privileges and paid \$615 to the Council.

***Lancaster-Fairfield Alternative School*** - The Lancaster-Fairfield Alternative School (LFAS) is a legally separate community school created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The LFAS's mission, under a contractual agreement with the School District (LFAS's sponsor), is to utilize a holistic approach to the education of at-risk students, offering students a variety of programs that address the physical, social, emotional, and educational needs of the students. LFAS feels it is necessary to assist at-risk youth in developing positive behaviors and attitudes and become successful learners. Currently the LFAS only services students within the School District. The LFAS is operated by a Board of Directors consisting of seven voting members. The Board of Directors is appointed as follows: three representatives from the School District, one representative from the Fairfield County Juvenile Court, one representative from a local school district within Fairfield County, the superintendent from the Fairfield County Educational Service Center, and one representative from the Fairfield County Job and Family Services department. The LFAS is not fiscally dependent on the School District. The School District may suspend the LFAS's operations for any of the following reasons: 1) The LFAS's failure to meet student performance requirements stated in its contract with the School District, 2) The LFAS's failure to meet generally accepted standards of fiscal management, 3) The LFAS's violation of any provisions of the contract with the School District or applicable state or federal law, and 4) Other good cause. The School District made no contributions to LFAS during fiscal year 2005. LFAS paid \$42,647 to the School District for the reimbursement of EMIS services and the reimbursement of expenses paid by the School District for LFAS.

**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.

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**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 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, 2005.

**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.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2004	(\$3,263,114)	\$0
Current Year Set-aside Requirement	872,399	872,399
Current Year Offsets	0	39,679
Qualifying Disbursements	<u>(699,034)</u>	<u>(1,701,282)</u>
Total	<u><u>(\$3,089,749)</u></u>	<u><u>(\$789,204)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>(\$3,089,749)</u></u>	<u><u>(\$670,215)</u></u>

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 – 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 Treasurer of the Sponsor is also the 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 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 2005, 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 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.

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**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, 2005.

**Capital Assets.** LFDA's capital assets during fiscal year 2005 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.

The statement of net assets reports \$150,700 in restricted net assets, none of which is restricted by enabling legislation.

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**Restricted Assets.** Certain resources are set aside due to restricted state and federal grants.

**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. Changes in Accounting Principles**

For the fiscal year ended June 30, 2005, LFDA has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 4 "Deposits" for the required disclosures.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

**D. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, LFDA's deposits may not be returned. LFDA does not have a deposit policy for custodial credit risk. At June 30, 2005, the carrying amount and bank balance of LFDA's deposits was \$242,158. \$100,000 of the bank balance was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$142,158 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**E. Receivables**

At June 30, 2005, receivables consisted of intergovernmental receivables of \$125,000 from the Ohio Public Charter Schools Program Grant. The receivable is expected to be collected in full within one year.

**F. Contract with TRECA**

LFDA entered into a two-year contract on August 16, 2004, 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.

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- 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 \$25,000 for the 2004-2005 school year.
- LFDA shall pay TRECA \$3,550 per full-time high school student and \$2,550 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.

For fiscal year 2005, \$203,494 was paid to TRECA under this contract and \$5,142 was a payable to TRECA at June 30, 2005.

**G. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance			Balance
	June 30, 2004	Additions	Deletions	June 30, 2005
Computer Equipment	105,401	14,987	0	120,388
Less Accumulated Depreciation	(12,457)	(19,232)	0	(31,689)
Capital Assets, Net	<u>\$92,944</u>	<u>(\$4,245)</u>	<u>\$0</u>	<u>\$88,699</u>

**H. 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 2005, LFDA contracted with Hilb, Rogal, and Hobbs for insurance coverage with the Netherlands 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
Damage to Rented Premises - Each Occurrence	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.

**Lancaster City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**I. Purchased Services**

For the period July 1, 2004 through June 30, 2005, purchased service expenses were for the following services:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$291,831
Audit Services	3,699
Testing Services	2,000
Total	<u>\$297,530</u>

**J. 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 2005, LFDA paid \$79,121 to their Sponsor for administrative services, the development of web delivered services, technology relating to those services and curricular design, and the reimbursement of audit expenses. As of June 30, 2005, LFDA owed \$9,000 to their Sponsor for EMIS services.

**K. 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, 2005.

**Litigation.** A suit was filed in Franklin County Common Pleas Court, on May 14, 2001, alleging that Ohio's Community (i.e., Charter) 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 courts 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 Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, 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 2005 review is currently not available.

**Lancaster City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 24 – Subsequent Event**

On November 17, 2005, the School District Board approved a 10 mill replacement operating levy to be placed on the February 7, 2006 ballot.

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**Lancaster City School District, Ohio**  
*Combining and Individual Fund Statements*

**Lancaster City School District, Ohio**  
*Combining Statements – Nonmajor Funds*

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*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 and monies from local businesses which provide funds for the development of teaching staff and extracurricular activities for students.

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 to 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 to 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.

(Continued)

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

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*Nonmajor Special Revenue Funds (Continued)*

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.

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.

21<sup>st</sup> Century Grant Fund – To account for pass through federal grant monies to the Eastside Center for Success and the West After School Center. These centers tutor students after school.

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, and 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.

School Improvement Models Fund – To account for State revenues awarded the School District for venture capital grants designed around a school improvement theme developed by the individual building staff. This fund was inactive except some budgeting occurred.

Title III Fund – To account for federal monies provided for strengthening instruction in science, mathematics, modern foreign languages, English, the arts, and computer learning. This fund was inactive but some budgeting occurred.

(Continued)

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

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

Computer Network Fund - To account for State revenues awarded to the School District from SchoolNet and SchoolNet Plus for the implementation of computer hardware throughout the School District. As of June 30, 2005, this fund had no assets, liabilities, or fund balance.

**Lancaster City School District, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Governmental Funds*  
*June 30, 2005*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$1,144,294	\$62,777	\$1,207,071
Receivables:			
Accounts	10,049	0	10,049
Intergovernmental	768,583	0	768,583
Interfund	853	0	853
Capital Lease	0	125,000	125,000
Prepays	88,965	0	88,965
Inventory Held for Resale	31,537	0	31,537
Materials and Supplies Inventory	13,817	0	13,817
<i>Total Assets</i>	<u>\$2,058,098</u>	<u>\$187,777</u>	<u>\$2,245,875</u>
<b>Liabilities</b>			
Accounts Payable	\$130,277	\$0	\$130,277
Accrued Salaries and Benefits Payable	532,801	0	532,801
Intergovernmental Payable	221,135	0	221,135
Interfund Payable	254,044	0	254,044
Deferred Revenue	3,008	125,000	128,008
<i>Total Liabilities</i>	<u>1,141,265</u>	<u>125,000</u>	<u>1,266,265</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	155,045	0	155,045
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	761,788	0	761,788
Capital Projects Funds	0	62,777	62,777
<i>Total Fund Balances</i>	<u>916,833</u>	<u>62,777</u>	<u>979,610</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,058,098</u>	<u>\$187,777</u>	<u>\$2,245,875</u>

**Lancaster City School District, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*June 30, 2005*

	Food Service	Scholarship Memorial	Public School Support	Community Grants	District Managed Student Activity	Auxiliary Services
<b>Assets</b>						
Cash and Cash Equivalents	\$315,159	\$35,368	\$115,369	\$31,959	\$81,509	\$123,270
Receivables:						
Accounts	355	0	334	7,154	1,664	395
Intergovernmental	115,796	0	0	9,680	560	0
Interfund	780	73	0	0	0	0
Prepays	20,418	0	1,974	0	1,722	6,176
Inventory Held for Resale	31,537	0	0	0	0	0
Materials and Supplies Inventory	11,429	0	2,388	0	0	0
<i>Total Assets</i>	<u>\$495,474</u>	<u>\$35,441</u>	<u>\$120,065</u>	<u>\$48,793</u>	<u>\$85,455</u>	<u>\$129,841</u>
<b>Liabilities</b>						
Accounts Payable	\$3,095	\$0	\$5,810	\$3,741	\$22,105	\$44,885
Accrued Salaries and						
Benefits Payable	125,876	0	0	0	0	37,680
Intergovernmental Payable	96,967	0	0	2,758	0	7,410
Interfund Payable	0	0	0	241	0	505
Deferred Revenue	0	0	0	3,008	0	0
<i>Total Liabilities</i>	<u>225,938</u>	<u>0</u>	<u>5,810</u>	<u>9,748</u>	<u>22,105</u>	<u>90,480</u>
<b>Fund Balances:</b>						
Reserved for Encumbrances	16,941	0	14,850	1,631	8,228	23,937
Unreserved:						
Undesignated (Deficits)	252,595	35,441	99,405	37,414	55,122	15,424
<i>Total Fund Balances (Deficits)</i>	<u>269,536</u>	<u>35,441</u>	<u>114,255</u>	<u>39,045</u>	<u>63,350</u>	<u>39,361</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$495,474</u>	<u>\$35,441</u>	<u>\$120,065</u>	<u>\$48,793</u>	<u>\$85,455</u>	<u>\$129,841</u>

Educational Management Information Systems	Data Communications	SchoolNet Professional Development	Summer School Intervention	Entry Year Grant	Adult Basic Education	Title V
\$37,282	\$12,877	\$0	\$73,721	\$2,893	\$6,302	\$1,846
0	0	0	0	0	0	0
0	0	0	92,541	0	1,514	14,386
0	0	0	0	0	0	0
0	0	500	0	0	160	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>\$37,282</u>	<u>\$12,877</u>	<u>\$500</u>	<u>\$166,262</u>	<u>\$2,893</u>	<u>\$7,976</u>	<u>\$16,232</u>
\$0	\$643	\$0	\$28,289	\$0	\$1,058	\$1,738
0	0	0	0	0	0	0
0	0	0	6,839	0	3,114	0
0	0	0	68,248	0	0	8,362
0	0	0	0	0	0	0
<u>0</u>	<u>643</u>	<u>0</u>	<u>103,376</u>	<u>0</u>	<u>4,172</u>	<u>10,100</u>
0	12,877	0	45,732	0	210	108
<u>37,282</u>	<u>(643)</u>	<u>500</u>	<u>17,154</u>	<u>2,893</u>	<u>3,594</u>	<u>6,024</u>
<u>37,282</u>	<u>12,234</u>	<u>500</u>	<u>62,886</u>	<u>2,893</u>	<u>3,804</u>	<u>6,132</u>
<u>\$37,282</u>	<u>\$12,877</u>	<u>\$500</u>	<u>\$166,262</u>	<u>\$2,893</u>	<u>\$7,976</u>	<u>\$16,232</u>

(Continued)

**Lancaster City School District, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds (Continued)*  
*June 30, 2005*

	Drug Free Grant	Continuous Improvement	Reducing Class Size	21st Century Grant	Reading Improvement
<b>Assets</b>					
Cash and Cash Equivalents	\$274	\$19,276	\$28,582	\$3,750	\$35,004
Receivables:					
Accounts	0	0	0	0	0
Intergovernmental	0	5,912	88,934	0	0
Interfund	0	0	0	0	0
Prepays	0	21,342	4,472	0	814
Inventory Held for Resale	0	0	0	0	0
Materials and Supplies Inventory	0	0	0	0	0
<i>Total Assets</i>	<u>\$274</u>	<u>\$46,530</u>	<u>\$121,988</u>	<u>\$3,750</u>	<u>\$35,818</u>
<b>Liabilities</b>					
Accounts Payable	\$0	\$0	\$5,040	\$0	\$2,020
Accrued Salaries and Benefits Payable	0	0	50,091	0	8,184
Intergovernmental Payable	0	3,780	6,200	0	2,610
Interfund Payable	0	0	175,208	0	0
Deferred Revenue	0	0	0	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>3,780</u>	<u>236,539</u>	<u>0</u>	<u>12,814</u>
<b>Fund Balances:</b>					
Reserved for Encumbrances	0	11,716	2,422	0	6,493
Unreserved:					
Undesignated (Deficits)	274	31,034	(116,973)	3,750	16,511
<i>Total Fund Balances (Deficits)</i>	<u>274</u>	<u>42,750</u>	<u>(114,551)</u>	<u>3,750</u>	<u>23,004</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$274</u>	<u>\$46,530</u>	<u>\$121,988</u>	<u>\$3,750</u>	<u>\$35,818</u>

