

CITY OF LANCASTER

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

City Council
City of Lancaster
104 East Main Street
Lancaster, Ohio 43130

We have reviewed the *Independent Auditors' Report* of the City of Lancaster, Fairfield County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 23, 2007

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CITY OF LANCASTER

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**CITY OF LANCASTER
FAIRFIELD COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
(Direct Award)			
Community Development Block Grant	N/A	14.218	
CDBG 96			\$ 7,256
CDBG 98			9,408
CDBG 99			508
CDBG 01			126,735
CDBG 02			108,937
CDBG 03			142,008
CDBG 04			151,756
CDBG 05			424,747
CDBG 06			<u>3,506</u>
Total Community Development Block Grant			974,861
Home Investment Partnerships Program	N/A	14.239	42,754
Total U.S. Department of Housing and Urban Development			1,017,615
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
Pass through Ohio Department of Transportation			
Federal Transit Capital/Operating Grant	RPT4023-024-052	20.509	<u>276,100</u>
Total U.S. Department of Transportation			276,100
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
Pass through Ohio Office of Criminal Justice Services			
Violence Against Women Act Grant	2005-WF-VA5-8422	16.588	28,080
Local Law Enforcement Block Grant	2003-LB-BX-0837	16.592	12,547
	2005-DJ-BX-1221		13
	2004-LB-BX-1519		<u>7,212</u>
Total Local Law Enforcement Block Grant			19,772
Bryne Formula Grant	2003-DG-DOV-7214A	16.579	10,459
Total U.S. Department of Justice			58,311
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
(Direct Award)			
Assistance to Firefighters Grant	EMW-2004-FG-06084-002	97.044	<u>22,024</u>
Total U.S. Department of Homeland Security			22,024
Total Federal Awards Expenditures			<u>\$ 1,374,050</u>

See notes to Schedule of Federal Awards Expenditures.

CITY OF LANCASTER

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

Program Title: Community Development Block Grant; CFDA#: 14.218; Amount: \$98,377.

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

NOTE C - REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property. At December 31, 2006, the gross amount of loans outstanding under the Community Development Block Grant (CDBG) program was \$761,646. At December 31, 2006, the gross amount of loans outstanding under the Home Improvement Partnerships Program was \$709,045.

NOTE D - MATCHING REQUIREMENTS

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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lancaster as of and for the year ended December 31, 2006, and have issued our report thereon dated May 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lancaster's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we have reported to management in a separate letter dated May 16, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lancaster's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of City of Lancaster in a separate letter dated May 16, 2007.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 16, 2007

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

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

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

Compliance

We have audited the compliance of City of Lancaster with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. City of Lancaster's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Lancaster's management. Our responsibility is to express an opinion on City of Lancaster's compliance based on our audit.

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

In our opinion, City of Lancaster complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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

Schedule of Federal Award Expenditures

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregated remaining fund information of City of Lancaster as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 16, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of federal award expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 16, 2007

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

**CITY OF LANCASTER
DECEMBER 31, 2006**

1. AUDITOR’S RESULTS

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

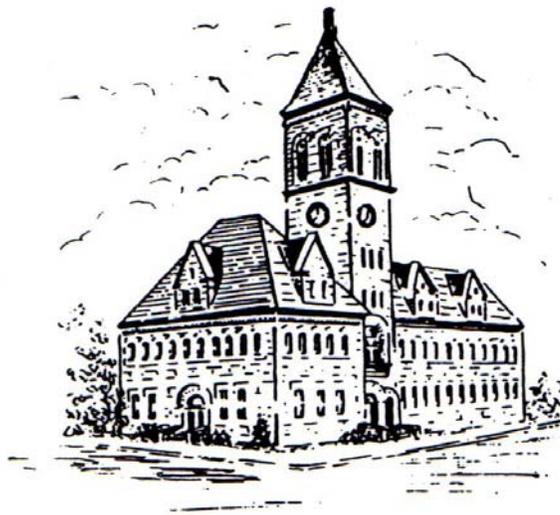
2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

Fairfield County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

Prepared by the City Auditor's Office

Mary F. Green
City Auditor



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FAIRFIELD COUNTY, OHIO

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INTRODUCTORY SECTION



***Letter of Transmittal
For the Year Ended December 31, 2006***



CITY OF LANCASTER

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

phone (740) 687-6611

fax (740)-681-5064

May 28, 2007

To the Citizens and
Elected Officials of
Lancaster, Ohio:

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR), of the City of Lancaster, Ohio, for the year ended December 31, 2006.

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

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

The Reporting Entity

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

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

***Letter of Transmittal
For the Year Ended December 31, 2006***

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

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

City Overview

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

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

Items of Local Interest

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

Culture and Education

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

***Letter of Transmittal
For the Year Ended December 31, 2006***

ECONOMIC CONDITION AND OUTLOOK

With a history of almost 200 years, Lancaster is home to a diversified community of businesses. The more than 150 manufacturing operations in the area are supported by an equal number of service operations that provide a comprehensive network of support. With the completion of the \$160 MM U.S. Route 33 bypass, the expansion of City utilities and Industrial grounds, and a growing workforce, Lancaster is well positioned to have successful economic retention and growth.

The City is a hub for Medical services in Fairfield and the surrounding counties of Perry, Hocking, Vinton, Meigs, and Athens. The Fairfield Medical Center provides full hospital services to the region with a 222 bed facility and smaller outpatient clinics throughout the City. FMC has over 250 doctors on staff and employees over 2,200. With the recent 26 MM expansion that includes an expanded Emergency Area, Parking Garage, and Heart and Gastronomical Care Units, the Fairfield Medical Center continues to be a catalyst for economic stimulus for the entire community.

Having a regional medical facility fosters economic development in various areas of our community including restaurant and retail sectors. Current projects include a 100 acre retail center that will facilitate three national big-box retailers and multiple out-lots. This project is expected to open the first big box retailer in October 2007. Retail projects in 2006 include WG Grinders, The Shoppes at Fair and Ety, La Cascada Restaurante, and Advance Auto Parts. The downtown area is being re-invented with a new Special Improvement District Director. Projects include the Lancaster Olde Town Center with retail artistic vendors on the ground floor and attractive renovated upscale housing above. New storefronts are making an architectural difference with the completed Orange Carpet Lounge and the Fairfield National Bank facelifts. A private sector Columbus developer has purchased the former Essex Building and hopes to turn the facility into forty-six upscale lofts. The City is also addressing the concern for convenient parking downtown and exploring the feasibility of two parking garages located adjacent to the north and south downtown areas.

Being an attractive community active in the Arts with world famous talent and events such as the Lancaster Festival, and being a safe and economical place to live, coupled with quality healthcare, makes Lancaster a hotbed for retirement living. The Jerry McClain Company completed a new 90 bed assisted living complex. New technology was implemented to make this facility premiere in quality of life for residents. Approximately ninety jobs will be created for this single endeavor. Gorsuch-Methodist Eldercare Development, LLC is also building 47 cottage units, 85 congregate units, and a 35 bed assisted living facility on 22 acres. The condo market has soared in the last couple years with multiple projects occurring across the City. Single family homes also continue to add to the communities' population with multiple mass-builder and local-builder projects.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Regional and national activities that include new transportation improvements will impact the economic activity in Lancaster in a positive way. Rickenbacker Air-Industrial Park recently began construction on a new intermodal that will connect by rail this region to a new port-of-call in Norfolk, Virginia. According to a study performed by Insight Research for the Columbus Regional Airport Authority and Norfolk Southern, these terminal projects at Rickenbacker will provide the following benefits: Annual Direct and Indirect taxes by 2028; \$100.9 million; Annual Direct Jobs by 2028; 9,473; Annual Indirect Jobs; 10,860; and other economic impacts by 2028 of \$1.044 billion. Lancaster's geographic location in proximity to this project and its own rail sites provides an opportunity to be positively impacted both directly and indirectly. Other regional transportation improvements in the direction of Rickenbacker and Interstate roadway access will continue to foster economic activity and relocations of Columbus area businesses such as Fox Mechanical that purchased two acres in Lancaster and has begun construction on a new 12,000 square foot industrial building. Diamond Power International expanded its operations and buildings in 2006. Over twenty-five thousand square feet were added to its existing facility and they will hire twenty-five new employees. Mondi Packaging, another Lancaster manufacturer, is completing construction of a forty thousand square foot addition and will add thirty-five employees.

The combinations of City Government, Regional Development, Private Sector Investment and Industry, Medical Technology, and The Education and Arts Communities work well and compliment the region to create a dynamic and positive Lancaster City Economic Outlook.

MAJOR INITIATIVES

The U.S. Route 33 Lancaster Bypass opened to traffic for its full-length in late 2005. The new highway carries through U.S. 33 traffic around the City and has alleviated traffic congestion on the City's major commercial artery, Memorial Drive, formerly U.S. 33 inside the City. This completion of this highway allowed another major highway project to be constructed in 2006, the reconstruction of Memorial Drive. The project was let in 2005, but work was begun and completed in 2006. The reconstruction of this main commercial artery of the City should enhance Memorial Drive as a desirable site for new businesses.

The City has developed plans for additional work to enhance the Rock Mill Corporate Park for new businesses. Construction drawings are complete to construct a northerly extension of Mill Park Drive from Wilson Road along with water and sanitary sewer extensions. These improvements will enhance more acreage for potential commercial and industrial users. Planning and design efforts are underway to upgrade the Camp Ground Road pavement and bridges from their present "country lane" condition to that of an industrial park street, with design of the first phase complete. The street's entire length from Fair Avenue to Lithopolis Road will be upgraded in phases.

As an outgrowth of the Lancaster Bypass study, the City began a comprehensive master plan study of City-wide water and sanitary sewer system needs. The master plan was completed in June 2005. It provides a prioritized list of projects for the City to schedule for future construction.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Development in the northwest corridor along US 33 created the need for upgrades to the City's water distribution system. The fourth water main project to upgrade water service to this high-growth corridor was completed in 2006. Development in the north-central and northeast portions of the City has also created the need for water system improvements. This area of the City is experiencing renewed residential growth. Also, along with the existing developments, the demand from developers to serve additional acreage is pushing the need to erect an elevated water storage tank to provide the necessary water pressure and fire protection flows for development to continue in this area of the City. The City is negotiating to purchase the site for the elevated water storage tank near the intersection of Rainbow Drive and Pleasantville Road, SR 188. The tank site will be fed from existing water mains and the Tiki Lane Booster Station erected in the 1990's.

The City did not have a contract or in-house street resurfacing program in 2006. The State Legislature passed legislation that severely curtails the City's Department of Transportation's (LDoT) efforts to maintain the City's streets. The legislation has imposed a maximum of \$30,000 in work, including labor that a City may undertake on one of its streets. The City must bid projects of a greater magnitude.

A project utilizing Community Development Block Grant (CDBG) funds to correct drainage problems in an older neighborhood was bid in late 2005, and constructed in 2006. Barr Drive in the Lanreco Farms Addition was developed prior to annexation into the City. This project replaced the existing pavement with a full-width, full-depth asphalt concrete pavement with curb and gutter, and installed a closed stormwater collection system.

Development pressures initiated the design and construction of a new sanitary sewer across the Medill School property. The sewer provides service to a recently annexed property tract on the west side of Sheridan Drive. Previously, the property was landlocked from the Ewing Run Trunk Sewer running along the school's easterly line. With City water service already located in Sheridan Drive, City utilities are available now to this property for residential development.

Development pressures are also driving the upgrade to an existing sanitary sewer. Rainbow Drive east of Ewing Run is served by an eight-inch sewer. Proposed multi-family developments in its tributary area, and the County Utilities proposed connection of its Pleasant Lea and Lakeside sanitary sewer systems into the City's system through this sewer have deemed it hydraulically deficient. A consulting engineer has developed construction plans utilizing an alternate construction methodology of pipe bursting to increase the size of the sewer. This method of construction will minimize the length of street to be excavated to upgrade the sewer. Plans are finalized. A bid date has not been established.

Amendments to the federal Clean Water Act have directed pollution mitigation efforts to other water pollution sources, one being combined sewer overflows (CSO's). Older cities like Lancaster have combined sewers that carry both sanitary and storm flows in the same conduits. During and after rain events those sewers become filled beyond capacity and the system outlets the excess flow to streams and rivers. Those outlet points are CSO's. The CSO's are currently permitted under the City's National Pollution Discharge Elimination System (NPDES) permit. The Ohio Environmental Pollution Agency (OEPA) has advised the City that under future NPDES permits the City will be required to reduce the number of overflow events at its CSO's. Therefore, the City retained a consulting engineer to develop a plan to meet the stricter permit conditions. The City is on schedule and the required nine minimum

***Letter of Transmittal
For the Year Ended December 31, 2006***

controls mandated in the regulations have been implemented. The City submitted the Combined Sewer System Characterization Report and the Combined Sewer System Operational Plan to the Ohio Environmental Protection Agency (OEPA) in 1999. The Combined Sewer Overflow Long Term Control Plan (LTCP) was completed and submitted to OEPA in June 2000, and a rewrite based on OEPA's review comments was submitted in 2003. The City and OEPA are negotiating a settlement of this plan at year's end. In lieu of a consent decree OEPA has mandated for other communities, OEPA will include the needed improvements and schedule for their implementation in the renewal of the City's NPDES permit to be finalized in 2007.

One major component of the LTCP is the construction of a satellite wastewater treatment plant that will treat flows from the northwest and west sides of the City where the storm and sanitary flows are separate. The elimination of flows from these sections of the City will reduce flows in the combined system they now drain to, and will reduce the number of overflow events from CSO's. Property for this facility was acquired at the beginning of 2005, which will be located west of Collins Road, east of Camp Ground Road and south of the Hocking River. An engineer was selected in mid-2005 to begin the planning and design of the new facility. Design criteria was established in late 2005 and different treatment systems are under evaluation at year's end. Construction is anticipated to begin in 2009.

Another major project listed in the LTCP to alleviate CSO overflow events is the Lake/Allen/Maple Sewer Improvement project. Another purpose of this project is to separate storm and sanitary sewer flows in this Sewer District to eliminate basement flooding in the Lake-Allen area. Work began on this project in late 2006 and it is projected to take over two years to complete. Bonds have been sold to pay projects costs, and will be repaid from receipts from both sanitary sewer collection revenues and stormwater program revenues.

The City received a Round 20 State Capital Improvement Grant to construct a sanitary sewer in South Ewing Street. The South Ewing Street Sanitary Sewer Extension will provide City sanitary sewer service to Ewing Street properties north of Lawrence Street for 1600 feet. The grant is expected to pay for half the construction costs with the Water Pollution Control Fund paying the remaining costs. Project design is complete, with bid documents being prepared.

City personnel are working with Congressman David Hobson to secure a federal construction grant to start Phase 2 of the Pleasant Run Sanitary Trunk Sewer. The second phase will extend the trunk sewer east on East Main Street to near the Marietta Road intersection. A consulting engineer is preparing construction plans for the sewer at year's end. Work will be deferred until construction funds become available. The replacement of the existing undersized and shallow sanitary sewer currently serving this section of Main Street should entice additional development along this important commercial corridor.

Several projects utilizing stormwater funds were in process during 2006. Two badly deteriorated culverts under North Columbus Street east of Ety Road have been programmed for replacement using stormwater funds as the local match to federal surface transportation program funds. Construction plans are complete, but right-of-way acquisition still needs to be done. Construction is programmed for 2008.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Two other culverts were replaced in 2006 using stormwater revenues as the local match for a State Capital Improvement Program grant from the Ohio Public Works Commission. The Hoffman Drive and Sheridan Drive Culvert Replacement project replaced badly deteriorated and hydraulically inadequate culverts under Hoffman Drive and under Sheridan Drive. The grant covered approximately 70-percent of the project's costs. At year's end, the project is complete, except site restoration on Hoffman Drive.

A section of brick storm sewer along West Sixth Avenue in Miller Park collapsed in late 2005. Since this is in the wellhead protection area, the new sewer needed to be water-tight. Directly across the river, a portion of another storm sewer in Sixth Avenue had also collapsed in 2005 and was replaced. An investigation into the remainder of the sewer showed it was badly deteriorated. Design was started on replacement of the West Sixth Street sewer from Harrison Avenue to the Hocking River. Construction is programmed for 2007.

The Hubert-Reese area has had stormwater problems since its initial construction in the early 1950's. The area was developed in the Hocking River floodplain without an adequate drainage system. A report on remedies to the problems was prepared, and the City began a five-phase program to mitigate the problems. Phase 3 of Hubert Reese involves installing storm sewers on Eagle Avenue and several alleys. The sewers in this phase will connect to the Whiley Avenue stormwater pumping station installed in Phase 2. Construction is anticipated in late 2007.

The Stonewall Cemetery Road Landfill began its seventh year of post closure monitoring in 2006. Closure activities were completed in 1999 with nearly \$4,000,000 in corrective measures completed at the site. Final effluent from the landfill is discharged under an Ohio EPA issued NPDES permit. Effluent discharge is continuously monitored for flow and sampled bimonthly for specific parameters outlined in the permit. Additionally, eleven monitoring wells located outside the limits of the landfill are monitored semiannually for specific indicator parameters. Monitoring wells are located as such to detect any potential release from the landfill. A report summarizing each sampling event was submitted to the Ohio EPA for review.

One major environmental project with economic development emphasis is the redevelopment of the former Anchor Hocking Plant 2 site on South Ewing Street. It was the largest environmental project scheduled for 2006. The project involves the demolition and remediation of approximately 18 acres at the rear of the former Anchor Hocking Plant 2 facility. The City received a Clean Ohio Revitalization Fund Grant (CORF) of approximately \$3,000,000 in 2004 for cleanup of the property. The City prepared bid documents and let the project in 2006. All demolition and remediation components of the project were to be completed in 2006, but some work is ongoing due to equipment problems. The City received a project extension with a completion date of September 7, 2007. When finalized, the City will have a prime industrial site with a rail siding to offer for economic development.

The City is nearing final acquisition of the former Frick-Gallagher manufacturing site along the east side of South Ewing Street proximate to the former Anchor Hocking Plant 2 site. The abandoned complex is an eyesore and deemed a safety concern. The buildings are past saving and the plan is to demolish them. Some minor site contamination is anticipated, but to a much lesser extent than the Anchor Hocking 2 site. The cleared and remediated Frick-Gallagher site will provide another viable industrial site for economic development.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Olivedale Senior Center experienced a major upgrade of its 30 year old kitchen and the multi-purpose room flooring thanks to the generosity and support of those past and present. Nearly \$300,000 was spent during the remodeling which ensured that Olivedale continues to have a large impact on the quality of life of seniors in Fairfield County.

Construction of the Lancaster Bike Trail continues to progress across the community. A covered bridge was reconstructed by the Park staff and relocated on Phase I across Feters Run along Arbor Valley Drive. Construction of Phase II is scheduled for completion in 2007.

Lancaster Parks and Recreation is funded through a voter-approved income tax for the purpose of operating, maintaining, repairing and providing capital facilities for park and recreational activities. The 0.15% earned income tax issue will be placed on the May 2007 primary to continue funding at the current level through 2012.

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

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

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2006***

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

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

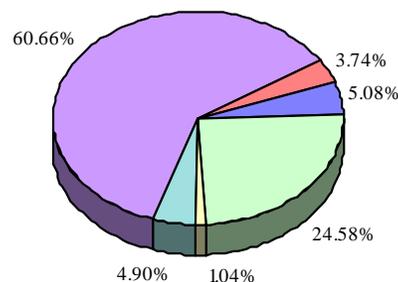
Cash Management

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

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

The City's cash resources were invested at December 31, 2006 as follows:

Local Securities	\$2,517,600	5.08%
U.S. Agencies	12,176,227	24.58%
STAR Ohio	513,637	1.04%
Certificates of Deposit	2,427,090	4.90%
Repurchase Agreements	30,047,670	60.66%
Cash	1,850,983	3.74%
Total Resources	\$49,533,207	100.00%



***Letter of Transmittal
For the Year Ended December 31, 2006***

The City earned interest of \$2,073,414 on investments for fiscal year 2006. Except for earnings on investment held by fiscal and escrow agents, in bond reserves and trust funds, interest earned was allocated to the governmental funds.

At December 31, 2006, the City had deposits of \$4,278,073 which were collateralized by pooled collateral. The Ohio Revised Code provides for the establishment of collateral pools by financial institutions designed to safeguard public deposits. The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit with the financial institution. The collateral is held by the financial institution (see Note 3 of the financial statements). All deposits are made under contracts with local banking institutions pursuant to statute.