Special Education	Vocational Education	Preschool	Total Nonmajor Special Revenue Funds
\$205,591	\$3,349	\$10,913	\$1,144,294
0	0	147	10,049
425,237	4,185	9,838	768,583
0	0	0	853
26,751	975	3,661	88,965
0	0	0	31,537
0	0	0	13,817
<u>\$657,579</u>	<u>\$8,509</u>	<u>\$24,559</u>	<u>\$2,058,098</u>
\$11,180	\$673	\$0	\$130,277
273,554	5,737	31,679	532,801
83,241	1,753	6,463	221,135
1,480	0	0	254,044
0	0	0	3,008
<u>369,455</u>	<u>8,163</u>	<u>38,142</u>	<u>1,141,265</u>
9,553	144	203	155,045
<u>278,571</u>	<u>202</u>	<u>(13,786)</u>	<u>761,788</u>
<u>288,124</u>	<u>346</u>	<u>(13,583)</u>	<u>916,833</u>
<u>\$657,579</u>	<u>\$8,509</u>	<u>\$24,559</u>	<u>\$2,058,098</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, 2005*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Intergovernmental	\$7,114,597	\$68,925	\$7,183,522
Interest	6,010	721	6,731
Tuition and Fees	29,462	0	29,462
Charges for Services	1,019,233	0	1,019,233
Rent	480	0	480
Extracurricular Activities	499,333	1,456	500,789
Gifts and Donations	13,031	2,452	15,483
<i>Total Revenues</i>	<u>8,682,146</u>	<u>73,554</u>	<u>8,755,700</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	550,446	0	550,446
Special	1,473,003	0	1,473,003
Vocational	189,933	0	189,933
Adult/Continuing	101,258	0	101,258
Support Services:			
Pupils	566,532	0	566,532
Instructional Staff	1,165,019	0	1,165,019
Administration	178,843	0	178,843
Operation and Maintenance of Plant	1,794	0	1,794
Pupil Transportation	4,085	0	4,085
Central	59,884	0	59,884
Operation of Non-Instructional Services:			
Food Service Operations	2,129,614	0	2,129,614
Other Non-Instructional Services	1,079,039	0	1,079,039
Extracurricular Activities	300,176	0	300,176
Capital Outlay	7,942	692,659	700,601
Intergovernmental	596,240	0	596,240
Debt Service:			
Principal Retirement	0	60,737	60,737
Interest and Fiscal Charges	0	14,263	14,263
<i>Total Expenditures</i>	<u>8,403,808</u>	<u>767,659</u>	<u>9,171,467</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>278,338</u>	<u>(694,105)</u>	<u>(415,767)</u>
<b>Other Financing Sources (Uses)</b>			
Payment from Capital Lease	0	75,000	75,000
Transfers In	24,147	0	24,147
Transfers Out	(90,787)	0	(90,787)
<i>Total Other Financing Sources (Uses)</i>	<u>(66,640)</u>	<u>75,000</u>	<u>8,360</u>
<i>Net Change in Fund Balances</i>	211,698	(619,105)	(407,407)
<i>Fund Balances Beginning of Year</i>	<u>705,135</u>	<u>681,882</u>	<u>1,387,017</u>
<i>Fund Balances End of Year</i>	<u>\$916,833</u>	<u>\$62,777</u>	<u>\$979,610</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, 2005

	Food Service	Scholarship Memorial	Public School Support	Community Grants
<b>Revenues</b>				
Intergovernmental	\$1,119,858	\$0	\$0	\$13,780
Interest	5,410	600	0	0
Tuition and Fees	0	0	0	0
Charges for Services	1,019,233	0	0	0
Rent	0	0	480	0
Extracurricular Activities	0	0	83,549	106,668
Gifts and Donations	0	1,905	11,126	0
<i>Total Revenues</i>	<u>2,144,501</u>	<u>2,505</u>	<u>95,155</u>	<u>120,448</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	0	0	38,787	4,302
Special	0	0	0	3,388
Vocational	0	0	0	109,459
Adult/Continuing	0	0	0	0
Support Services:				
Pupils	0	0	1,649	1,452
Instructional Staff	0	0	0	0
Administration	0	0	22,621	0
Operation and Maintenance of Plant	0	0	1,794	0
Pupil Transportation	0	0	0	86
Central	0	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	2,106,629	0	22,985	0
Other Non-Instructional Services	0	3,372	0	344
Extracurricular Activities	0	0	10	0
Capital Outlay	0	0	1,742	6,200
Intergovernmental	0	0	0	0
<i>Total Expenditures</i>	<u>2,106,629</u>	<u>3,372</u>	<u>89,588</u>	<u>125,231</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>37,872</u>	<u>(867)</u>	<u>5,567</u>	<u>(4,783)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In	0	0	0	0
Transfer Out	0	0	0	(5,702)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,702)</u>
<i>Net Change in Fund Balance</i>	37,872	(867)	5,567	(10,485)
<i>Fund Balances (Deficits) at Beginning of Year</i>	<u>231,664</u>	<u>36,308</u>	<u>108,688</u>	<u>49,530</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>\$269,536</u>	<u>\$35,441</u>	<u>\$114,255</u>	<u>\$39,045</u>

District Managed Student Activity	Auxiliary Services	Teacher Development	Educational Management Information Systems	Data Communications	SchoolNet Professional Development
\$0	\$917,868	\$0	\$18,921	\$36,000	\$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
309,116	0	0	0	0	0
0	0	0	0	0	0
<u>309,116</u>	<u>917,868</u>	<u>0</u>	<u>18,921</u>	<u>36,000</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	21,484	32,550	0
0	0	0	0	0	0
0	1,022,886	0	0	0	0
300,166	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>300,166</u>	<u>1,022,886</u>	<u>0</u>	<u>21,484</u>	<u>32,550</u>	<u>4,234</u>
<u>8,950</u>	<u>(105,018)</u>	<u>0</u>	<u>(2,563)</u>	<u>3,450</u>	<u>(94)</u>
0	0	0	0	0	0
0	(6,356)	(15,972)	0	0	0
<u>0</u>	<u>(6,356)</u>	<u>(15,972)</u>	<u>0</u>	<u>0</u>	<u>0</u>
8,950	(111,374)	(15,972)	(2,563)	3,450	(94)
<u>54,400</u>	<u>150,735</u>	<u>15,972</u>	<u>39,845</u>	<u>8,784</u>	<u>594</u>
<u>\$63,350</u>	<u>\$39,361</u>	<u>\$0</u>	<u>\$37,282</u>	<u>\$12,234</u>	<u>\$500</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, 2005

	Summer School Intervention	Safe Schools Hotline	Entry Year Grant	Adult Basic Education
<b>Revenues</b>				
Intergovernmental	\$119,551	\$5,850	\$6,600	\$105,618
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>119,551</u>	<u>5,850</u>	<u>6,600</u>	<u>105,618</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	67,923	0	5,596	0
Special	0	0	0	0
Vocational	0	0	0	0
Adult/Continuing	0	0	0	77,107
Support Services:				
Pupils	0	0	0	7,292
Instructional Staff	0	0	0	27,710
Administration	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0
Pupil Transportation	0	0	0	0
Central	0	5,850	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
Intergovernmental	0	0	0	0
<i>Total Expenditures</i>	<u>67,923</u>	<u>5,850</u>	<u>5,596</u>	<u>112,109</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>51,628</u>	<u>0</u>	<u>1,004</u>	<u>(6,491)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In	0	0	0	0
Transfer Out	(2,586)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,586)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	49,042	0	1,004	(6,491)
<i>Fund Balances (Deficits) at Beginning of Year</i>	<u>13,844</u>	<u>0</u>	<u>1,889</u>	<u>10,295</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>\$62,886</u>	<u>\$0</u>	<u>\$2,893</u>	<u>\$3,804</u>

Title V	Drug Free Grant	Continuous Improvement	Reducing Class Size	21st Century Grant	Reading Improvement
\$32,903	\$34,703	\$100,597	\$442,204	\$599,990	\$300,770
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
32,903	34,703	100,597	442,204	599,990	300,770
27,393	396	11,730	146,242	0	76,592
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	24,151
0	31,424	0	0	0	0
0	0	40,981	246,797	0	195,077
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
5,921	3,146	0	1,000	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	596,240	0
33,314	34,966	52,711	394,039	596,240	295,820
(411)	(263)	47,886	48,165	3,750	4,950
17,327	6,820	0	0	0	0
0	0	0	(24,169)	0	(11,841)
17,327	6,820	0	(24,169)	0	(11,841)
16,916	6,557	47,886	23,996	3,750	(6,891)
(10,784)	(6,283)	(5,136)	(138,547)	0	29,895
\$6,132	\$274	\$42,750	(\$114,551)	\$3,750	\$23,004

(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, 2005

	Special Education	Vocational Education	Preschool	Total Nonmajor Special Revenue Funds
<b>Revenues</b>				
Intergovernmental	\$2,855,414	\$199,765	\$200,065	\$7,114,597
Interest	0	0	0	6,010
Tuition and Fees	0	0	29,462	29,462
Charges for Services	0	0	0	1,019,233
Rent	0	0	0	480
Extracurricular Activities	0	0	0	499,333
Gifts and Donations	0	0	0	13,031
<i>Total Revenues</i>	<u>2,855,414</u>	<u>199,765</u>	<u>229,527</u>	<u>8,682,146</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	0	0	171,485	550,446
Special	1,469,030	0	585	1,473,003
Vocational	0	80,474	0	189,933
Adult/Continuing	0	0	0	101,258
Support Services:				
Pupils	429,375	73,493	21,847	566,532
Instructional Staff	582,699	11,409	56,112	1,165,019
Administration	136,992	0	19,230	178,843
Operation and Maintenance of Plant	0	0	0	1,794
Pupil Transportation	0	3,999	0	4,085
Central	0	0	0	59,884
Operation of Non-Instructional Services:				
Food Service Operations	0	0	0	2,129,614
Other Non-Instructional Services	42,370	0	0	1,079,039
Extracurricular Activities	0	0	0	300,176
Capital Outlay	0	0	0	7,942
Intergovernmental	0	0	0	596,240
<i>Total Expenditures</i>	<u>2,660,466</u>	<u>169,375</u>	<u>269,259</u>	<u>8,403,808</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>194,948</u>	<u>30,390</u>	<u>(39,732)</u>	<u>278,338</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In	0	0	0	24,147
Transfer Out	(21,175)	(2,103)	(883)	(90,787)
<i>Total Other Financing Sources (Uses)</i>	<u>(21,175)</u>	<u>(2,103)</u>	<u>(883)</u>	<u>(66,640)</u>
<i>Net Change in Fund Balance</i>	173,773	28,287	(40,615)	211,698
<i>Fund Balances (Deficits) at Beginning of Year</i>				
	<u>114,351</u>	<u>(27,941)</u>	<u>27,032</u>	<u>705,135</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>\$288,124</u>	<u>\$346</u>	<u>(\$13,583)</u>	<u>\$916,833</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, 2005*