Risk Management

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

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending December 31, 2005. This was the twentieth consecutive year the City has won this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

***Letter of Transmittal
For the Year Ended December 31, 2006***

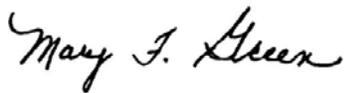
Public Disclosure

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

Acknowledgments

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

Sincerely,



Mary F. Green
City Auditor

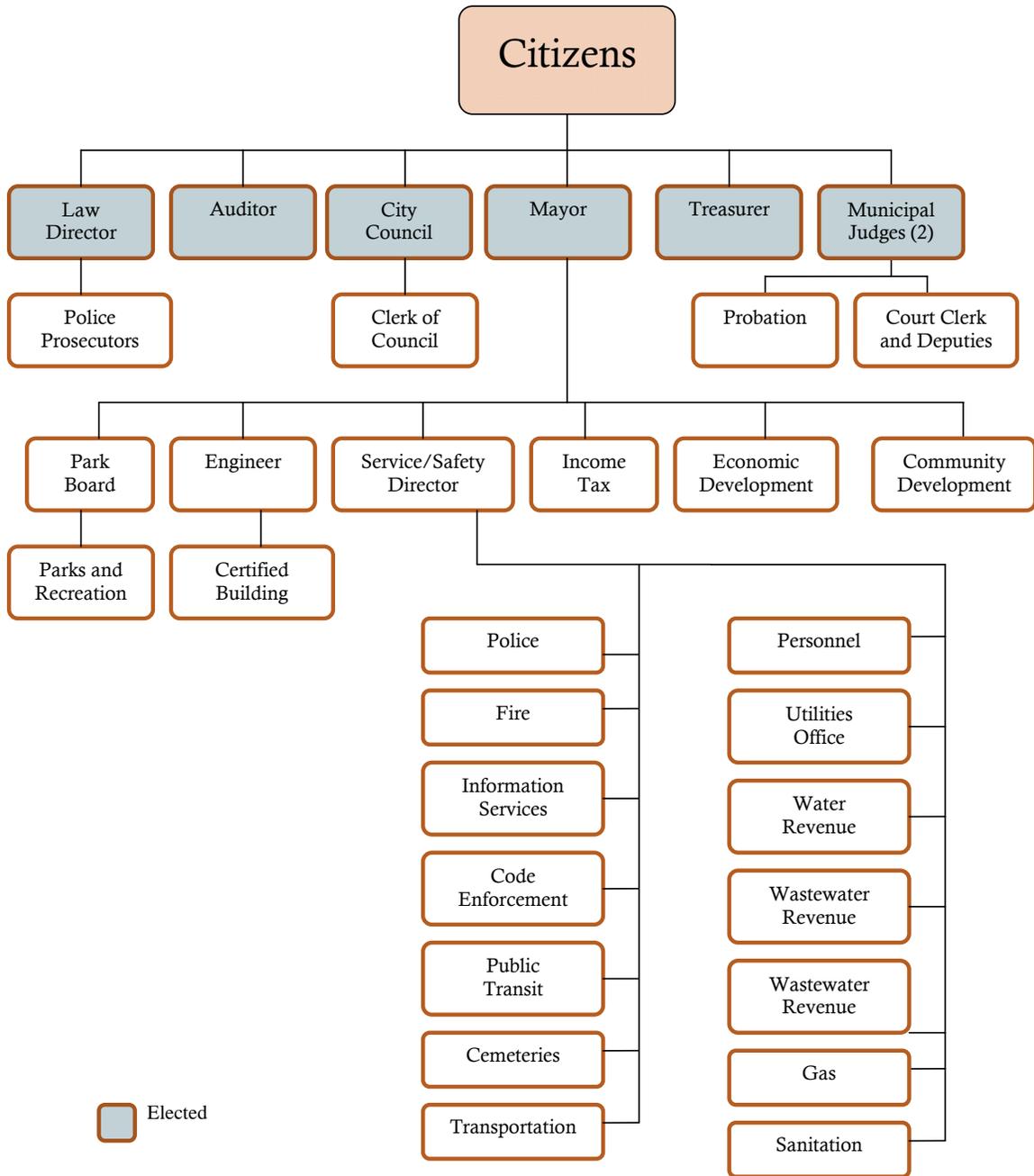
CITY OF LANCASTER, OHIO

***List of Principal Officials
For the Year Ended December 31, 2006***

<u><i>Name</i></u>	<u><i>Title</i></u>
<i>Executive Officials</i>	
David Smith	Mayor
Mary F. Green	Auditor
Terre Vandervoort	Law Director
Wayne Roller	Treasurer
<i>Legislative Officials</i>	
Carl Tatman	President of Council
Jerry Woodgeard	Council-at-Large
Steven F. Jackson	Council-at-Large
Dwight Andrews	Council-at-Large
Jonathan Smith	Council - 1st Ward
John Zekas	Council - 2nd Ward
Ann Kitsmiller	Council - 3rd Ward
Tom Stoughton	Council - 4th Ward
Harry Hiles	Council - 5th Ward
Rudy Touvell	Council - 6th Ward
<i>Administrative Officials</i>	
Michael Courtney	Service/Safety Director
James Loffree	Income Tax Commissioner
Brad W. Fagrell	City Engineer

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

**City Organizational Chart
For the Year Ended December 31, 2006**



*Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting*

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Lancaster
Ohio

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

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



President

Executive Director

FINANCIAL SECTION



WOLFE, WILSON, & PHILLIPS, INC.
CERTIFIED PUBLIC ACCOUNTANTS
37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701
(740) 453-9600 • FAX - (740) 453-9763
www.wwpcpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster as of and for the year ended December 31, 2006, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2007, on our consideration of City of Lancaster's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise City of Lancaster's basic financial statements. The Introductory Section, Combining Statements, Individual Fund Schedules and Statistical Section provide additional information and are not a required part of the basic financial statements. We subjected the Combining Statements and Individual Fund 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 or Statistical Section to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio
May 16, 2007

The discussion and analysis of the City of Lancaster's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets increased \$8,314,401. Net assets of governmental activities increased \$2,203,631 which represents a 6.5% increase from 2005. Net assets of business-type activities increased \$6,110,770 or 10.7% from 2005.
- ❑ General revenues accounted for \$22,993,104 in revenue or 27.4% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$60,981,262, 72.6% of total revenues of \$83,974,366.
- ❑ The City had \$31,955,410 in expenses related to governmental activities; only \$11,165,937 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$22,993,104 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$24,100,355 in revenues and other financing sources and \$23,713,236 in expenditures and other financing uses. The general fund's fund balance increased from \$4,057,528 to \$4,490,320.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2006 compared to 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$25,240,708	\$21,146,561	\$52,846,687	\$44,007,516	\$78,087,395	\$65,154,077
Capital assets, Net	31,760,236	28,761,751	84,005,647	80,746,147	115,765,883	109,507,898
Total assets	57,000,944	49,908,312	136,852,334	124,753,663	193,853,278	174,661,975
Long-term debt outstanding	10,251,663	10,360,746	58,397,877	61,366,309	68,649,540	71,727,055
Other liabilities	10,462,855	5,464,771	15,473,788	6,517,455	25,936,643	11,982,226
Total liabilities	20,714,518	15,825,517	73,871,665	67,883,764	94,586,183	83,709,281
Net assets						
Invested in capital assets, net of related debt	23,975,773	21,352,341	30,722,799	28,994,290	54,698,572	50,346,631
Restricted	7,586,314	7,689,262	1,054,021	1,018,993	8,640,335	8,708,255
Unrestricted	4,724,339	5,041,192	31,203,849	26,856,616	35,928,188	31,897,808
Total net assets	\$36,286,426	\$34,082,795	\$62,980,669	\$56,869,899	\$99,267,095	\$90,952,694

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**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2006 compared to 2005:

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for Services and Sales	\$5,505,385	\$5,284,824	\$47,443,675	\$45,964,165	\$52,949,060	\$51,248,989
Operating Grants and Contributions	3,606,523	4,087,234	0	0	3,606,523	4,087,234
Capital Grants and Contributions	2,054,029	1,105,484	2,371,650	2,461,246	4,425,679	3,566,730
Total Program Revenues	11,165,937	10,477,542	49,815,325	48,425,411	60,981,262	58,902,953
General Revenues:						
Property Taxes	2,348,863	2,099,948	0	0	2,348,863	2,099,948
Income Taxes	15,641,005	14,424,322	0	0	15,641,005	14,424,322
Other Local Taxes	516,698	626,179	0	0	516,698	626,179
Intergovernmental Revenues						
not Restricted to Specific Programs	2,604,474	2,752,068	0	0	2,604,474	2,752,068
Investment Earnings	1,159,085	644,320	0	0	1,159,085	644,320
Miscellaneous	722,979	527,465	0	0	722,979	527,465
Total General Revenues	22,993,104	21,074,302	0	0	22,993,104	21,074,302
Total Revenues	34,159,041	31,551,844	49,815,325	48,425,411	83,974,366	79,977,255
Program Expenses						
Security of Persons and Property	16,104,691	14,473,126	0	0	16,104,691	14,473,126
Public Health and Welfare Services	878,467	779,600	0	0	878,467	779,600
Leisure Time Activities	2,124,266	1,742,633	0	0	2,124,266	1,742,633
Community Environment	959,561	789,851	0	0	959,561	789,851
Transportation	4,342,096	4,378,695	0	0	4,342,096	4,378,695
General Government	7,223,816	6,949,947	0	0	7,223,816	6,949,947
Interest and Fiscal Charges	322,513	339,328	0	0	322,513	339,328
Gas	0	0	23,771,384	23,308,942	23,771,384	23,308,942
Water	0	0	8,513,968	8,014,591	8,513,968	8,014,591
Water Pollution	0	0	7,226,506	6,539,509	7,226,506	6,539,509
Sanitation	0	0	3,033,340	2,921,855	3,033,340	2,921,855
Storm Water	0	0	1,159,357	706,217	1,159,357	706,217
Total Expenses	31,955,410	29,453,180	43,704,555	41,491,114	75,659,965	70,944,294
Total Change in Net Assets	2,203,631	2,098,664	6,110,770	6,934,297	8,314,401	9,032,961
Beginning Net Assets	34,082,795	31,984,131	56,869,899	49,935,602	90,952,694	81,919,733
Ending Net Assets	\$36,286,426	\$34,082,795	\$62,980,669	\$56,869,899	\$99,267,095	\$90,952,694

Governmental Activities

Net assets of the City's governmental activities increased by \$2,203,631. The increase in net assets is a result of an increase in capital assets, specifically streets donated by developers and an increase in income taxes due to the rate increase effective July 1, 2005.

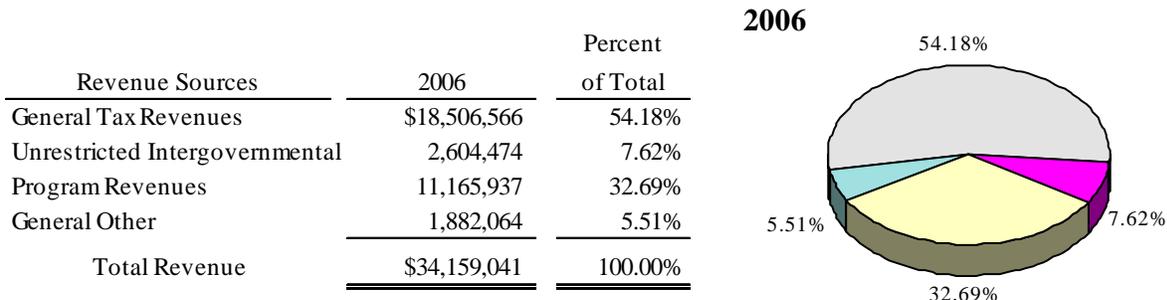
CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

The City receives an income tax, which is based on 1.75% of all salaries, wages, commissions and other compensation and on net profits earned from those working in the City.

Income taxes and property taxes made up 45.8% and 6.9% respectively of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph indicating 54.18% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business type activities increased by \$6,110,770. This increase was the result of an increase in infrastructure from developer donated water, sewer and storm water lines.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$8,758,796, which is a decrease from last year's balance of \$9,407,471. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2006 and 2005:

	Fund Balance December 31, 2006	Fund Balance December 31, 2005	Increase (Decrease)
General	\$4,490,320	\$4,057,528	\$432,792
Capital Improvement	42,873	(242,386)	285,259
Other Governmental	4,225,603	5,592,329	(1,366,726)
Total	\$8,758,796	\$9,407,471	(\$648,675)

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

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

	2006	2005	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$15,997,028	\$14,573,212	\$1,423,816
Intergovernmental Revenue	3,101,113	2,690,020	411,093
Charges for Services	2,616,552	2,756,311	(139,759)
Licenses, Permits, and Fees	23,701	20,915	2,786
Investment Earnings	1,094,359	551,065	543,294
Fines and Forfeitures	739,430	794,262	(54,832)
All Other Revenue	518,093	420,913	97,180
Total	<u>\$24,090,276</u>	<u>\$21,806,698</u>	<u>\$2,283,578</u>

General Fund revenues in 2006 increased approximately 10.5% compared to revenues in fiscal year 2005. The increase in tax revenues is the result of an increase of 0.15% in the income tax rate that became effective July 1, 2005. Another significant factor contributing to this increase was the increase in Community Development Block Grants received for infrastructure improvements. Investment earnings increased as a result of increasing interest rates during 2006.

	2006	2005	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$15,192,865	\$13,797,229	\$1,395,636
Public Health and Welfare Services	281,000	215,835	65,165
Community Environment	139,961	139,015	946
General Government	6,399,701	6,446,265	(46,564)
Total	<u>\$22,013,527</u>	<u>\$20,598,344</u>	<u>\$1,415,183</u>

General Fund expenditures increased by \$1,415,183 or 6.9% compared to the prior year primarily due to increased salaries and wages and approximately 15 additional fire personnel and their related benefits as a result of an increase in the income tax rate earmarked for the Fire Department.

Capital Improvement Fund – The fund balance increased because the City had a decrease in expenditures for improvement projects.

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City’s business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of 2006, the City amended its General Fund budget several times. The increase in the final budget was insignificant. The positive variance with the final budget of \$1,942,233 was the result of expectations of hiring additional police personnel which did not materialize.

For the General Fund, final budget basis revenue of \$25,306,103 increased by approximately \$1,300,000 over the original budget estimates of \$23,954,828 as a result of an increase in the income tax rate from 1.6% to 1.75% and higher than expected earnings on investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006 the City had \$115,765,883 net of accumulated depreciation invested in buildings, equipment and vehicles. Of this total, \$31,760,236 was related to governmental activities and \$84,005,647 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$14,774,539	\$13,500,945	\$1,273,594
Buildings	6,455,749	6,456,749	(1,000)
Improvements Other than Buildings	5,634,870	5,584,030	50,840
Infrastructure	14,426,845	13,389,909	1,036,936
Vehicles	5,779,456	4,804,503	974,953
Machinery and Equipment	4,656,625	4,519,631	136,994
Construction In Progress	904,660	131,113	773,547
Less: Accumulated Depreciation	(20,872,508)	(19,625,129)	(1,247,379)
Totals	<u>\$31,760,236</u>	<u>\$28,761,751</u>	<u>\$2,998,485</u>

The primary increases occurred in land and infrastructure, which was the result of the acquisition of land, streets donated by developers, and the start of a new street project, Ety Road. Vehicles increased because the fire department purchased a new aerial platform.

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Land	\$2,562,242	\$1,928,942	\$633,300
Buildings	34,601,783	34,596,208	5,575
Improvements	31,912,785	31,893,254	19,531
Infrastructure	55,437,343	50,475,352	4,961,991
Vehicles	3,411,603	3,530,768	(119,165)
Machinery and Equipment	10,047,434	9,620,923	426,511
Construction in Progress	3,663,611	1,814,910	1,848,701
Less: Accumulated Depreciation	(57,631,154)	(53,114,210)	(4,516,944)
Totals	\$84,005,647	\$80,746,147	\$3,259,500

Business type capital assets increased by \$2,403,182. The additions to infrastructure include approximately \$2 million in water, and sanitary sewer lines and storm drainage systems donated by developers, as well as the completion of the Baltimore Road waterline and several sanitary sewer and storm water projects. The increase in construction in progress is the start of the Lake Allen/Maple sewer separation project and the Upper Hocking Wastewater Plant. Additional information on the City's capital assets can be found in Note 8.

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**Management's Discussion and Analysis
For the Year Ended December 31, 2006****Unaudited**

Debt

At December 31, 2006, the City had \$3,815,000 in general obligation bonds outstanding, \$155,000 due within one year; \$12,824,754 in revenue bonds outstanding, \$340,000 due within one year; and \$41,823,289 in Ohio Water Development Authority Loans outstanding, \$2,693,721 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Governmental Activities:		
General Obligation Bond Payable	\$3,815,000	\$3,965,000
Special Assessment Bond		
with Government Commitment	306,000	319,500
Housing and Urban Development Loan	940,000	1,030,000
Ohio Public Works Commission Loan	88,248	94,334
Compensated Absences	4,485,365	4,102,836
Capital Leases	617,050	849,076
Total Governmental Activities	<u>\$10,251,663</u>	<u>\$10,360,746</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$41,823,289	\$44,400,803
Revenue Bonds Payable	12,824,754	13,168,005
Landfill Postclosure Care Liability	1,865,362	1,945,873
Capital Leases	26,714	35,004
Compensated Absences	1,857,758	1,816,624
Total Business-Type Activities	<u>\$58,397,877</u>	<u>\$61,366,309</u>
Totals	<u><u>\$68,649,540</u></u>	<u><u>\$71,727,055</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

Lancaster is home to a diversified community of businesses. The more than 150 manufacturing operations in the area are supported by an equal number of service operations that provide a comprehensive network of support. With the completion of the \$160 million U.S. Route 33 bypass, the expansion of City utilities and Industrial grounds, and a growing workforce, Lancaster is well positioned to have successful economic retention and growth.

Retail projects in 2006 include WG Grinders, The Shoppes at Fair and Ety, La Cascada Restaurante, and Advance Auto Parts. The downtown area is being re-invented with a new Special Improvement District Director. Projects include the Lancaster Olde Town Center with retail artistic vendors on the ground floor and attractive renovated upscale housing above. New storefronts are making an architectural difference with the completed Orange Carpet Lounge and the Fairfield National Bank facelifts. A private sector Columbus Developer has purchased the former Essex Building.

REQUESTS FOR INFORMATION

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

CITY OF LANCASTER, OHIO

**Statement of Net Assets
December 31, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 8,234,398	\$ 16,391,875	\$ 24,626,273
Investments	4,005,267	18,655,932	22,661,199
Receivables:			
Taxes	5,337,164	0	5,337,164
Accounts	199,193	5,868,553	6,067,746
Intergovernmental	3,194,350	59,543	3,253,893
Interest	123,905	115,586	239,491
Special Assessments	572,436	0	572,436
Loans	1,470,691	0	1,470,691
Internal Balances	(1,011,582)	1,011,582	0
Inventory of Supplies	344,323	8,350,079	8,694,402
Prepaid Items	2,762,995	39,503	2,802,498
Deferred Charge	0	268,768	268,768
Restricted Assets:			
Cash and Cash Equivalents	0	1,625,548	1,625,548
Cash and Cash Equivalents with Fiscal Agent	7,568	0	7,568
Investments	0	459,718	459,718
Capital Assets Not Being Depreciated	15,679,199	6,225,853	21,905,052
Capital Assets Being Depreciated, Net	16,081,037	77,779,794	93,860,831
Total Assets	57,000,944	136,852,334	193,853,278
Liabilities:			
Accounts Payable	814,492	3,145,339	3,959,831
Accrued Wages and Benefits	1,360,045	360,651	1,720,696
Intergovernmental Payable	646	19,821	20,467
Claims Payable	246,400	0	246,400
Retainage Payable	0	435,398	435,398
Due to Others	0	136,129	136,129
Unearned Revenue	2,136,700	0	2,136,700
Accrued Interest Payable	92,972	1,251,450	1,344,422
General Obligation Notes Payable	5,811,600	10,125,000	15,936,600
Long Term Liabilities:			
Due within one year	1,673,397	3,502,708	5,176,105
Due in more than one year	8,578,266	54,895,169	63,473,435
Total Liabilities	20,714,518	73,871,665	94,586,183
Net Assets:			
Invested in Capital Assets, Net of Related Debt	23,975,773	30,722,799	54,698,572
Restricted For:			
Streets and Highways	1,353,628	0	1,353,628
Community Development	2,430,112	0	2,430,112
Security of Persons and Property	1,467,574	0	1,467,574
Capital Projects	855,358	0	855,358
Debt Service	652,188	1,054,021	1,706,209
Perpetual Care, Nonexpendable	827,454	0	827,454
Unrestricted	4,724,339	31,203,849	35,928,188
Total Net Assets	\$ 36,286,426	\$ 62,980,669	\$ 99,267,095

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Activities
For the Year Ended December 31, 2006**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 16,104,691	\$ 1,871,567	\$ 234,107	\$ 0
Public Health and Welfare Services	878,467	270,286	6,562	0
Leisure Time Activities	2,124,266	369,508	64,975	0
Community Environment	959,561	100,329	790,584	0
Transportation	4,342,096	821,284	2,455,580	2,054,029
General Government	7,223,816	2,072,411	54,715	0
Interest and Fiscal Charges	322,513	0	0	0
Total Governmental Activities	31,955,410	5,505,385	3,606,523	2,054,029
Business-Type Activities:				
Gas	23,771,384	26,107,359	0	0
Water	8,513,968	8,616,566	0	467,674
Water Pollution	7,226,506	7,314,131	0	931,758
Sanitation	3,033,340	3,577,116	0	0
Storm Water	1,159,357	1,828,503	0	972,218
Total Business-Type Activities	43,704,555	47,443,675	0	2,371,650
Totals	\$ 75,659,965	\$ 52,949,060	\$ 3,606,523	\$ 4,425,679

General Revenues:

- Property Taxes Levied for:
 - General Purposes
 - Special Purposes
- Income Tax
- Other Local Taxes
- Intergovernmental Revenues not Restricted to Specific Programs
- 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