	Permanent Improvement	Computer Network	Total Nonmajor Capital Projects Funds
<b>Revenues</b>			
Intergovernmental	\$14,430	\$54,495	\$68,925
Interest	721	0	721
Extracurricular Activities	1,456	0	1,456
Gifts and Donations	2,452	0	2,452
<i>Total Revenues</i>	<u>19,059</u>	<u>54,495</u>	<u>73,554</u>
<b>Expenditures</b>			
Capital Outlay	638,164	54,495	692,659
Debt Service:			
Principal Retirement	60,737	0	60,737
Interest and Fiscal Charges	14,263	0	14,263
<i>Total Expenditures</i>	<u>713,164</u>	<u>54,495</u>	<u>767,659</u>
<i>Excess of Revenues Under Expenditures</i>	(694,105)	0	(694,105)
<b>Other Financing Sources</b>			
Payment from Capital Lease	75,000	0	75,000
<i>Net Change in Fund Balances</i>	(619,105)	0	(619,105)
<i>Fund Balances Beginning of Year</i>	<u>681,882</u>	<u>0</u>	<u>681,882</u>
<i>Fund Balances End of Year</i>	<u><u>\$62,777</u></u>	<u><u>\$0</u></u>	<u><u>\$62,777</u></u>

**Lancaster City School District, Ohio**  
*Statement of Changes in Assets and Liabilities*  
*Agency Fund*  
*For the Fiscal Year Ended June 30, 2005*

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 7/1/04	Additions	Reductions	Balance 6/30/05
<b>Student Managed Activity</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$77,559	\$110,408	\$101,963	\$86,004
Total Assets	<u>\$77,559</u>	<u>\$110,408</u>	<u>\$101,963</u>	<u>\$86,004</u>
<b>Liabilities</b>				
Due to Students	\$77,559	\$110,408	\$101,963	\$86,004
Total Liabilities	<u>\$77,559</u>	<u>\$110,408</u>	<u>\$101,963</u>	<u>\$86,004</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, 2005*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$22,800,000	\$24,400,000	\$24,443,441	\$43,441
Payment in Lieu of Taxes	123,320	130,000	125,960	(4,040)
Intergovernmental	18,873,364	20,623,839	19,277,446	(1,346,393)
Interest	63,664	69,349	65,027	(4,322)
Tuition and Fees	1,059,119	1,093,029	1,081,795	(11,234)
Rent	44,645	53,617	45,601	(8,016)
Extracurricular Activities	87,896	95,746	89,778	(5,968)
Miscellaneous	4,916	5,355	5,021	(334)
<i>Total Revenues</i>	43,056,924	46,470,935	45,134,069	(1,336,866)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular:				
Salaries and Wages	13,696,025	14,003,506	14,003,506	0
Fringe Benefits	4,262,981	4,465,919	4,465,919	0
Purchased Services	97,958	87,048	57,467	29,581
Materials and Supplies	907,935	904,738	902,042	2,696
Capital Outlay - New	56,394	57,370	52,857	4,513
Capital Outlay - Replacement	178,501	151,209	143,603	7,606
<i>Total Regular</i>	19,199,794	19,669,790	19,625,394	44,396
Special:				
Salaries and Wages	3,796,940	3,818,557	3,818,557	0
Fringe Benefits	1,422,850	1,309,027	1,309,027	0
Purchased Services	20,500	20,500	10,847	9,653
Materials and Supplies	38,446	37,862	35,039	2,823
Capital Outlay - New	15,418	15,495	11,729	3,766
Capital Outlay - Replacement	76	96	96	0
<i>Total Special</i>	5,294,230	5,201,537	5,185,295	16,242
Vocational:				
Salaries and Wages	1,750,838	1,796,381	1,796,381	0
Fringe Benefits	451,500	542,498	542,498	0
Purchased Services	11,000	11,000	7,908	3,092
Materials and Supplies	54,040	53,378	52,255	1,123
Capital Outlay - New	21,411	42,952	42,952	0
Capital Outlay - Replacement	9,397	9,652	9,652	0
<i>Total Vocational</i>	2,298,186	2,455,861	2,451,646	4,215
Adult/Continuing:				
Salaries and Wages	50,000	50,654	50,654	0
Fringe Benefits	7,000	9,564	9,564	0
Materials and Supplies	2,500	2,705	2,705	0
<i>Total Adult/Continuing</i>	\$59,500	\$62,923	\$62,923	\$0

(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, 2005*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other:				
Purchased Services	\$1,125,000	\$2,749,707	\$2,802,350	(\$52,643)
Total Instruction	27,976,710	30,139,818	30,127,608	12,210
Support Services:				
Pupils:				
Salaries and Wages	1,317,800	1,413,773	1,413,773	0
Fringe Benefits	441,075	422,353	422,353	0
Purchased Services	473,577	532,112	532,112	0
Materials and Supplies	153,770	110,094	101,238	8,856
Total Pupils	2,386,222	2,478,332	2,469,476	8,856
Instructional Staff:				
Salaries and Wages	2,060,720	1,463,500	1,460,312	3,188
Fringe Benefits	749,201	686,094	685,896	198
Purchased Services	208,288	59,774	41,816	17,958
Materials and Supplies	198,949	198,663	189,048	9,615
Capital Outlay - New	7,772	13,352	13,352	0
Capital Outlay - Replacement	0	680	680	0
Other	8,000	8,000	6,283	1,717
Total Instructional Staff	3,232,930	2,430,063	2,397,387	32,676
Board of Education:				
Salaries and Wages	10,000	6,800	6,800	0
Fringe Benefits	1,200	1,200	1,175	25
Purchased Services	500	500	0	500
Materials and Supplies	500	550	550	0
Other	63,157	95,904	95,282	622
Total Board of Education	75,357	104,954	103,807	1,147
Administration:				
Salaries and Wages	2,725,000	2,879,961	2,879,961	0
Fringe Benefits	1,005,600	1,005,035	1,005,035	0
Purchased Services	362,794	296,355	299,857	(3,502)
Materials and Supplies	15,284	14,801	14,801	0
Capital Outlay - Replacement	10,650	11,411	11,411	0
Other	10,111	9,416	9,416	0
Total Administration	4,129,439	4,216,979	4,220,481	(3,502)
Fiscal:				
Salaries and Wages	361,000	357,023	345,997	11,026
Fringe Benefits	123,700	123,700	122,453	1,247
Purchased Services	31,762	211,286	211,286	0
Materials and Supplies	8,750	8,495	8,495	0
Other	558,500	534,066	534,066	0
Total Fiscal	\$1,083,712	\$1,234,570	\$1,222,297	\$12,273

(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, 2005*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Business:</b>				
Salaries and Wages	\$90,500	\$91,785	\$91,785	\$0
Fringe Benefits	50,700	49,415	47,948	1,467
Purchased Services	274,429	261,538	258,587	2,951
Materials and Supplies	29,414	23,528	10,852	12,676
Capital Outlay - New	0	4,060	4,060	0
Other	3,000	3,000	0	3,000
<b>Total Business</b>	<b>448,043</b>	<b>433,326</b>	<b>413,232</b>	<b>20,094</b>
<b>Operation and Maintenance of Plant:</b>				
Salaries and Wages	1,793,000	1,947,746	1,947,743	3
Fringe Benefits	851,150	815,815	813,015	2,800
Purchased Services	1,847,671	1,524,423	1,524,134	289
Materials and Supplies	342,475	292,716	288,123	4,593
Capital Outlay - New	5,000	4,148	4,148	0
Capital Outlay - Replacement	16,575	8,828	8,828	0
<b>Total Operation and Maintenance of Plant</b>	<b>4,855,871</b>	<b>4,593,676</b>	<b>4,585,991</b>	<b>7,685</b>
<b>Pupil Transportation:</b>				
Salaries and Wages	827,000	890,874	890,874	0
Fringe Benefits	411,900	398,654	398,654	0
Purchased Services	97,040	29,436	28,294	1,142
Materials and Supplies	184,066	198,714	197,106	1,608
Capital Outlay - New	106,393	33,570	33,570	0
Capital Outlay - Replacement	250,880	246,120	246,120	0
<b>Total Pupil Transportation</b>	<b>1,877,279</b>	<b>1,797,368</b>	<b>1,794,618</b>	<b>2,750</b>
<b>Central:</b>				
Salaries and Wages	75,000	76,495	76,495	0
Fringe Benefits	44,210	40,713	40,713	0
Purchased Services	44,980	40,956	30,805	10,151
Materials and Supplies	28,000	35,130	35,130	0
Capital Outlay - Replacement	25,000	26,000	26,000	0
Other	200	200	90	110
<b>Total Central</b>	<b>217,390</b>	<b>219,494</b>	<b>209,233</b>	<b>10,261</b>
<b>Total Support Services</b>	<b>18,306,243</b>	<b>17,508,762</b>	<b>17,416,522</b>	<b>92,240</b>
<b>Extracurricular Activities:</b>				
<b>Academic and Subject Oriented Activities:</b>				
Salaries and Wages	56,500	51,991	51,991	0
Fringe Benefits	0	8,057	8,057	0
Purchased Services	91	4,331	4,331	0
Other	0	775	775	0
<b>Total Academic and Subject Oriented Activities</b>	<b>\$56,591</b>	<b>\$65,154</b>	<b>\$65,154</b>	<b>\$0</b>