CITY OF LANCASTER, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (13,999,017)	\$ 0	\$ (13,999,017)
(601,619)	0	(601,619)
(1,689,783)	0	(1,689,783)
(68,648)	0	(68,648)
988,797	0	988,797
(5,096,690)	0	(5,096,690)
(322,513)	0	(322,513)
<u>(20,789,473)</u>	<u>0</u>	<u>(20,789,473)</u>
0	2,335,975	2,335,975
0	570,272	570,272
0	1,019,383	1,019,383
0	543,776	543,776
0	1,641,364	1,641,364
<u>0</u>	<u>6,110,770</u>	<u>6,110,770</u>
<u>(20,789,473)</u>	<u>6,110,770</u>	<u>(14,678,703)</u>
1,935,850	0	1,935,850
413,013	0	413,013
15,641,005	0	15,641,005
516,698	0	516,698
2,604,474	0	2,604,474
1,159,085	0	1,159,085
722,979	0	722,979
<u>22,993,104</u>	<u>0</u>	<u>22,993,104</u>
2,203,631	6,110,770	8,314,401
<u>34,082,795</u>	<u>56,869,899</u>	<u>90,952,694</u>
<u>\$ 36,286,426</u>	<u>\$ 62,980,669</u>	<u>\$ 99,267,095</u>

CITY OF LANCASTER, OHIO

**Balance Sheet
Governmental Funds
December 31, 2006**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 230,329	\$ 1,351,672	\$ 6,441,385	\$ 8,023,386
Investments	2,945,379	0	1,059,888	4,005,267
Receivables:				
Taxes	4,619,937	52,656	664,571	5,337,164
Accounts	167,154	0	31,039	198,193
Intergovernmental	1,315,516	0	1,878,834	3,194,350
Interest	108,403	0	15,502	123,905
Special Assessments	0	0	572,436	572,436
Loans	0	0	1,470,691	1,470,691
Due from Other Funds	27,431	0	0	27,431
Interfund Loans Receivables	60,000	0	0	60,000
Inventory of Supplies	214,032	0	125,856	339,888
Prepaid Items	49,034	0	13,961	62,995
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	7,568	0	0	7,568
Total Assets	\$ 9,744,783	\$ 1,404,328	\$ 12,274,163	\$ 23,423,274
Liabilities:				
Accounts Payable	\$ 211,555	\$ 114,717	\$ 457,468	\$ 783,740
Accrued Wages and Benefits Payable	1,184,047	0	157,456	1,341,503
Intergovernmental Payable	646	0	0	646
Interfund Loans Payable	0	0	285,000	285,000
Deferred Revenue	3,858,215	23,582	2,505,235	6,387,032
Accrued Interest Payable	0	2,056	52,901	54,957
General Obligation Notes Payable	0	1,221,100	4,590,500	5,811,600
Total Liabilities	5,254,463	1,361,455	8,048,560	14,664,478
Fund Balances:				
Reserved for Encumbrances	184,385	0	221,130	405,515
Reserved for Prepaid Items	49,034	0	13,961	62,995
Reserved for Supplies Inventory	214,032	0	125,856	339,888
Reserved for Debt Service	0	0	117,767	117,767
Reserved for Loans Receivable	0	0	1,470,691	1,470,691
Reserved for Endowments	0	0	827,454	827,454
Unreserved, Undesignated in:				
General Fund	4,042,869	0	0	4,042,869
Special Revenue Funds	0	0	3,035,341	3,035,341
Capital Projects Funds	0	42,873	(1,586,597)	(1,543,724)
Total Fund Balances	4,490,320	42,873	4,225,603	8,758,796
Total Liabilities and Fund Balances	\$ 9,744,783	\$ 1,404,328	\$ 12,274,163	\$ 23,423,274

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2006***

Total Governmental Fund Balances		\$ 8,758,796
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		31,651,008
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		4,250,332
Internal Service Funds are used by management to charge the costs of insurance, information services and electrical services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		1,829,533
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Housing and Urban Development Loan Payable	(940,000)	
Special Assessment Bonds Payable	(306,000)	
Ohio Public Works Commission Loans Payable	(88,248)	
General Obligation Bonds Payable	(3,815,000)	
Capital Leases Payable	(617,050)	
Compensated Absences Payable	(4,398,930)	
Accrued Interest Payable	(38,015)	
	<u>(10,203,243)</u>	
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 36,286,426</u></u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 15,997,028	\$ 249,687	\$ 1,735,268	\$ 17,981,983
Intergovernmental Revenues	3,101,113	65,570	3,767,079	6,933,762
Charges for Services	2,616,552	0	1,616,314	4,232,866
Licenses, Permits and Fees	23,701	0	578	24,279
Investment Earnings	1,094,359	0	57,383	1,151,742
Special Assessments	0	0	136,327	136,327
Fines and Forfeitures	739,430	0	783,384	1,522,814
All Other Revenue	518,093	169,290	196,901	884,284
Total Revenue	24,090,276	484,547	8,293,234	32,868,057
Expenditures:				
Current:				
Security of Persons and Property	15,192,865	0	709,056	15,901,921
Public Health and Welfare	281,000	0	640,993	921,993
Leisure Time Activities	0	0	1,959,713	1,959,713
Community Environment	139,961	0	1,064,233	1,204,194
Transportation	0	0	3,805,510	3,805,510
General Government	6,399,701	0	546,596	6,946,297
Capital Outlay	0	615,805	1,606,169	2,221,974
Debt Service:				
Principal Retirement	0	0	259,586	259,586
Interest and Fiscal Charges	0	43,417	255,216	298,633
Total Expenditures	22,013,527	659,222	10,847,072	33,519,821
Excess (Deficiency) of Revenues Over Expenditures	2,076,749	(174,675)	(2,553,838)	(651,764)
Other Financing Sources (Uses):				
Transfers In	0	496,844	1,489,775	1,986,619
Transfers Out	(1,699,709)	(36,910)	(250,000)	(1,986,619)
Other Financing Source - Capital Lease	10,079	0	0	10,079
Total Other Financing Sources (Uses)	(1,689,630)	459,934	1,239,775	10,079
Net Change in Fund Balances	387,119	285,259	(1,314,063)	(641,685)
Fund Balances at Beginning of Year	4,057,528	(242,386)	5,592,329	9,407,471
Increase (Decrease) in Inventory Reserve	45,673	0	(52,663)	(6,990)
Fund Balances End of Year	\$ 4,490,320	\$ 42,873	\$ 4,225,603	\$ 8,758,796

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2006***

Net Change in Fund Balances - Total Governmental Funds \$ (641,685)

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 capital outlays. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital Outlay	2,429,122	
Depreciation Expense	<u>(1,494,852)</u>	934,270

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	2,054,029	
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The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(25,421)</u>	2,028,608
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (763,045)

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, but has no effect on net assets.

Capital Leases	<u>(10,079)</u>	(10,079)
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Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Housing and Urban Development Loan Payable	90,000	
Special Assessment Bonds Payable	13,500	
Ohio Public Works Commission Loans Payable	6,086	
General Obligation Bonds Payable	150,000	
Capital Leases Payable	<u>242,105</u>	501,691

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (23,880)

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

Compensated Absences	(375,018)	
Change in Inventory	<u>(6,990)</u>	(382,008)

Internal Service Funds used by management to charge the costs of insurance information services and electrical services to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.

559,759

Change in Net Assets of Governmental Activities \$ 2,203,631

See accompanying notes to the basic financial statements



CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 15,376,450	\$ 15,997,164	\$ 15,996,997	\$ (167)
Intergovernmental Revenue	3,040,155	3,225,361	2,823,397	(401,964)
Charges for Services	3,534,000	3,701,832	3,304,629	(397,203)
Licenses, Permits and Fees	23,000	23,000	23,701	701
Investment Earnings	585,000	839,054	1,076,233	237,179
Fines and Forfeitures	892,000	892,000	746,435	(145,565)
All Other Revenues	504,223	627,692	471,322	(156,370)
Total Revenues	23,954,828	25,306,103	24,442,714	(863,389)
Expenditures:				
Current:				
Security of Persons and Property	16,121,172	16,362,231	15,183,678	1,178,553
Public Health and Welfare Services	281,500	281,500	281,000	500
Community Environment	159,450	159,450	142,779	16,671
General Government	7,642,345	7,990,126	7,243,617	746,509
Total Expenditures	24,204,467	24,793,307	22,851,074	1,942,233
Excess (Deficiency) of Revenues Over (Under) Expenditures	(249,639)	512,796	1,591,640	1,078,844
Other Financing Sources (Uses):				
Transfers In	(63,127)	(63,127)	3,250	66,377
Transfers Out	(1,271,540)	(1,699,709)	(1,699,709)	0
Advances In	0	85,000	25,000	(60,000)
Advances Out	0	(85,000)	(85,000)	0
Total Other Financing Sources (Uses):	(1,334,667)	(1,762,836)	(1,756,459)	6,377
Net Change in Fund Balance	(1,584,306)	(1,250,040)	(164,819)	1,085,221
Fund Balance at Beginning of Year	2,661,517	2,661,517	2,661,517	0
Prior Year Encumbrances	324,983	324,983	324,983	0
Fund Balance at End of Year	\$ 1,402,194	\$ 1,736,460	\$ 2,821,681	\$ 1,085,221

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 5,741,755	\$ 2,484,471	\$ 2,482,724
Investments	0	6,470,952	12,184,980
Accounts receivable	3,921,648	808,930	664,799
Intergovernmental receivable	0	0	0
Interest receivable	0	29,112	79,081
Interfund Loans Receivable	225,000	0	0
Inventory of Supplies	7,331,405	922,470	16,578
Prepaid Items	10,613	15,397	10,036
Total current assets	<u>17,230,421</u>	<u>10,731,332</u>	<u>15,438,198</u>
Noncurrent assets:			
Restricted Assets:			
Cash and Cash Equivalents	99,369	1,103,285	422,894
Investments	0	0	0
Total restricted assets	<u>99,369</u>	<u>1,103,285</u>	<u>422,894</u>
Deferred Charges	0	166,878	101,890
Capital assets:			
Capital Assets Not Being Depreciated	310,742	663,801	4,635,320
Capital Assets Being Depreciated	<u>5,627,800</u>	<u>39,122,828</u>	<u>24,958,307</u>
Total capital assets (net of accumulated depr)	<u>5,938,542</u>	<u>39,786,629</u>	<u>29,593,627</u>
Total noncurrent assets	<u>6,037,911</u>	<u>41,056,792</u>	<u>30,118,411</u>
Total assets	<u>23,268,332</u>	<u>51,788,124</u>	<u>45,556,609</u>

CITY OF LANCASTER, OHIO

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,353,516	\$ 3,104,193	\$ 16,166,659	\$ 436,228
0	0	18,655,932	0
333,540	139,636	5,868,553	1,000
0	59,543	59,543	0
7,393	0	115,586	0
0	0	225,000	0
29,543	2,036	8,302,032	52,482
2,738	0	38,784	2,700,719
<u>2,726,730</u>	<u>3,305,408</u>	<u>49,432,089</u>	<u>3,190,429</u>
0	0	1,625,548	0
459,718	0	459,718	0
<u>459,718</u>	<u>0</u>	<u>2,085,266</u>	<u>0</u>
0	0	268,768	0
105,120	510,870	6,225,853	0
<u>1,388,785</u>	<u>6,596,935</u>	<u>77,694,655</u>	<u>194,367</u>
<u>1,493,905</u>	<u>7,107,805</u>	<u>83,920,508</u>	<u>194,367</u>
<u>1,953,623</u>	<u>7,107,805</u>	<u>86,274,542</u>	<u>194,367</u>
<u>4,680,353</u>	<u>10,413,213</u>	<u>135,706,631</u>	<u>3,384,796</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
LIABILITIES			
Current liabilities:			
Accounts Payable	2,398,301	280,451	259,449
Accrued Wages and Benefits	65,347	117,298	60,754
Intergovernmental Payable	0	0	10,350
Claims Payable	0	0	0
Retainage Payable	0	435,398	0
Due to Others	99,369	18,380	18,380
Due to Other Funds	0	0	0
Accrued Interest Payable	0	495,869	649,299
General Obligation Notes Payable	0	0	8,425,000
Capital Leases Payable - Current	0	7,217	0
Revenue Bond Payable - Current	0	210,000	130,000
OWDA Loans Payable - Current	0	1,049,636	1,461,644
Compensated Absences Payable - Current	81,854	163,400	77,090
Total Current Liabilities	2,644,871	2,777,649	11,091,966
Noncurrent Liabilities:			
Capital Leases Payable	0	13,206	0
Revenue Bonds Payable	0	7,702,520	4,782,234
OWDA Loans Payable	0	22,216,404	14,357,413
Landfill Postclosure Care Liability	0	0	0
Compensated Absences Payable	298,578	407,771	283,476
Total noncurrent liabilities	298,578	30,339,901	19,423,123
Total Liabilities	2,943,449	33,117,550	30,515,089
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,938,542	10,291,759	6,020,888
Restricted for Debt Service	0	649,507	404,514
Unrestricted	14,386,341	7,729,308	8,616,118
Total Net Assets	\$ 20,324,883	\$ 18,670,574	\$ 15,041,520

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

Total Net Assets of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
64,350	127,662	3,130,213	45,878
56,296	8,250	307,945	71,248
9,471	0	19,821	0
0	0	0	246,400
0	0	435,398	0
0	0	136,129	0
27,431	0	27,431	0
54,490	51,792	1,251,450	0
0	1,700,000	10,125,000	0
0	0	7,217	2,057
0	0	340,000	0
182,441	0	2,693,721	0
60,521	9,695	392,560	87,268
<u>455,000</u>	<u>1,897,399</u>	<u>18,866,885</u>	<u>452,851</u>
0	0	13,206	4,234
0	0	12,484,754	0
2,555,751	0	39,129,568	0
1,865,362	0	1,865,362	0
112,901	0	1,102,726	361,639
<u>4,534,014</u>	<u>0</u>	<u>54,595,616</u>	<u>365,873</u>
<u>4,989,014</u>	<u>1,897,399</u>	<u>73,462,501</u>	<u>818,724</u>
1,493,905	6,977,705	30,722,799	188,076
0	0	1,054,021	0
(1,802,566)	1,538,109	30,467,310	2,377,996
<u>\$ (308,661)</u>	<u>\$ 8,515,814</u>	<u>\$ 62,244,130</u>	<u>\$ 2,566,072</u>

736,539
\$ 62,980,669

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
Operating Revenues:			
Charges for Services	\$ 23,825,498	\$ 8,287,697	\$ 6,732,287
Other Operating Revenues	2,281,861	3,320	4,841
Total Operating Revenues	26,107,359	8,291,017	6,737,128
Operating Expenses:			
Personal Services	1,388,534	2,873,061	1,439,568
Contractual Services	939,892	1,020,711	1,887,892
Materials and Supplies	21,033,486	1,454,312	598,034
Depreciation	463,695	1,950,365	2,156,161
Total Operating Expenses	23,825,607	7,298,449	6,081,655
Operating Income	2,281,752	992,568	655,473
Non-Operating Revenue (Expenses):			
Interest Income	0	325,549	577,003
Interest and Fiscal Charges	0	(1,301,641)	(1,191,140)
Loss on Disposal of Capital Assets	0	(1,072)	0
Intergovernmental Grants	0	0	250,000
Total Non-Operating Revenues (Expenses)	0	(977,164)	(364,137)
Income Before Contributions	2,281,752	15,404	291,336
Capital Contributions	0	467,674	681,758
Change in Net Assets	2,281,752	483,078	973,094
Net Assets Beginning of Year	18,043,131	18,187,496	14,068,426
Net Assets End of Year	\$ 20,324,883	\$ 18,670,574	\$ 15,041,520

Change in Net Assets of Business Type Activities

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

Change in Net Assets of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,518,155	\$ 1,828,428	\$ 44,192,065	\$ 7,898,805
39,841	75	2,329,938	10,308
<u>3,557,996</u>	<u>1,828,503</u>	<u>46,522,003</u>	<u>7,909,113</u>
1,417,778	196,706	7,315,647	6,571,464
1,175,778	788,893	5,813,166	323,682
202,862	35,575	23,324,269	162,393
170,514	96,883	4,837,618	47,439
<u>2,966,932</u>	<u>1,118,057</u>	<u>41,290,700</u>	<u>7,104,978</u>
591,064	710,446	5,231,303	804,135
19,120	0	921,672	0
(110,819)	(51,792)	(2,655,392)	0
0	0	(1,072)	(1,767)
0	172,933	422,933	0
<u>(91,699)</u>	<u>121,141</u>	<u>(1,311,859)</u>	<u>(1,767)</u>
499,365	831,587	3,919,444	802,368
0	799,285	1,948,717	0
499,365	1,630,872	5,868,161	802,368
(808,026)	6,884,942	56,375,969	1,763,704
<u>\$ (308,661)</u>	<u>\$ 8,515,814</u>	<u>\$ 62,244,130</u>	<u>\$ 2,566,072</u>
		\$ 5,868,161	
		242,609	
		<u>\$ 6,110,770</u>	

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$26,623,399	\$8,292,188	\$6,683,843
Cash Payments for Goods and Services	(23,071,277)	(2,503,563)	(2,463,941)
Cash Payments to and on behalf of Employees	(1,401,611)	(2,872,772)	(1,444,576)
Customer Deposits Received	135,899	25,132	25,132
Customer Deposits Returned	(141,632)	(26,192)	(26,192)
Net Cash Provided by Operating Activities	<u>2,144,778</u>	<u>2,914,793</u>	<u>2,774,266</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Interfund Loan	(225,000)	0	0
Net Cash Provided Used for Noncapital Financing Activities	<u>(225,000)</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Intergovernmental Grants Received	0	0	250,000
Proceeds from General Obligation Notes		0	8,425,000
Acquisition and Construction of Assets	(403,975)	(1,150,564)	(3,918,465)
Principal Paid on General Obligation Notes	0	0	(725,000)
Capital Lease Payments	0	(6,459)	0
Retainage Payment	0	(57,430)	(37,731)
Principal Paid on General Obligation Bonds	0	(205,000)	(155,000)
Principal Paid on Ohio Water			
Development Authority Loans	0	(1,009,394)	(1,392,879)
Interest Paid on All Debt	0	(1,319,778)	(988,409)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(403,975)</u>	<u>(3,748,625)</u>	<u>1,457,516</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	2,691,188	0	0
Purchase of Investments	0	(462,833)	(6,021,802)
Receipt of Investment Earnings	0	303,836	529,295
Net Cash Provided (Used) for Investing Activities	<u>2,691,188</u>	<u>(158,997)</u>	<u>(5,492,507)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,206,991	(992,829)	(1,260,725)
Cash and Cash Equivalents at Beginning of Year	<u>1,634,133</u>	<u>4,580,585</u>	<u>4,166,343</u>
Cash and Cash Equivalents at End of Year	<u>\$5,841,124</u>	<u>\$3,587,756</u>	<u>\$2,905,618</u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$5,741,755	\$2,484,471	\$2,482,724
Restricted Cash and Cash Equivalents	99,369	1,103,285	422,894
Cash and Cash Equivalents at End of Year	<u>\$5,841,124</u>	<u>\$3,587,756</u>	<u>\$2,905,618</u>

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Totals	Internal Service Funds
\$3,568,758	\$1,820,224	\$46,988,412	\$7,908,263
(1,485,361)	(829,616)	(30,353,758)	(483,963)
(1,397,231)	(195,524)	(7,311,714)	(7,227,830)
0	0	186,163	0
0	0	(194,016)	0
<u>686,166</u>	<u>795,084</u>	<u>9,315,087</u>	<u>196,470</u>
0	0	(225,000)	0
0	0	(225,000)	0
0	113,390	363,390	0
0	1,700,000	10,125,000	0
(35,638)	(543,573)	(6,052,215)	(46,981)
0	0	(725,000)	0
0	0	(6,459)	(1,831)
0	0	(95,161)	0
0	0	(360,000)	0
(175,241)	0	(2,577,514)	0
(114,383)	0	(2,422,570)	0
<u>(325,262)</u>	<u>1,269,817</u>	<u>(1,750,529)</u>	<u>(48,812)</u>
1,674,793	646,641	5,012,622	0
(459,718)	0	(6,944,353)	0
24,716	0	857,847	0
<u>1,239,791</u>	<u>646,641</u>	<u>(1,073,884)</u>	<u>0</u>
1,600,695	2,711,542	6,265,674	147,658
752,821	392,651	11,526,533	288,570
<u>\$2,353,516</u>	<u>\$3,104,193</u>	<u>\$17,792,207</u>	<u>\$436,228</u>
\$2,353,516	\$3,104,193	\$16,166,659	\$436,228
0	0	1,625,548	0
<u>\$2,353,516</u>	<u>\$3,104,193</u>	<u>\$17,792,207</u>	<u>\$436,228</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$2,281,752	\$992,568	\$655,473
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	463,695	1,950,365	2,156,161
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	516,040	1,171	(53,285)
(Increase) Decrease in Inventory	(409,433)	(78,335)	16,669
(Increase) Decrease in Prepaid Items	647	396	231
Increase (Decrease) in Accounts Payable	(689,626)	49,040	(5,463)
Increase (Decrease) in Accrued Wages and Benefits	938	(7,613)	2,540
Decrease in Due to Other Funds	0	0	0
Increase (Decrease) in Intergovernmental Payable	0	0	10,350
Decrease in Customer Deposits	(5,733)	(1,060)	(1,060)
Decrease in Landfill Postclosure Care Liability	0	0	0
Increase (Decrease) in Compensated Absences	(13,502)	8,261	(7,350)
Decrease in Claims Payable	0	0	0
Total Adjustments	<u>(136,974)</u>	<u>1,922,225</u>	<u>2,118,793</u>
Net Cash Provided by Operating Activities	<u>\$2,144,778</u>	<u>\$2,914,793</u>	<u>\$2,774,266</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2006 the Gas, Water, Water Pollution, Storm Water, Utilities, and Information Services Funds had outstanding liabilities of \$7,110, \$127,041 \$212,629, \$126,831, \$3,975 and \$17,897 respectively for certain capital assets.