(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, 2005*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Occupation Oriented Activities:				
Salaries and Wages	\$0	\$1,546	\$1,546	\$0
Fringe Benefits	0	413	413	0
<b>Total Occupation Oriented Activities</b>	<b>0</b>	<b>1,959</b>	<b>1,959</b>	<b>0</b>
Sports Oriented Activities:				
Salaries and Wages	387,000	349,755	349,755	0
Fringe Benefits	54,400	56,627	56,627	0
<b>Total Sports Oriented Activities</b>	<b>441,400</b>	<b>406,382</b>	<b>406,382</b>	<b>0</b>
School and Public Service Co-Curricular Activities:				
Salaries and Wages	23,493	33,886	32,716	1,170
Fringe Benefits	3,500	5,236	5,236	0
Materials and Supplies	3,200	6,100	4,576	1,524
<b>Total School and Public Service Co-Curricular Activities</b>	<b>30,193</b>	<b>45,222</b>	<b>42,528</b>	<b>2,694</b>
<b>Total Extracurricular Activities</b>	<b>528,184</b>	<b>518,717</b>	<b>516,023</b>	<b>2,694</b>
<i>Total Expenditures</i>	<i>46,811,137</i>	<i>48,167,297</i>	<i>48,060,153</i>	<i>107,144</i>
<i>Excess of Revenues Under Expenditures</i>	<i>(3,754,213)</i>	<i>(1,696,362)</i>	<i>(2,926,084)</i>	<i>(1,229,722)</i>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	12,115	13,097	12,374	(723)
Advances In	540,709	589,062	552,285	(36,777)
Advances Out	(25,000)	(412,796)	(412,796)	0
Operating Transfers In	65,252	71,180	66,650	(4,530)
Operating Transfers Out	(25,000)	(20,760)	0	20,760
<i>Total Other Financing Sources (Uses)</i>	<i>568,076</i>	<i>239,783</i>	<i>218,513</i>	<i>(21,270)</i>
<i>Net Change in Fund Balance</i>	<i>(3,186,137)</i>	<i>(1,456,579)</i>	<i>(2,707,571)</i>	<i>(1,250,992)</i>
<i>Fund Balance Beginning of Year</i>	<i>1,730,671</i>	<i>1,730,671</i>	<i>1,730,671</i>	<i>0</i>
<i>Prior Year Encumbrances Appropriated</i>	<i>728,042</i>	<i>728,042</i>	<i>728,042</i>	<i>0</i>
<i>Fund Balance (Deficits) at End of Year</i>	<i>(\$727,424)</i>	<i>\$1,002,134</i>	<i>(\$248,858)</i>	<i>(\$1,250,992)</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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$831,100	\$981,316	\$150,216
Interest	4,000	4,923	923
Charges for Services	964,900	1,017,240	52,340
<i>Total Revenues</i>	<u>1,800,000</u>	<u>2,003,479</u>	<u>203,479</u>
<b>Expenditures</b>			
Current:			
Non-Instructional Services:			
Food Service Operations:			
Salaries and Wages	720,145	720,145	0
Fringe Benefits	289,388	289,388	0
Purchased Services	4,001	4,001	0
Materials and Supplies	797,277	834,239	(36,962)
Capital Outlay - New	164,749	164,749	0
Capital Outlay - Replacement	9,958	9,958	0
Other	17,780	17,780	0
<i>Total Expenditures</i>	<u>2,003,298</u>	<u>2,040,260</u>	<u>(36,962)</u>
<i>Net Change in Fund Balance</i>	(203,298)	(36,781)	166,517
<i>Fund Balance Beginning of Year</i>	294,680	294,680	0
<i>Prior Year Encumbrances Appropriated</i>	39,828	39,828	0
<i>Fund Balance at End of Year</i>	<u>\$131,210</u>	<u>\$297,727</u>	<u>\$166,517</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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Interest	\$1,500	\$554	(\$946)
Gifts and Donations	500	1,905	1,405
<i>Total Revenues</i>	<u>2,000</u>	<u>2,459</u>	<u>459</u>
<b>Expenditures</b>			
Current:			
Support Services:			
Instructional Staff:			
Capital Outlay - New	1,000	0	1,000
Non-Instructional Services:			
Community Services:			
Other	3,669	3,597	72
<i>Total Expenditures</i>	<u>4,669</u>	<u>3,597</u>	<u>1,072</u>
<i>Net Change in Fund Balance</i>	(2,669)	(1,138)	1,531
<i>Fund Balance Beginning of Year</i>	<u>36,506</u>	<u>36,506</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$33,837</u>	<u>\$35,368</u>	<u>\$1,531</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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Rent	\$2,100	\$480	(\$1,620)
Extracurricular Activities	96,342	83,454	(12,888)
Gifts and Donations	11,200	13,151	1,951
<i>Total Revenues</i>	<u>109,642</u>	<u>97,085</u>	<u>(12,557)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Purchased Services	37,512	20,345	17,167
Materials and Supplies	88,097	33,890	54,207
Capital Outlay - New	6,577	5,076	1,501
Capital Outlay - Replacement	4,336	701	3,635
Other	247	247	0
Total Instruction	<u>136,769</u>	<u>60,259</u>	<u>76,510</u>
Support Services:			
Pupils:			
Purchased Services	2,500	1,762	738
Materials and Supplies	100	0	100
Total Pupils	<u>2,600</u>	<u>1,762</u>	<u>838</u>
Instructional Staff:			
Purchased Services	300	(113)	413
Materials and Supplies	45	45	0
Capital Outlay - New	2,400	0	2,400
Total Instructional Staff	<u>2,745</u>	<u>(68)</u>	<u>2,813</u>
Administration:			
Purchased Services	7,050	3,186	3,864
Materials and Supplies	7,993	4,203	3,790
Capital Outlay - New	2,939	(1,485)	4,424
Other	32,367	16,745	15,622
Total Administration	<u>50,349</u>	<u>22,649</u>	<u>27,700</u>
Operation and Maintenance of Plant:			
Purchased Services	2,085	1,935	150
Pupil Transportation:			
Purchased Services	400	0	400
Total Support Services	<u>58,179</u>	<u>26,278</u>	<u>31,901</u>
Non-Instructional Services:			
Food Service Operations:			
Purchased Services	200	0	200
Materials and Supplies	26,474	23,682	2,792
Total Food Service Operations	<u>\$26,674</u>	<u>\$23,682</u>	<u>\$2,992</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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Community Services:			
Materials and Supplies	\$413	\$0	\$413
Total Non-Instructional Services	27,087	23,682	3,405
Extracurricular Activities:			
Academic Oriented Activities:			
Materials and Supplies	10	10	0
School and Public Service Co-Curricular Activities:			
Other	2,839	0	2,839
Total Extracurricular Activities	2,849	10	2,839
Capital Outlay:			
Other Facilities Acquisition and Construction:			
Materials and Supplies	1,889	1,742	147
<i>Total Expenditures</i>	226,773	111,971	114,802
<i>Net Change in Fund Balance</i>	(117,131)	(14,886)	102,245
<i>Fund Balance Beginning of Year</i>	95,751	95,751	0
<i>Prior Year Encumbrances Appropriated</i>	14,322	14,322	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$7,058)	\$95,187	\$102,245

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$12,730	\$13,780	\$1,050
Extracurricular Activities	91,000	94,192	3,192
<i>Total Revenues</i>	<u>103,730</u>	<u>107,972</u>	<u>4,242</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	3,664	2,144	1,520
Fringe Benefits	566	331	235
Purchased Services	1,014	1,014	0
Materials and Supplies	3,300	3,057	243
Total Regular	<u>8,544</u>	<u>6,546</u>	<u>1,998</u>
Special:			
Purchased Services	1,000	1,000	0
Materials and Supplies	2,388	2,388	0
Total Special	<u>3,388</u>	<u>3,388</u>	<u>0</u>
Vocational:			
Purchased Services	35,000	33,914	1,086
Materials and Supplies	4,151	3,978	173
Capital Outlay - New	182,718	101,866	80,852
Total Vocational	<u>221,869</u>	<u>139,758</u>	<u>82,111</u>
Total Instruction	<u>233,801</u>	<u>149,692</u>	<u>84,109</u>
Support Services:			
Pupils:			
Purchased Services	1,867	1,452	415
Pupil Transportation:			
Purchased Services	200	86	114
Total Support Services	<u>2,067</u>	<u>1,538</u>	<u>529</u>
Non-Instructional Services:			
Food Service Operations:			
Materials and Supplies	990	990	0
Extracurricular Activities:			
Sport Oriented Activities:			
Purchased Services	50	0	50
Capital Outlay:			
Other Facilities Acquisition and Construction Services:			
Purchased Services	6,200	6,200	0
<i>Total Expenditures</i>	<u>243,108</u>	<u>158,420</u>	<u>84,688</u>
<i>Excess of Revenues Under Expenditures</i>	(\$139,378)	(\$50,448)	\$88,930

(Continued)

**Lancaster City School District, Ohio**  
*Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Community Grants Fund (Continued)  
For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Other Financing Uses</b>			
Advances Out	(\$8,476)	(\$8,476)	\$0
Operating Transfers Out	(5,702)	(5,702)	0
<i>Total Other Financing Uses</i>	<u>(14,178)</u>	<u>(14,178)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(153,556)	(64,626)	88,930
<i>Fund Balance Beginning of Year</i>	17,522	17,522	0
<i>Prior Year Encumbrances Appropriated</i>	<u>75,871</u>	<u>75,871</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$60,163)</u>	<u>\$28,767</u>	<u>\$88,930</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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Extracurricular Activities	\$376,666	\$309,151	(\$67,515)
<b>Expenditures</b>			
Current:			
Extracurricular Activities:			
Academic and Subject Oriented Activities:			
Purchased Services	213,795	9,347	204,448
Materials and Supplies	30,065	18,456	11,609
Capital Outlay - New	4,500	1,895	2,605
Capital Outlay - Replacement	1,600	0	1,600
Other	24,676	7,189	17,487
Total Academic and Subject Oriented Activities	274,636	36,887	237,749
Sport Oriented Activities:			
Salaries and Wages	20,035	20,029	6
Purchased Services	94,429	90,430	3,999
Materials and Supplies	109,343	108,131	1,212
Capital Outlay - New	(581)	(581)	0
Capital Outlay - Replacement	2,000	0	2,000
Other	32,832	31,833	999
Total Sport Oriented Activities	258,058	249,842	8,216
School and Public Service Co-Curricular Activities:			
Purchased Services	5,241	5,095	146
Materials and Supplies	14,548	13,317	1,231
Capital Outlay - New	3,365	2,918	447
Other	4,400	4,302	98
Total School and Public Service Co-Curricular Activities	27,554	25,632	1,922
<i>Total Expenditures</i>	560,248	312,361	247,887
<i>Excess of Revenues Under Expenditures</i>	(183,582)	(3,210)	180,372
<b>Other Financing Uses</b>			
Advances Out	(2,065)	(2,065)	0
<i>Net Change in Fund Balance</i>	(185,647)	(5,275)	180,372
<i>Fund Balance Beginning of Year</i>	42,930	42,930	0
<i>Prior Year Encumbrances Appropriated</i>	14,899	14,899	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$127,818)	\$52,554	\$180,372

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$917,868	\$917,868	\$0
<b>Expenditures</b>			
Current:			
Non-Instructional Services:			
Community Services:			
Salaries and Wages	233,667	213,389	20,278
Fringe Benefits	77,147	65,388	11,759
Purchased Services	271,839	268,560	3,279
Materials and Supplies	274,651	273,259	1,392
Capital Outlay - New	221,556	219,649	1,907
Capital Outlay - Replacement	74	74	0
Other	40,385	36,716	3,669
<i>Total Expenditures</i>	<u>1,119,319</u>	<u>1,077,035</u>	<u>42,284</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(201,451)</u>	<u>(159,167)</u>	<u>42,284</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	1,075	1,075	0
Advances Out	(570)	(570)	0
Operating Transfers Out	(6,356)	(6,356)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(5,851)</u>	<u>(5,851)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(207,302)</u>	<u>(165,018)</u>	<u>42,284</u>
<i>Fund Balance Beginning of Year</i>	147,105	147,105	0
<i>Prior Year Encumbrances Appropriated</i>	72,476	72,476	0
<i>Fund Balance at End of Year</i>	<u>\$12,279</u>	<u>\$54,563</u>	<u>\$42,284</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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
<i>Total Revenues</i>	\$0	\$0	\$0
<b>Expenditures</b>			
<i>Total Expenditures</i>	0	0	0
<i>Excess of Revenues Over Expenditures</i>	0	0	0
<b>Other Financing Uses</b>			
Operating Transfers Out	(17,500)	(15,972)	1,528
<i>Net Change in Fund Balance</i>	(17,500)	(15,972)	1,528
<i>Fund Balance Beginning of Year</i>	15,972	15,972	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$1,528)	\$0	\$1,528

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$17,752	\$18,921	\$1,169
<b>Expenditures</b>			
Current:			
Support Services:			
Central:			
Salaries and Wages	42,229	21,726	20,503
<i>Net Change in Fund Balance</i>	(24,477)	(2,805)	21,672
<i>Fund Balance Beginning of Year</i>	40,087	40,087	0
<i>Fund Balance at End of Year</i>	\$15,610	\$37,282	\$21,672

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$36,000	\$36,000	\$0
<b>Expenditures</b>			
Current:			
Support Services:			
Central:			
Purchased Services	69,312	49,688	19,624
<i>Excess of Revenues Under Expenditures</i>	<u>(33,312)</u>	<u>(13,688)</u>	<u>19,624</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	14,065	14,065	0
Advances Out	<u>(14,065)</u>	<u>(14,065)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(33,312)	(13,688)	19,624
<i>Fund Balance Beginning of Year</i>	5,376	5,376	0
<i>Prior Year Encumbrances Appropriated</i>	<u>8,312</u>	<u>8,312</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>(\$19,624)</u></u>	<u><u>\$0</u></u>	<u><u>\$19,624</u></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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$4,140	\$4,140	\$0
<b>Expenditures</b>			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	8,546	4,734	3,812
<i>Net Change in Fund Balance</i>	(4,406)	(594)	3,812
<i>Fund Balance Beginning of Year</i>	594	594	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$3,812)	\$0	\$3,812