During 2006 the Water, Water Pollution and Storm Water Funds received capital contributions from developers of \$467,078, \$681,758 and \$799,285 respectively.

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Totals	Internal Service Funds
\$591,064	\$710,446	\$5,231,303	\$804,135
170,514	96,883	4,837,618	47,439
10,762	(8,279)	466,409	(850)
1,874	(2,036)	(471,261)	(7,152)
(127)	0	1,147	(697,965)
(17,096)	(3,112)	(666,257)	9,269
1,110	556	(2,469)	6,735
(4,306)	0	(4,306)	0
(6,555)	0	3,795	0
0	0	(7,853)	0
(80,511)	0	(80,511)	0
19,437	626	7,472	41,173
0	0	0	(6,314)
<u>95,102</u>	<u>84,638</u>	<u>4,083,784</u>	<u>(607,665)</u>
<u>\$686,166</u>	<u>\$795,084</u>	<u>\$9,315,087</u>	<u>\$196,470</u>

CITY OF LANCASTER, OHIO

***Statement of Net Assets
Fiduciary Funds
December 31, 2006***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 152,901
Due from Other Funds	<u>4,221</u>
Total Assets	<u>157,122</u>
Liabilities:	
Due to Other Funds	4,221
Intergovernmental Payable	4,221
Due to Others	<u>148,680</u>
Total Liabilities	<u>\$ 157,122</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2006 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

The City participates in several Jointly Governed Organizations that are further described in Note 16.

B. Basis of Presentation - Fund Accounting

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

D. Basis of Accounting

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Property taxes measurable as of December 31, 2006 but which are not intended to finance 2006 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

The accrual basis of accounting is utilized for reporting purposes for the government-wide, the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

E. Budgetary Process

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level (the legal level of control). The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. During 2006, several supplemental appropriations were legally enacted by Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear on the " Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	\$387,119
Increase (Decrease):	
Accrued Revenues at December 31, 2006 received during 2007	(2,495,778)
Accrued Revenues at December 31, 2005 received during 2006	2,118,907
Accrued Expenditures at December 31, 2006 paid during 2007	1,396,248
Accrued Expenditures at December 31, 2005 paid during 2006	(1,266,110)
2005 Prepays for 2006	53,409
2006 Prepays for 2007	(49,034)
Adjustment to Fair Value	(8,423)
Outstanding Encumbrances	(301,157)
Budget Basis	<u>(\$164,819)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. See Note 3, "Cash, Cash Equivalents and Investments."

The City pools its cash, except for that held by fiscal and escrow agents and fiduciary fund cash and investments, for maximum investing efficiency. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

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

The City has invested funds in STAR Ohio during 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006. See Note 3, "Cash, Cash Equivalents and Investments."

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	40
Improvements other than Buildings	20-25
Infrastructure	10-100
Machinery and Equipment, Vehicles	3 - 10

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Pensions

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

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

P. Reservations of Fund Balance

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

Q. Restricted Assets

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

R. Operating Revenues and Expenses

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2006 of \$950,980 and \$794,232 in the Fire Capital Improvement Fund and the Ety Road TIF Project Fund (capital projects funds) are the result of recording notes payable amounts in the individual fund balance sheets. The accumulated deficit of \$308,661 in the Sanitation Fund (enterprise fund) is the result of recognizing a liability for landfill postclosure care costs and loans payable to the Ohio Water Development Authority for landfill postclosure care costs. The accumulated deficit of \$77,474 in the Utilities Fund (internal service fund) arises from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. The City has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Auditor and Treasurer to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income.

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$4,278,073 and the bank balance was \$5,534,294. Federal depository insurance covered \$400,000 of the bank balance and \$5,134,294 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$5,134,294</u>
Total Balance	<u><u>\$5,134,294</u></u>

Investment earnings of \$939,695 earned by other funds was credited to the General Fund as required by state statute.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments

The City's investments at December 31, 2006 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>			
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>	<u>more than 5</u>
Repurchase Agreements	\$30,047,670	N/A	\$30,047,670	\$0	\$0	\$0
STAR Ohio	513,637	AAA ^{m1}	513,637	0	0	0
City of Lancaster Notes Payable	2,211,600	AAA ¹	2,211,600	0	0	0
City of Lancaster Bond Payable	306,000	AAA ¹	14,000	30,500	33,500	228,000
FHLB ^a	1,482,030	AAA ^{1,2}	0	1,482,030	0	0
FHLB ^b	6,967,668	AAA ^{1,2}	268,650	5,208,703	1,490,315	0
FHLMC ^b	3,726,529	AAA ^{1,2}	0	3,726,529	0	0
Total Investments	<u>\$45,255,134</u>		<u>\$33,055,557</u>	<u>\$10,447,762</u>	<u>\$1,523,815</u>	<u>\$228,000</u>

¹ Standard & Poor's

² Moody's Investor Service

^a Call Options – Callable anytime at par value.

^b Call Options – Callable quarterly at par value.

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 18.7% are FHLB, and 8.2% are FHLMC.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$26,412,290	\$23,120,917
Certificates of Deposit (with maturities of more than 3 months)	2,427,090	(2,427,090)
Investments:		
STAR Ohio	(513,637)	513,637
Repurchase Agreement (with maturities of less than 3 months)	<u>(24,047,670)</u>	<u>24,047,670</u>
Per GASB Statement No. 3	<u>\$4,278,073</u>	<u>\$45,255,134</u>

* Includes Cash with Fiscal Agent

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2004 on assessed values as of January 1, 2004, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 12.5% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; the remainder payable by September 20.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

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

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

The full tax rate for the City's operations for the year ended December 31, 2006 was \$3.40 per \$1,000 of assessed value. The assessed value upon which the 2006 property tax receipts were based was \$708,753,525. This amount constitutes \$642,823,670 in real property assessed value, \$49,702,405 in tangible personal property assessed value and \$16,227,450 in public utility property.

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

B. Income Tax

The City levies a tax of 1.75%, .75% of which is voter approved, on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. The City allows a credit of 100% of the first 1.0% unvoted tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 5 - RECEIVABLES

Receivables at December 31, 2006 consisted of taxes, accounts, net of allowance for doubtful accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 6 – INTERFUND ACCOUNTS

Interfund balances at December 31, 2006 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$27,431	\$0
Enterprise Fund:		
Sanitation	0	27,431
Agency Funds:		
Municipal Court	0	4,221
Law Library	4,221	0
Total Agency Funds	<u>4,221</u>	<u>4,221</u>
Totals	<u>\$31,652</u>	<u>\$31,652</u>
	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$60,000	\$0
Nonmajor Governmental Funds	0	285,000
Enterprise Fund:		
Gas	225,000	0
Totals	<u>\$285,000</u>	<u>\$285,000</u>

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2006 of \$1,011,582 which was offset in the Governmental Activities by the same amount. The Due to Other Funds is a reimbursement of expenditures made by the General Fund. The Interfund Loan is a short-term loan to cover temporary cash deficits.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2006:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$1,699,709
Capital Improvement Fund	496,844	36,910
Nonmajor Governmental Funds	1,489,775	250,000
Total Transfers In	<u>\$1,986,619</u>	<u>\$1,986,619</u>

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2006:
Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$13,500,945	\$1,273,594	\$0	\$14,774,539
Construction in Progress	131,113	773,547	0	904,660
Subtotal	13,632,058	2,047,141	0	15,679,199
<i>Capital assets being depreciated:</i>				
Buildings	6,456,749	0	(1,000)	6,455,749
Improvements Other than Buildings	5,584,030	76,684	(25,844)	5,634,870
Vehicles	4,804,503	974,953	0	5,779,456
Machinery and Equipment	4,519,631	444,368	(307,374)	4,656,625
Infrastructure	13,389,909	1,036,936	0	14,426,845
Subtotal	34,754,822	2,532,941	(334,218)	36,953,545
Total Cost	\$48,386,880	\$4,580,082	(\$334,218)	\$52,632,744
<i>Accumulated Depreciation:</i>				
Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$2,647,166)	(\$145,439)	\$1,000	(\$2,791,605)
Improvements Other than Buildings	(3,183,065)	(183,541)	25,844	(3,340,762)
Vehicles	(4,016,680)	(388,375)	0	(4,405,055)
Machinery and Equipment	(3,305,826)	(334,323)	280,186	(3,359,963)
Infrastructure	(6,472,392)	(502,731)	0	(6,975,123)
Total Depreciation	(\$19,625,129)	(\$1,554,409) *	\$307,030	(\$20,872,508)
<i>Net Value:</i>	\$28,761,751			\$31,760,236

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$326,951)
Leisure Time Activities	(148,917)
Community Environment	(6,620)
Public Health & Welfare	(25,245)
Transportation	(767,084)
General Government	(259,956)
Internal Service Fund Capital Assets	(19,636)
Total Depreciation Expense	(\$1,554,409)

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 8 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2006:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Capital assets not being depreciated:				
Land	\$1,928,942	\$633,300	\$0	\$2,562,242
Construction in Progress	1,814,910	4,179,196	(2,330,495)	3,663,611
Subtotal	3,743,852	4,812,496	(2,330,495)	6,225,853
Capital assets being depreciated:				
Buildings	34,596,208	5,575	0	34,601,783
Improvements	31,893,254	19,531	0	31,912,785
Vehicles	3,530,768	154,320	(303,484)	3,381,604
Machinery and Equipment	9,620,923	504,488	(47,978)	10,077,433
Infrastructure	50,475,352	4,961,991	0	55,437,343
Subtotal	130,116,505	5,645,905	(351,462)	135,410,948
Total Cost	\$133,860,357	\$10,458,401	(\$2,681,957)	\$141,636,801

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$7,251,223)	(\$809,793)	\$0	(\$8,061,016)
Improvements	(17,128,334)	(1,506,148)	0	(18,634,482)
Vehicles	(2,722,815)	(266,880)	303,484	(2,686,211)
Machinery and Equipment	(6,234,973)	(673,983)	44,993	(6,863,963)
Infrastructure	(19,776,865)	(1,608,617)	0	(21,385,482)
Total Depreciation	(\$53,114,210)	(\$4,865,421)	\$348,477	(\$57,631,154)
Net Value:	\$80,746,147	\$5,592,980	(\$2,333,480)	\$84,005,647

Internal service funds serve both governmental and business-type funds. Accordingly, capital assets for them are included as part of the above totals for governmental and business-type funds. At year-end, \$109,228 and \$85,139 of internal service funds capital assets, net of depreciation are included in the respective above amounts. Also, \$19,636 and \$27,803 of depreciation expense for internal service fund are included in the respective above amounts.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City’s contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$1,716,987, \$1,614,229, and \$1,551,287, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$563,974.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$699,909, \$652,137 and \$632,394 for police and \$1,156,745, \$1,008,125 and \$885,211 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$278,169 representing 7.75% of covered payroll for police and \$373,532 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 10 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions. The City has purchased its own Notes Payables for Rising Park Improvements/Land Acquisition, Land Acquisition, the Medic Unit and the Aerial Platform. These notes are recorded as investments in the General Fund.