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$146,478	\$48,438	(\$98,040)
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	25,035	7,983	17,052
Fringe Benefits	4,955	1,199	3,756
Materials and Supplies	103,516	102,690	826
<i>Total Expenditures</i>	133,506	111,872	21,634
<i>Excess of Revenues Over (Under) Expenditures</i>	12,972	(63,434)	(76,406)
<b>Other Financing Sources (Uses)</b>			
Advances In	68,835	68,835	0
Advances Out	(16,533)	(16,533)	0
Operating Transfers Out	(8,793)	(2,586)	6,207
<i>Total Other Financing Sources (Uses)</i>	43,509	49,716	6,207
<i>Net Change in Fund Balance</i>	56,481	(13,718)	(70,199)
<i>Fund Balance Beginning of Year</i>	2,586	2,586	0
<i>Prior Year Encumbrances Appropriated</i>	11,132	11,132	0
<i>Fund Balance at End of Year</i>	\$70,199	\$0	(\$70,199)

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$5,850	\$5,850	\$0
<b>Expenditures</b>			
Current:			
Support Services:			
Central:			
Purchased Services	5,850	5,850	0
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance Beginning of Year</i>	0	0	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)  
Entry Year Grant Fund  
For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$6,600	\$6,600	\$0
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	4,554	4,554	0
Fringe Benefits	641	641	0
Purchased Services	1,261	1,357	(96)
Materials and Supplies	144	144	0
<i>Total Expenditures</i>	<u>6,600</u>	<u>6,696</u>	<u>(96)</u>
<i>Net Change in Fund Balance</i>	0	(96)	(96)
<i>Fund Balance Beginning of Year</i>	<u>2,989</u>	<u>2,989</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,989</u></u>	<u><u>\$2,893</u></u>	<u><u>(\$96)</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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$256,251	\$127,658	(\$128,593)
<b>Expenditures</b>			
Current:			
Instruction:			
Adult/Continuing:			
Salaries and Wages	222,673	58,493	164,180
Fringe Benefits	10,289	6,422	3,867
Materials and Supplies	12,852	10,894	1,958
Capital Outlay - New	3,000	2,944	56
Total Instruction	248,814	78,753	170,061
Support Services:			
Pupils:			
Salaries and Wages	8,025	6,960	1,065
Fringe Benefits	1,129	1,076	53
Purchased Services	315	83	232
Total Pupils	9,469	8,119	1,350
Instructional Staff:			
Salaries and Wages	21,694	19,139	2,555
Fringe Benefits	3,771	2,819	952
Purchased Services	7,042	5,942	1,100
Materials and Supplies	250	225	25
Other	150	150	0
Total Instructional Staff	32,907	28,275	4,632
Fiscal:			
Other	750	0	750
Total Support Services	43,126	36,394	6,732
<b>Total Expenditures</b>	291,940	115,147	176,793
<i>Excess of Revenues Over (Under) Expenditures</i>	(35,689)	12,511	48,200
<b>Other Financing Sources (Uses)</b>			
Advances In	0	9,666	9,666
Advances Out	(17,293)	(17,293)	0
Operating Transfers Out	(4,337)	0	4,337
<b>Total Other Financing Sources (Uses)</b>	(21,630)	(7,627)	14,003
<b>Net Change in Fund Balance</b>	(57,319)	4,884	62,203
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	298	298	0
<b>Fund Balance (Deficit) at End of Year</b>	(\$57,021)	\$5,182	\$62,203

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$66,326	\$31,854	(\$34,472)
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	116,770	23,791	92,979
Fringe Benefits	4,125	3,602	523
Total Instruction	120,895	27,393	93,502
Support Services:			
Instructional Staff:			
Purchased Services	3,000	0	3,000
Materials and Supplies	1,033	0	1,033
Total Support Services	4,033	0	4,033
Non-Instructional Services:			
Community Services:			
Materials and Supplies	6,096	6,029	67
<i>Total Expenditures</i>	131,024	33,422	97,602
<i>Excess of Revenues Under Expenditures</i>	(64,698)	(1,568)	63,130
<b>Other Financing Sources (Uses)</b>			
Advances In	8,362	8,362	0
Advances Out	(24,195)	(24,195)	0
Operating Transfers In	0	17,327	17,327
Operating Transfers Out	(2,758)	0	2,758
<i>Total Other Financing Sources (Uses)</i>	(18,591)	1,494	20,085
<i>Net Change in Fund Balance</i>	(83,289)	(74)	83,215
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	74	74	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$83,215)	\$0	\$83,215

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$41,545	\$34,703	(\$6,842)
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Materials and Supplies	396	396	0
Support Services:			
Pupils:			
Purchased Services	77,464	34,165	43,299
Non-Instructional Services:			
Community Services:			
Purchased Services	3,279	3,146	133
<i>Total Expenditures</i>	81,139	37,707	43,432
<i>Excess of Revenues Under Expenditures</i>	(39,594)	(3,004)	36,590
<b>Other Financing Sources (Uses)</b>			
Advances Out	(6,693)	(6,693)	0
Operating Transfers In	0	6,820	6,820
Operating Transfers Out	(22)	0	22
<i>Total Other Financing Sources (Uses)</i>	(6,715)	127	6,842
<i>Net Change in Fund Balance</i>	(46,309)	(2,877)	43,432
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	3,151	3,151	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$43,158)	\$274	\$43,432

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$160,200	\$114,971	(\$45,229)
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	480	480	0
Fringe Benefits	67	67	0
Materials and Supplies	19,181	17,534	1,647
Total Instruction	19,728	18,081	1,647
Support Services:			
Instructional Staff:			
Salaries and Wages	5,388	2,856	2,532
Fringe Benefits	969	439	530
Purchased Services	93,286	66,185	27,101
Materials and Supplies	10,730	9,569	1,161
Capital Outlay - New	1,960	1,960	0
Total Support Services	112,333	81,009	31,324
Non-Instructional Services:			
Community Services:			
Purchased Services	500	0	500
<i>Total Expenditures</i>	132,561	99,090	33,471
<i>Excess of Revenues Over Expenditures</i>	27,639	15,881	(11,758)
<b>Other Financing Sources (Uses)</b>			
Advances In	46,990	46,990	0
Advances Out	(73,677)	(73,677)	0
Operating Transfers Out	(39,317)	0	39,317
<i>Total Other Financing Sources (Uses)</i>	(66,004)	(26,687)	39,317
<i>Net Change in Fund Balance</i>	(38,365)	(10,806)	27,559
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	18,366	18,366	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$19,999)	\$7,560	\$27,559

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$682,197	\$430,180	(\$252,017)
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	116,675	116,675	0
Fringe Benefits	29,304	29,304	0
Total Instruction	145,979	145,979	0
Support Services:			
Instructional Staff:			
Salaries and Wages	176,182	175,414	768
Fringe Benefits	56,490	46,888	9,602
Purchased Services	29,859	29,248	611
Materials and Supplies	10,304	3,472	6,832
Total Support Services	272,835	255,022	17,813
Non-Instructional Services:			
Community Services:			
Purchased Services	1,000	1,000	0
<i>Total Expenditures</i>	419,814	402,001	17,813
<i>Excess of Revenues Over Expenditures</i>	262,383	28,179	(234,204)
<b>Other Financing Sources (Uses)</b>			
Advances In	20,561	20,561	0
Advances Out	(175,097)	(10,225)	164,872
Operating Transfers Out	(43,500)	(24,169)	19,331
<i>Total Other Financing Sources (Uses)</i>	(198,036)	(13,833)	184,203
<i>Net Change in Fund Balance</i>	64,347	14,346	(50,001)
<i>Fund Balance Beginning of Year</i>	21	21	0
<i>Prior Year Encumbrances Appropriated</i>	6,753	6,753	0
<i>Fund Balance at End of Year</i>	\$71,121	\$21,120	(\$50,001)

**Lancaster City School District, Ohio**  
*Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**21st Century Grant Fund**  
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$599,990	\$599,990	\$0
<b>Expenditures</b>			
Intergovernmental:			
Other	599,990	596,240	3,750
<i>Excess of Revenues Over Expenditures</i>	<u>0</u>	<u>3,750</u>	<u>3,750</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	59,999	59,999	0
Advances Out	(59,999)	(59,999)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	3,750	3,750
<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>\$3,750</u>	<u>\$3,750</u>

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$68,500	\$68,500	\$0
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Materials and Supplies	12,600	12,397	203
Support Services:			
Instructional Staff:			
Salaries and Wages	2,040	2,040	0
Purchased Services	194,986	51,193	143,793
Materials and Supplies	7,997	7,217	780
Other	2,038	2,038	0
Total Support Services	207,061	62,488	144,573
<i>Total Expenditures</i>	219,661	74,885	144,776
<i>Excess of Revenues Under Expenditures</i>	(151,161)	(6,385)	144,776
<b>Other Financing Sources (Uses)</b>			
Advances In	11,189	11,189	0
Advances Out	(11,189)	(11,189)	0
Operating Transfers Out	(5,421)	(5,421)	0
<i>Total Other Financing Sources (Uses)</i>	(5,421)	(5,421)	0
<i>Net Change in Fund Balance</i>	(156,582)	(11,806)	144,776
<i>Fund Balance Beginning of Year</i>	8,199	8,199	0
<i>Prior Year Encumbrances Appropriated</i>	7,081	7,081	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$141,302)	\$3,474	\$144,776

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<i>Total Revenues</i>	\$0	\$0	\$0
<i>Total Expenditures</i>	0	0	0
<i>Excess of Revenues Under Expenditures</i>	0	0	0
<b>Other Financing Uses</b>			
Operating Transfers Out	(6,216)	(6,216)	0
<i>Net Change in Fund Balance</i>	(6,216)	(6,216)	0
<i>Fund Balance Beginning of Year</i>	6,216	6,216	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)  
Reading Improvement Grant Fund  
For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
<i>Total Revenues</i>	\$0	\$0	\$0
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Materials and Supplies	68,197	1,512	66,685
<i>Net Change in Fund Balance</i>	(68,197)	(1,512)	66,685
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	1,513	1,513	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$66,684)	\$1	\$66,685

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$420,330	\$329,533	(\$90,797)
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	55,480	44,139	11,341
Fringe Benefits	22,994	16,282	6,712
Purchased Services	5,000	1,892	3,108
Materials and Supplies	6,645	2,100	4,545
Capital Outlay - New	1,150	0	1,150
Total Regular	91,269	64,413	26,856
Adult/Continuing:			
Salaries and Wages	24,884	19,137	5,747
Fringe Benefits	4,076	2,956	1,120
Purchased Services	3,035	1,852	1,183
Materials and Supplies	1,536	984	552
Capital Outlay - New	250	0	250
Total Adult/Continuing	33,781	24,929	8,852
Total Instruction	125,050	89,342	35,708
Support Services:			
Instructional Staff:			
Salaries and Wages	50,820	45,834	4,986
Fringe Benefits	8,361	7,294	1,067
Purchased Services	103,153	88,630	14,523
Materials and Supplies	726	721	5
Capital Outlay - New	1,500	0	1,500
Other	3,522	1,846	1,676
Total Instructional Staff	168,082	144,325	23,757
Fiscal:			
Other	1,800	0	1,800
Total Support Services	169,882	144,325	25,557
<i>Total Expenditures</i>	294,932	233,667	61,265
<i>Excess of Revenues Over Expenditures</i>	125,398	95,866	(29,532)
<b>Other Financing Uses</b>			
Advances Out	(74,267)	(74,267)	0
Operating Transfers Out	(52,745)	0	52,745
<i>Total Other Financing Uses</i>	(127,012)	(74,267)	52,745
<i>Net Change in Fund Balance</i>	(1,614)	21,599	23,213
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	1,614	1,614	0
<i>Fund Balance at End of Year</i>	\$0	\$23,213	\$23,213

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
<i>Total Revenues</i>	\$0	\$0	\$0
<b>Expenditures</b>			
<i>Total Expenditures</i>	0	0	0
<i>Excess of Revenues Over Expenditures</i>	0	0	0
<b>Other Financing Uses</b>			
Operating Transfers Out	(204)	(204)	0
<i>Net Change in Fund Balance</i>	(204)	(204)	0
<i>Fund Balance Beginning of Year</i>	204	204	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)*  
*Idea B Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$1,492,444	\$1,163,716	(\$328,728)
<b>Expenditures</b>			
Current:			
Instruction:			
Special:			
Salaries and Wages	104,164	88,678	15,486
Fringe Benefits	41,496	19,592	21,904
Purchased Services	4,000	4,000	0
Materials and Supplies	24,635	23,407	1,228
Capital Outlay - New	30,231	27,198	3,033
Total Instruction	204,526	162,875	41,651
Support Services:			
Pupils:			
Salaries and Wages	59,876	51,123	8,753
Fringe Benefits	16,960	13,448	3,512
Purchased Services	233,717	233,717	0
Materials and Supplies	26,267	26,267	0
Capital Outlay - New	35,771	34,241	1,530
Total Pupils	372,591	358,796	13,795
Instructional Staff:			
Salaries and Wages	1,054,479	256,839	797,640
Fringe Benefits	164,317	136,580	27,737
Purchased Services	22,000	17,809	4,191
Total Instructional Staff	1,240,796	411,228	829,568
Administration:			
Salaries and Wages	209,677	99,394	110,283
Fringe Benefits	86,185	34,580	51,605
Total Administration	295,862	133,974	161,888
Total Support Services	1,909,249	903,998	1,005,251
Non-Instructional Services:			
Community Services:			
Salaries and Wages	34,612	29,823	4,789
Fringe Benefits	20,755	5,660	15,095
Total Non-Instructional Services	55,367	35,483	19,884
<i>Total Expenditures</i>	2,169,142	1,102,356	1,066,786
<i>Excess of Revenues Over (Under) Expenditures</i>	(\$676,698)	\$61,360	\$738,058

(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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses)</b>			
Advances In	\$103,735	\$103,735	\$0
Advances Out	(144,375)	(144,375)	0
Operating Transfers Out	(53,231)	0	53,231
<i>Total Other Financing Sources (Uses)</i>	<u>(93,871)</u>	<u>(40,640)</u>	<u>53,231</u>
<i>Net Change in Fund Balance</i>	(770,569)	20,720	791,289
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	57,269	57,269	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$713,300)</u>	<u>\$77,989</u>	<u>\$791,289</u>

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$1,526,019	\$1,296,333	(\$229,686)
<b>Expenditures</b>			
Current:			
Instruction:			
Special:			
Salaries and Wages	2,990,916	909,243	2,081,673
Fringe Benefits	293,664	263,181	30,483
Materials and Supplies	241	241	0
Total Instruction	3,284,821	1,172,665	2,112,156
Support Services:			
Pupils:			
Salaries and Wages	48,269	41,667	6,602
Fringe Benefits	18,289	15,751	2,538
Purchased Services	5,000	737	4,263
Materials and Supplies	1,000	1,000	0
Total Pupils	72,558	59,155	13,403
Instructional Staff:			
Salaries and Wages	58,283	51,771	6,512
Fringe Benefits	18,067	15,577	2,490
Purchased Services	4,020	1,133	2,887
Materials and Supplies	5,976	2,064	3,912
Total Instructional Staff	86,346	70,545	15,801
Total Support Services	158,904	129,700	29,204
Non-Instructional Services:			
Community Services:			
Salaries and Wages	4,609	4,609	0
Fringe Benefits	1,487	931	556
Purchased Services	18	0	18
Materials and Supplies	118	0	118
Total Non-Instructional Services	6,232	5,540	692
<i>Total Expenditures</i>	3,449,957	1,307,905	2,142,052
<i>Excess of Revenues Under Expenditures</i>	(1,923,938)	(11,572)	1,912,366
<b>Other Financing Sources (Uses)</b>			
Advances In	31,522	31,522	0
Advances Out	(31,522)	(31,522)	0
Operating Transfers Out	(77,772)	0	77,772
<i>Total Other Financing Sources (Uses)</i>	(77,772)	0	77,772
<i>Net Change in Fund Balance</i>	(2,001,710)	(11,572)	1,990,138
<i>Fund Balance Beginning of Year</i>	36,727	36,727	0
<i>Prior Year Encumbrances Appropriated</i>	322	322	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$1,964,661)	\$25,477	\$1,990,138

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$207,199	\$207,199	\$0
<b>Expenditures</b>			
Current:			
Instruction:			
Special:			
Salaries and Wages	152,628	118,230	34,398
Fringe Benefits	34,425	29,921	4,504
Total Instruction	187,053	148,151	38,902
Support Services:			
Pupils:			
Salaries and Wages	13,755	11,903	1,852
Fringe Benefits	5,209	4,500	709
Total Pupils	18,964	16,403	2,561
Instructional Staff:			
Salaries and Wages	1,017	1,017	0
Fringe Benefits	167	167	0
Total Instructional Staff	1,184	1,184	0
Total Support Services	20,148	17,587	2,561
<i>Total Expenditures</i>	207,201	165,738	41,463
<i>Excess of Revenues Over (Under) Expenditures</i>	(2)	41,461	41,463
<b>Other Financing Uses</b>			
Operating Transfers Out	(21,175)	(21,175)	0
<i>Net Change in Fund Balance</i>	(21,177)	20,286	41,463
<i>Fund Balance Beginning of Year</i>	60,139	60,139	0
<i>Fund Balance at End of Year</i>	\$38,962	\$80,425	\$41,463

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$11,991	\$11,610	(\$381)
<b>Expenditures</b>			
Current:			
Instruction:			
Vocational:			
Materials and Supplies	9,194	9,194	0
Support Services:			
Instructional Staff:			
Purchased Services	1,729	1,729	0
<i>Total Expenditures</i>	10,923	10,923	0
<i>Excess of Revenues Over Expenditures</i>	1,068	687	(381)
<b>Other Financing Sources (Uses)</b>			
Advances In	1,002	1,002	0
Advances Out	(1,002)	(1,689)	(687)
<i>Total Other Financing Sources (Uses)</i>	0	(687)	(687)
<i>Net Change in Fund Balance</i>	1,068	0	(1,068)
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$1,068	\$0	(\$1,068)

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$4,800	\$4,800	\$0
<b>Expenditures</b>			
Current:			
Instruction:			
Vocational:			
Salaries and Wages	2,369	2,369	0
Fringe Benefits	331	331	0
<i>Total Expenditures</i>	<u>2,700</u>	<u>2,700</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	2,100	2,100	0
<b>Other Financing Uses</b>			
Advances Out	(2,100)	(2,100)	0
<i>Net Change in Fund Balance</i>	0	0	0
<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><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$186,143	\$181,957	(\$4,186)
<b>Expenditures</b>			
Current:			
Instruction:			
Vocational:			
Purchased Services	9,522	9,522	0
Materials and Supplies	29,716	29,716	0
Capital Outlay - New	31,997	31,997	0
Total Instruction	71,235	71,235	0
Support Services:			
Pupils:			
Salaries and Wages	179,278	49,658	129,620
Fringe Benefits	15,606	14,303	1,303
Purchased Services	6,743	6,743	0
Total Pupils	201,627	70,704	130,923
Instructional Staff:			
Salaries and Wages	2,500	2,500	0
Purchased Services	7,180	7,180	0
Total Instructional Staff	9,680	9,680	0
Pupil Transportation:			
Purchased Services	3,999	3,999	0
Total Support Services	215,306	84,383	130,923
<i>Total Expenditures</i>	286,541	155,618	130,923
<i>Excess of Revenues Over (Under) Expenditures</i>	(100,398)	26,339	126,737
<b>Other Financing Sources (Uses)</b>			
Advances In	5,978	5,978	0
Advances Out	(33,071)	(33,071)	0
Operating Transfers Out	(2,103)	(2,103)	0
<i>Total Other Financing Sources (Uses)</i>	(29,196)	(29,196)	0
<i>Net Change in Fund Balance</i>	(129,594)	(2,857)	126,737
<i>Fund Balance Beginning of Year</i>	2,103	2,103	0
<i>Prior Year Encumbrances Appropriated</i>	1,900	1,900	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$125,591)	\$1,146	\$126,737

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$170,632	\$170,632	\$0
Tuition and Fees	30,000	29,705	(295)
<i>Total Revenues</i>	<u>200,632</u>	<u>200,337</u>	<u>(295)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	322,397	123,729	198,668
Fringe Benefits	42,853	40,361	2,492
Materials and Supplies	67	67	0
Total Instruction	<u>365,317</u>	<u>164,157</u>	<u>201,160</u>
Support Services:			
Pupils:			
Purchased Services	6,168	5,786	382
Instructional Staff:			
Salaries and Wages	37,126	36,029	1,097
Fringe Benefits	25,891	24,534	1,357
Purchased Services	513	513	0
Total Instructional Staff	<u>63,530</u>	<u>61,076</u>	<u>2,454</u>
Administration:			
Salaries and Wages	15,055	13,527	1,528
Fringe Benefits	7,046	5,744	1,302
Materials and Supplies	137	137	0
Total Administration	<u>22,238</u>	<u>19,408</u>	<u>2,830</u>
Total Support Services	<u>91,936</u>	<u>86,270</u>	<u>5,666</u>
<i>Total Expenditures</i>	<u>457,253</u>	<u>250,427</u>	<u>206,826</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(256,621)</u>	<u>(50,090)</u>	<u>206,531</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	19,072	19,072	0
Advances Out	(19,072)	(19,072)	0
Operating Transfers Out	(883)	(883)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(883)</u>	<u>(883)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(257,504)</u>	<u>(50,973)</u>	<u>206,531</u>
<i>Fund Balance Beginning of Year</i>	58,888	58,888	0
<i>Prior Year Encumbrances Appropriated</i>	23	23	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$198,593)</u>	<u>\$7,938</u>	<u>\$206,531</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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$34,308	\$21,621	(\$12,687)
<b>Expenditures</b>			
Current:			
Instruction:			
Special:			
Materials and Supplies	500	85	415
Capital Outlay - New	500	500	0
Total Instruction	1,000	585	415
Support Services:			
Pupils:			
Salaries and Wages	35,888	11,083	24,805
Fringe Benefits	4,222	1,551	2,671
Purchased Services	13,360	5,990	7,370
Materials and Supplies	500	0	500
Capital Outlay - New	500	0	500
Total Support Services	54,470	18,624	35,846
<i>Total Expenditures</i>	55,470	19,209	36,261
<i>Excess of Revenues Over (Under) Expenditures</i>	(21,162)	2,412	23,574
<b>Other Financing Uses</b>			
Advances Out	(1,209)	(1,209)	0
Operating Transfers Out	(2,850)	0	2,850
<i>Total Other Financing Uses</i>	(4,059)	(1,209)	2,850
<i>Net Change in Fund Balance</i>	(25,221)	1,203	26,424
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	1,569	1,569	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$23,652)	\$2,772	\$26,424

**Lancaster City School District, Ohio**  
*Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
School Improvement Models Fund  
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
<i>Total Revenues</i>	\$0	\$0	\$0
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Materials and Supplies	5,500	0	5,500
<i>Net Change in Fund Balance</i>	(5,500)	0	5,500
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$5,500)	\$0	\$5,500

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
<i>Total Revenues</i>	\$0	\$0	\$0
<b>Expenditures</b>			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	61,250	0	61,250
<i>Net Change in Fund Balance</i>	(61,250)	0	61,250
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$61,250)	\$0	\$61,250

**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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
<i>Total Revenues</i>	\$0	\$0	\$0
<b>Expenditures</b>			
<i>Total Expenditures</i>	0	0	0
<i>Excess of Revenues Over Expenditures</i>	0	0	0
<b>Other Financing Uses</b>			
Operating Transfers Out	(10)	(10)	0
<i>Net Change in Fund Balance</i>	(10)	(10)	0
<i>Fund Balance Beginning of Year</i>	10	10	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)  
Permanent Improvement Fund  
For the Fiscal Year Ended June 30, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$14,430	\$14,430	\$0
Interest	1,000	858	(142)
Extracurricular Activities	0	1,456	1,456
Gifts and Donations	0	2,452	2,452
<i>Total Revenues</i>	<u>15,430</u>	<u>19,196</u>	<u>3,766</u>
<b>Expenditures</b>			
Current:			
Support Services:			
Fiscal:			
Purchased Services	75,000	75,000	0
Capital Outlay:			
Building Acquisition and Construction Services:			
Capital Outlay - New	639,114	639,114	0
<i>Total Expenditures</i>	<u>714,114</u>	<u>714,114</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	(698,684)	(694,918)	3,766
<b>Other Financing Sources</b>			
Payment from Capital Lease	75,000	75,000	0
<i>Net Change in Fund Balance</i>	(623,684)	(619,918)	3,766
<i>Fund Balance Beginning of Year</i>	71,378	71,378	0
<i>Prior Year Encumbrances Appropriated</i>	611,317	611,317	0
<i>Fund Balance at End of Year</i>	<u>\$59,011</u>	<u>\$62,777</u>	<u>\$3,766</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, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$54,495	\$54,495	\$0
<b>Expenditures</b>			
Current:			
Instruction:			
Regular:			
Capital Outlay - New	146,995	54,495	92,500
<i>Net Change in Fund Balance</i>	(92,500)	0	92,500
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$92,500)	\$0	\$92,500

**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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Charges for Services	\$7,703,906	\$6,195,712	(\$1,508,194)
<b>Expenses</b>			
Current:			
Support Services:			
Central:			
Purchased Services	357,170	357,170	0
Other	6,819,782	6,175,106	644,676
<i>Total Expenses</i>	<u>7,176,952</u>	<u>6,532,276</u>	<u>644,676</u>
<i>Excess of Revenues Over (Under) Expenses</i>	526,954	(336,564)	(863,518)
Advances In	10,745	10,745	0
<i>Net Change in Fund Balance</i>	537,699	(325,819)	(863,518)
<i>Fund Balance Beginning of Year</i>	604,324	604,324	0
<i>Prior Year Encumbrances Appropriated</i>	83,110	83,110	0
<i>Fund Balance at End of Year</i>	<u>\$1,225,133</u>	<u>\$361,615</u>	<u>(\$863,518)</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, 2005*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Interest	\$2,000	\$742	(\$1,258)
<b>Expenses</b>			
Current:			
Non-Instructional Services:			
Community Services:			
Other	4,000	226	3,774
<i>Net Change in Fund Balance</i>	(2,000)	516	2,516
<i>Fund Balance Beginning of Year</i>	39,116	39,116	0
<i>Fund Balance at End of Year</i>	\$37,116	\$39,632	\$2,516

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# Statistical Section



## **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.

TABLE 1

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

	2005	2004	2003 (1)
<b>Program Revenues:</b>			
Charges for Services	\$2,772,689	\$2,788,532	\$1,873,837
Operating Grants, Contributions, and Interest	8,858,004	7,515,221	7,593,348
Capital Grants and Contributions	237,372	86,962	130,167
<b>General Revenues:</b>			
Property Taxes	25,245,138	25,793,658	22,780,715
Grants and Entitlements not Restricted to Specific Programs	17,400,697	17,426,697	17,575,519
Gain on Sale of Capital Assets	0	4,610	0
Gain on Sale of Capital Assets Due to a Capital Lease	192,757	0	0
Revenue in Lieu of Taxes	125,960	251,920	0
Unrestricted Contributions	0	1,193	0
Investment Earnings	96,361	36,063	136,182
Miscellaneous	4,422	4,542	59,048
<b>Total</b>	<b>\$54,933,400</b>	<b>\$53,909,398</b>	<b>\$50,148,816</b>
<b>Expenses:</b>			
Current:			
Instruction:			
Regular	\$23,028,446	\$22,052,347	\$20,367,452
Special	6,499,927	7,025,886	6,656,191
Vocational	2,555,949	2,531,200	2,595,702
Adult/Continuing	164,390	173,621	159,410
Support Services:			
Pupils	3,019,821	2,904,142	2,898,958
Instructional Staff	3,501,558	3,641,341	3,579,711
Board of Education	212,283	91,367	65,509
Administration	4,391,395	4,420,010	4,466,070
Fiscal	1,089,018	1,213,261	1,059,217
Business	426,089	354,735	414,309
Operation & Maintenance			
of Plant	4,656,265	4,715,175	4,330,316
Pupil Transportation	1,761,350	1,653,057	1,637,916
Central	267,753	330,620	319,329
Operation of Non-Instructional Services:			
Food Service Operations	2,077,895	2,096,921	1,832,795
Other	1,077,936	816,371	890,972
Extracurricular Activities	891,207	846,956	909,644
Intergovernmental	596,240	0	0
Interest and Fiscal Charges	29,935	2,548	17,479
<b>Total</b>	<b>\$56,247,457</b>	<b>\$54,869,558</b>	<b>\$52,200,980</b>

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			
	2005	2004	2003	2002
<b>Revenues:</b>				
Property Taxes	\$24,761,939	\$25,845,408	\$21,667,066	\$23,729,594
Payment in Lieu of Taxes	125,960	0	0	0
Intergovernmental (1)	19,473,834	19,360,710	19,839,622	19,100,299
Interest	100,556	31,446	134,252	284,148
Tuition and Fees (3)	1,108,509	1,213,130	390,800	229,887
Rent	44,653	45,256	39,950	46,684
Extracurricular Activities	92,261	82,547	13,547	102,792
Gifts and Donations (2)	0	1,193	0	0
Miscellaneous	6,501	2,463	55,444	11,830
<b>Total</b>	<b>\$45,714,213</b>	<b>\$46,582,153</b>	<b>\$42,140,681</b>	<b>\$43,505,234</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	\$22,333,953	\$21,069,501	\$19,843,457	\$19,113,373
Special	5,119,404	5,474,397	5,419,513	4,825,717
Vocational	2,433,971	2,431,796	2,551,427	2,322,021
Adult/Continuing	63,132	61,986	58,577	50,851
Support Services:				
Pupils	2,423,232	2,320,562	2,394,238	2,096,249
Instructional Staff	2,379,032	2,574,599	2,994,254	2,826,197
Board of Education	212,283	91,626	65,570	47,722
Administration	4,228,796	4,242,459	4,344,979	3,897,642
Fiscal	1,096,604	1,194,284	1,071,964	1,034,684
Business	423,449	358,616	417,654	439,514
Operation & Maintenance				
of Plant	4,574,338	4,718,429	4,891,872	4,562,871
Pupil Transportation	1,811,706	1,548,625	1,874,916	1,390,855
Central	196,113	256,874	221,016	261,930
Non-Instructional Services	1,339	2,013	0	0
Extracurricular Activities	528,545	496,471	538,227	492,034
Refund of Taxes	0	0	0	0
Capital Outlay	0	0	0	0
Intergovernmental	0	0	0	0
Debt Service	83,613	0	14,146	97,128
<b>Total</b>	<b>\$47,909,510</b>	<b>\$46,842,238</b>	<b>\$46,701,810</b>	<b>\$43,458,788</b>

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 1997, gifts and donations were posted to miscellaneous revenues.

(3) Prior to 2004, open enrollment monies were posted at net on the State Foundation.

TABLE 2

2001	2000	1999	1998	1997	1996
\$21,071,030	\$22,523,694	\$21,954,762	\$19,368,690	\$16,692,804	\$16,267,569
0	0	0	0	0	0
17,354,836	16,391,071	15,450,115	14,194,594	14,681,452	14,915,965
729,488	740,831	593,331	523,478	398,022	331,021
398,763	136,531	75,846	309,057	443,335	274,330
57,207	59,644	53,696	40,217	53,954	48,821
98,998	136,831	130,573	110,087	10,228	9,638
650	2,100	59,000	5,130	5,975	0
118,896	35,806	25,772	284,198	23,540	32,399
\$39,829,868	\$40,026,508	\$38,343,095	\$34,835,451	\$32,309,310	\$31,879,743
\$18,167,773	\$16,234,568	\$15,862,665	\$14,494,590	\$13,485,263	\$15,314,619
4,477,723	3,877,485	3,544,519	3,191,336	3,050,528	3,074,511
2,286,961	2,311,165	2,267,254	2,147,313	2,067,348	2,089,360
55,211	58,628	55,469	58,899	51,409	41,587
2,166,870	1,914,507	1,794,659	1,462,295	1,453,073	1,456,155
2,548,355	2,406,051	2,221,071	1,569,884	1,509,075	1,600,755
47,867	41,759	38,986	36,180	30,943	47,498
3,695,899	3,475,062	2,938,618	2,766,342	2,651,472	3,085,059
1,007,946	845,760	868,931	848,768	705,532	758,055
424,996	380,951	343,396	363,777	298,072	284,098
4,370,916	3,621,686	3,186,972	3,054,801	2,963,566	3,137,718
1,852,323	1,646,420	1,357,535	1,314,338	1,014,336	947,826
221,876	207,554	237,661	262,999	92,722	96,679
0	0	0	0	0	0
449,863	420,013	410,362	360,083	96,475	366,580
0	0	97,398	97,399	57,856	0
0	208,157	798,387	0	0	12,879
0	0	0	0	0	278
104,328	207,536	104,385	93,823	1,472,437	0
\$41,878,907	\$37,857,302	\$36,128,268	\$32,122,827	\$31,000,107	\$32,313,657

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

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Year	Current Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Tax Collections
2005	\$23,161,794	\$22,086,912	95.4%	\$597,488	\$22,684,400
2004 (2)	20,859,109	18,824,306	90.2%	687,412	19,511,718
2003	20,523,167	18,580,625	90.5%	628,482	19,209,107
2002	19,587,472	18,363,808	93.8%	477,612	18,841,420
2001	19,222,550	18,119,912	94.3%	511,831	18,631,743
2000	18,806,325	17,670,646	94.0%	559,776	18,230,422
1999	18,573,715	17,604,769	94.8%	367,752	17,972,521
1998	17,751,413	17,019,038	95.9%	275,746	17,294,784
1997	13,091,385	12,600,145	96.2%	259,585	12,859,730
1996	13,570,658	13,079,968	96.4%	235,696	13,315,664

Source: Fairfield County Auditor

(1) Presented on calendar year basis because that is the manner that information is maintained by the County Auditor.

(2) Calendar year 2004 delinquent taxes were higher than normal due to the timing of payments from taxpayers.

TABLE 3

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Percent of Total Collections to Current Tax Levies	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Current Tax Levy
97.9%	\$1,766,499	7.6%
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%

**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)
2005	\$772,751,290	\$2,207,860,829	\$25,676,090	\$102,930,320
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	575,173,210	1,643,352,029	27,104,620	77,441,771
2000	565,684,530	1,616,241,514	27,709,700	79,170,571
1999	552,073,940	1,577,354,114	30,244,060	86,411,600
1998	489,202,190	1,397,720,542	30,177,900	86,222,571
1997	478,148,440	1,331,138,400	30,794,250	87,983,571
1996	467,615,310	1,336,043,700	31,464,720	89,899,200

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 varying percentages of true value.
- Tangible personal is assessed at 25 percent of true value for capital assets and 23 percent for inventory.

TABLE 4

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Tangible Personal		Total		
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Ratio
\$89,705,089	\$358,641,304	\$888,132,469	\$2,669,432,453	33%
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	2,138,588,432	33%
96,227,521	384,910,084	689,621,751	2,080,322,169	33%
100,399,698	401,598,792	682,717,698	2,065,364,506	33%
101,329,802	405,319,208	620,709,892	1,889,262,321	33%
95,374,490	381,497,960	604,317,180	1,800,619,931	34%
85,449,242	341,796,900	584,529,272	1,767,739,800	33%

**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	Greenfield Twp	Hocking Twp	Pleasant Twp	Lancaster City	Fairfield County	Fairfield County	Total	
	General Operation	Bonded Indebtedness	Total School	Levy (1)	Levy (1)	Levy (1)	Levy (1)	Levy	Levy	Levy	Levy (2)	
2005	\$68.40	(3)	\$0.00	\$68.40	\$7.70	\$13.10	\$4.70	\$9.10	\$3.40	\$0.50	\$7.55	\$79.85
2004	64.60		0.00	64.60	7.70	12.20	4.70	9.10	3.40	0.00	7.05	75.05
2003	64.60		0.00	64.60	7.70	12.20	4.70	9.10	3.40	0.00	7.05	75.05
2002	64.60		0.00	64.60	7.70	12.20	4.20	9.10	3.40	0.00	7.05	75.05
2001	64.60		0.00	64.60	7.70	8.20	4.20	6.60	3.40	0.00	7.05	75.05
2000	64.60		0.00	64.60	7.70	8.20	4.20	6.60	3.40	0.00	7.05	75.05
1999	64.60		0.00	64.60	7.70	8.20	4.20	6.60	3.40	0.00	7.05	75.05
1998	64.60		0.00	64.60	7.70	8.20	4.20	6.60	3.40	0.00	7.05	75.05
1997	56.70		0.00	56.70	7.70	8.20	4.20	6.60	3.40	0.00	7.05	67.15
1996	56.70		0.00	56.70	7.70	8.20	4.20	5.10	3.40	0.00	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, Library, 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 26.51 mills for agricultural/residential real property and 30.25 mills for industrial/commercial real property for 2005.

TABLE 6

**Lancaster City School District, Ohio**  
*Computation of Direct and Overlapping General Obligation Bonded Debt*  
*December 31, 2004*

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	4,656,527	100.00%	4,656,527
Fairfield County	<u>13,135,000</u>	26.07%	<u>3,424,295</u>
Totals	<u><u>\$17,791,527</u></u>		<u><u>\$8,080,822</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, 2005*

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Assessed Value	<u>\$888,132,469</u>
Debt Limit - 9% of Assessed Value	\$79,931,922
Amount of Debt Applicable to Debt Limit: Net Bonded Debt	<u>0</u>
Overall Debt Margin	<u>\$79,931,922</u>
Bonded Debt Limit - .10% of Assessed Value	\$888,132
Amount of Debt Applicable	<u>0</u>
Unvoted Debt Margin	<u>\$888,132</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	(3)	Unemployment Rate Fairfield County %
2004	36,380	(1)	\$34,863	36.20	(3)	4.6%
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

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

- (1) Population and Median Age from 1995-1999 and 2001-2004 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	
2004	\$821,830,946	140	\$24,427,373	21	\$10,835,000	\$399,572
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

(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 and Public Utility Personal Property*  
*December 31, 2004*

Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value	Nature of Business
Glimcher River Valley Mall LLC	\$20,792,840	2.60%	Property
Ohio Power Company	13,375,880	1.68	Electric
Ohio Bell Telephone	5,607,090	0.70	Telephone
Anchor Hocking Glass Corporation	5,289,400	0.66	Glass
Lancaster Phase One Group PLL	4,381,100	0.55	Property
Plaza Inc. A New York Corporation	3,373,790	0.42	Property
Lowes Home Centers, Incorporated	3,000,980	0.38	Retail
RP River Valley LLC	2,859,850	0.36	Property
Riverview Medical Office	2,781,950	0.35	Medical
Hocking Valley Mall LLC	2,590,000	0.32	Retail

Source: Fairfield County Auditor

(1) Assessed values are for the 2005 collection year (\$798,427,380).

TABLE 11

**Lancaster City School District, Ohio**  
*Principal Taxpayers*  
*Tangible Personal Property Tax (Excluding Public Utility)*  
*December 31, 2004*

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Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value	Nature of Business
Anchor Hocking Consumer Glass Company	\$7,250,250	8.08%	Glass
RalCorp Holdings Inc. (Ralston)	6,885,830	7.68	Foods
McDermott, Inc.	5,968,740	6.65	Electronics
Cyril Scott Company	3,848,930	4.29	Paper
Crown Cork & Seal Company (USA)	2,621,210	2.92	Glass Closures
Lancaster Glass Corporation	2,562,930	2.86	Glass
Bob Boyd Ford Inc.	2,018,200	2.25	Vehicle Sales/Service
Time Warner Cable	1,997,150	2.23	Cable
Taylor Chevrolet Incorporated	1,972,150	2.20	Vehicle Sales/Service
International Paper Company	1,884,820	2.10	Paper

Source: Fairfield County Auditor

(1) Assessed values are for the 2005 collection year (\$89,705,089).

TABLE 12

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

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Year	General Fund Expenditures	Average Daily Membership	Per Pupil Cost
2005	\$47,909,510	5,988	\$8,001
2004	46,842,238	6,107	7,670
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

Source: School District Financial Records

TABLE 13

**Lancaster City School District, Ohio**  
*Teacher Education and Experience*  
 June 30, 2005

Degree	Number of Teachers	Percentage of Total
Bachelor's Degree	31	7.44%
Bachelor + 15	7	1.68%
Bachelor + 30 (150 hours)	97	23.26%
Master's Degree	118	28.30%
Master's + 15	41	9.83%
Master's +30	86	20.62%
Master's + 45	35	8.39%
Ph. D.	2	0.48%
Total	<u>417</u>	* <u>100.00%</u>

Years of Experience in District	Number of Teachers	Percentage of Total
0-5	117	28.06%
6-10	80	19.18%
11 and over	220	52.76%
Total	<u>417</u>	* <u>100.00%</u>

\* Full-time equivalent teaching staff

Source: Lancaster City School District Personnel Records

TABLE 14

**Lancaster City School District, Ohio**  
*Teacher to Student Ratio*  
*Last Ten Fiscal Years*

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Year	Number of Teachers	Average Daily Student Enrollment	Teacher Student Ratio
2005	417	5,988	14.36
2004	433	6,107	14.10
2003	430	6,197	14.41
2002	422	6,170	14.62
2001	437	6,230	14.26
2000	422	6,421	15.22
1999	411	6,562	15.97
1998	384	6,542	17.04
1997	396	6,532	16.49
1996	425	6,615	15.56

Source: School District Financial Records

TABLE 15

**Lancaster City School District, Ohio**  
*Students in Free or Reduced Price Lunch Program*  
*June 30, 2005*

School	Students Receiving Free Lunch	Percentage of Students Receiving Free Lunch	Students Receiving Reduced Lunch	Percentage of Students Receiving Reduced Lunch
Cedar Heights Elementary School	192	0.41%	42	0.09%
East Elementary School	117	0.38	26	0.08
Medill Elementary School	89	0.27	16	0.05
North Elementary School	131	0.44	18	0.06
Sanderson Elementary School	104	0.33	13	0.04
South Elementary School	106	0.38	59	0.21
Tallmadge Elementary School	136	0.39	37	0.11
Tarhe Elementary School	62	0.14	29	0.07
West Elementary School	205	0.48	53	0.12
General Sherman Junior High School	150	0.32	51	0.11
Thomas Ewing Junior High School	146	0.29	41	0.08
Lancaster High & Stanberry Freshmen Schools	354	0.20	100	0.06

Source: School District Food Service Records

TABLE 16

**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)					
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
2005	20.4	21.3	21.5	21.6	21.3
A.C.T. - Ohio (Graduating Class)					
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
2005	20.7	21.2	21.9	21.5	21.4
A.C.T. - U.S.A. (Graduating Class)					
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
2005	20.4	20.7	21.3	20.9	20.9

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

TABLE 17

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

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	Year	Verbal Mean	Math Mean
S.A.T. - Lancaster High School			
	2001	530	539
	2002	546	555
	2003	535	546
	2004	526	544
	2005	509	525
S.A.T. - Ohio			
	2001	534	539
	2002	533	540
	2003	536	541
	2004	538	542
	2005	539	543
S.A.T. - U.S.A.			
	2001	506	514
	2002	504	516
	2003	507	519
	2004	508	518
	2005	508	520

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

TABLE 18

**Lancaster City School District, Ohio**  
*Age and Capacity of Buildings*  
 June 30, 2005

School Buildings	Age of Buildings	Building Capacity (in occupants)	Percentage of Capacity Used (1)
Cedar Heights Elementary School	67 years	460	153%
East Elementary School	67 years	314	104
Medill Elementary School	46 years	337	105
North Elementary School	83 years	299	83
Sanderson Elementary School	38 years	308	102
South Elementary School	75 years	149	61
Tallmadge Elementary School	51 years	345	105
Tarhe Elementary School	38 years	445	148
Tarhe Elementary School Modular Classrooms	1 year	n/a (2)	n/a (2)
West Elementary School	45 years	428	109
General Sherman Junior High School	49 years	484	85
Thomas Ewing Junior High School	49 years	493	86
Stanberry Freshman School	76 years	509	81
Lancaster High School	43 years	1,302	84
Lancaster Vocational School	41 years	n/a (3)	n/a (3)

Source: School District Records

(1) The capacity used is based on Ohio School Facility Commission guidelines.

(2) The Tarhe Elementary Modular Classrooms' capacity and percentage of capacity used are included in the Tarhe Elementary School building count.

(3) The Lancaster Vocational School building capacity and percentage of capacity used are included in the Lancaster High School building count.

TABLE 19

**Lancaster City School District, Ohio**  
*A Return to the Community*  
*Fiscal Year 2005*

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Local Tax Receipts (cash basis)	
General Property Taxes	\$17,970,040
Tangible Personal	6,405,681
Manufactured Homes Taxes	<u>67,720</u>
Total Local Tax Receipts	<u><u>\$24,443,441</u></u>
Local Payroll	
Total Payroll Fiscal 2005	\$32,552,482
Total Staff (Including Part-time)	716
Staff Living Locally (in Fairfield County)	499
Percentage of Staff Living Locally	69.7%
Local Payroll (32,552,482 x 69.7%)	\$22,686,716
Locally Purchased Supplies/Services	
The Lancaster City Schools Purchased Supplies and Services from Approximately 654 Local Individuals and Businesses during Fiscal 2005	
Amount Spent Locally for Purchase of Supplies and Services	<u>3,665,381</u>
Total Expenditures of Funds Locally	<u><u>\$26,352,097</u></u>
Total Expenditures of the General Fund for fiscal year 2005	<u><u>\$47,909,510</u></u>

Source: School District Records



**Auditor of State  
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  
FEBRUARY 21, 2006**