	Maturity Date	Balance January 1, 2006	Additions	(Reductions)	Balance December 31, 2006
Capital Projects Notes Payable:					
3.53% Rising Park Improvement/ Land Acquisition	11/19/2006	\$475,000	\$0	(\$475,000)	\$0
3.00% Rising Park Improvement/ Land Acquisition	11/15/2007	0	400,000	0	400,000
3.53% Law Enforcement Building	11/6/2006	110,000	0	(110,000)	0
3.00% Land Acquisition	12/20/2007	400,000	1,221,100	(800,000)	821,100
3.00% Medic Unit	3/17/2006	166,500	0	(166,500)	0
3.00% Medic Unit	3/17/2007	0	131,500	0	131,500
3.00% Aerial Platform	11/15/2007	0	859,000	0	859,000
4.25% Ety Road TIF	11/17/2007	0	3,600,000	0	3,600,000
Total Capital Projects Notes Payable		<u>\$1,151,500</u>	<u>\$6,211,600</u>	<u>(\$1,551,500)</u>	<u>\$5,811,600</u>
Enterprise Funds Notes Payable:					
3.53% Upper Hocking WWTP	11/7/2006	\$750,000	\$0	(\$750,000)	\$0
3.95% Upper Hocking WWTP	11/6/2007	0	725,000	0	725,000
4.00% Lake Allen/Maple Wastewater	3/27/2007	0	7,700,000	0	7,700,000
4.00% Lake Allen/Maple Storm Water	3/27/2007	0	1,700,000	0	1,700,000
Total Enterprise Notes Payable		<u>\$750,000</u>	<u>\$10,125,000</u>	<u>(\$750,000)</u>	<u>\$10,125,000</u>

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2006 were as follows:

	December 31, 2005	Additions	(Reductions)	Balance December 31, 2006	Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority Loans (OWDA):					
2003 2.00% Water Treatment Plant/Clearwells/Wellfield	\$184,025	\$0	(\$5,132)	\$178,893	\$5,306
2001 4.14% Water Transmission Line/Waste Force Main	4,877,685	0	(212,351)	4,665,334	221,233
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	19,213,724	0	(791,911)	18,421,813	823,097
1989 8.48% Water Pollution Control Plant	5,638,597	0	(480,169)	5,158,428	520,887
1990 7.74% Water Pollution Control Plant (Supplement)	116,291	0	(10,190)	106,101	10,979
1993 2.94% Water Pollution Control Plant (Supplement)	8,059,716	0	(665,641)	7,394,075	685,355
1996 3.16% Water Pollution Control Plant (Supplement)	3,397,332	0	(236,879)	3,160,453	244,423
1997 3.98% Landfill Postclosure Care	2,913,433	0	(175,241)	2,738,192	182,441
Total Ohio Water Development Authority Loans	<u>44,400,803</u>	<u>0</u>	<u>(2,577,514)</u>	<u>41,823,289</u>	<u>2,693,721</u>
Revenue Bonds Payable:					
2004 2-4.75% Water System Improvement Revenue Bond	8,000,000	0	(205,000)	7,795,000	210,000
Premium	122,630	0	(5,110)	117,520	0
2004 2-4.75% Wastewater System Improvement Revenue Bond	4,970,000	0	(130,000)	4,840,000	130,000
Premium	75,375	0	(3,141)	72,234	0
Total Revenue Bonds Payable	<u>13,168,005</u>	<u>0</u>	<u>(343,251)</u>	<u>12,824,754</u>	<u>340,000</u>
Landfill Postclosure Care Liability	1,945,873	0	(80,511)	1,865,362	0
Capital Leases	35,004	0	(8,290)	26,714	9,274
Compensated Absences	1,816,624	473,528	(432,394)	1,857,758	459,713
Total Business-Type Long-Term Debt	<u>\$61,366,309</u>	<u>\$473,528</u>	<u>(\$3,441,960)</u>	<u>\$58,397,877</u>	<u>\$3,502,708</u>
Governmental Activities Long-Term Debt:					
2005 3-4.375% General Obligation Bond Payable	\$3,965,000	\$0	(\$150,000)	\$3,815,000	\$155,000
2001 5.00% Special Assessment Bond Payable with Governmental Commitment	319,500	0	(13,500)	306,000	14,000
1992 3.00% Housing and Urban Development Loan Payable	1,030,000	0	(90,000)	940,000	90,000
2000 0.00% Ohio Public Works Commission Loan Payable	94,334	0	(6,086)	88,248	6,086
Compensated Absences	4,102,836	1,512,193	(1,129,664)	4,485,365	1,210,018
Capital Leases	849,076	10,079	(242,105)	617,050	198,293
Total Governmental Activities	<u>\$10,360,746</u>	<u>\$1,522,272</u>	<u>(\$1,631,355)</u>	<u>\$10,251,663</u>	<u>\$1,673,397</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Internal service funds serve both governmental and business-type funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental and business-type funds. At year-end, \$86,435 and \$362,472 of internal service funds compensated absences are included in the respective above amounts. Also, \$6,291 of an internal service fund capital lease is recorded in the business-type activities amount.

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

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

A. Ohio Water Development Authority Loans

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

In 1993, the City entered into an agreement with the Ohio Water Development Authority (OWDA), as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive \$13,502,148. The proceeds were used for Water Pollution Control Plant Improvements.

In 1996, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive \$5,047,248. The proceeds were used for Water Pollution Control Plant Improvements.

In 1997, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive approximately \$3,968,355. The amount is subject to change and has not been finalized. The interest rate on this loan is 3.98% per annum. This loan is payable from sanitation charges for landfill closure and postclosure care costs and is received by the City in increments as the project is completed. As of December 31, 2006, the City had received \$3,964,480 from OWDA. The City began repaying the loan in semiannual payments beginning in 1998 based on a loan amount of \$3,968,355 to be paid through 2018. An estimate of future financing requirements has been made based on the remaining loan balance of \$2,738,192 at December 31, 2006.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Ohio Water Development Authority Loans (Continued)

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive two loans of \$5,591,825 and \$21,273,840, respectively. The amounts are subject to change and have not been finalized. The interest rates on the loans are 4.14% and 3.9%, respectively, per annum. This loans are payable from water charges and are received by the City in increments as the projects are completed. As of December 31, 2006, the City had received \$5,464,939 and \$21,091,478, respectively from OWDA. Subsequent amounts will be received in future years. The City began repaying the first loan in semiannual payments beginning in 2002 based on a loan amount of \$5,591,825 to be paid through 2022. The City began repaying the second loan in semiannual payments beginning in 2003 based on a loan amount of \$21,273,840 to be paid through 2023. An estimate of future financing requirements has been made based on the loan balances of \$4,665,334 and \$18,421,813, respectively at December 31, 2006.

In 2002, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$200,000. The amount had been subject to change and was finalized in 2006 for the amount of \$199,091. Principal and interest payments were adjusted accordingly. The interest rate on the loan is 2.00%, per annum. The proceeds were used for the water treatment plant.

B. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2006 follows:

Business-Type Activities:

Years	OWDA Loans		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2007	\$2,693,721	\$1,785,958	\$340,000	\$570,972
2008	2,833,967	1,645,711	350,000	562,472
2009	2,963,533	1,516,145	365,000	552,848
2010	3,100,178	1,379,500	375,000	541,898
2011	3,244,358	1,235,320	380,000	529,710
2012-2016	15,623,430	3,882,310	2,160,000	2,421,868
2017-2021	9,410,881	1,359,908	2,710,000	1,862,375
2022-2026	1,903,376	72,985	3,450,000	1,115,238
2027-2031	41,119	3,168	2,505,000	241,775
2032	8,726	131	0	0
Totals	<u>\$41,823,289</u>	<u>\$12,881,136</u>	<u>\$12,635,000</u>	<u>\$8,399,156</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

B. Future Long-Term Financing Requirements (Continued)

Governmental Activities:

Years	General Obligation Bond Payable		Special Assessment Bond Payable	
	Principal	Interest	Principal	Interest
2007	\$155,000	\$149,150	\$14,000	\$15,300
2008	160,000	144,500	15,000	14,600
2009	165,000	139,300	15,500	13,850
2010	170,000	133,938	16,500	13,075
2011	175,000	127,987	17,000	12,250
2012-2016	975,000	538,063	100,000	47,500
2017-2021	1,180,000	330,160	128,000	19,825
2022-2025	835,000	73,825	0	0
Totals	\$3,815,000	\$1,636,923	\$306,000	\$136,400

Years	HUD Loan		OPWC Loan	
	Principal	Interest	Principal	Interest
2007	\$90,000	\$58,347	\$6,086	\$0
2008	90,000	53,147	6,086	0
2009	90,000	47,898	6,086	0
2010	90,000	42,534	6,086	0
2011	90,000	37,080	6,086	0
2012-2016	450,000	100,674	30,430	0
2017-2021	40,000	2,664	27,388	0
2022-2025	0	0	0	0
Totals	\$940,000	\$342,344	\$88,248	\$0

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 12 - CAPITALIZED LEASES

Under capital leases the City leases twelve copiers, two street sweepers, two salt spreaders, two pickup trucks, a dump truck, a utility vehicle, and various building improvements. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or Governmental Activities Capital Assets and the related liability is included in the appropriate proprietary fund or in the Governmental Activities Long-Term Liabilities. The original cost of the assets acquired under capital lease was \$1,936,311.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2006:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2007	\$229,336	\$11,825
2008	224,624	11,825
2009	218,329	7,346
2010	<u>6,252</u>	<u>0</u>
Minimum Lease Payments	678,541	30,996
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(61,491)</u>	<u>(4,282)</u>
Present value of minimum lease payments	<u>\$617,050</u>	<u>\$26,714</u>

NOTE 13 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2006, the City contracted with Selective Insurance for vehicles, property, EMT and general liability insurance while police and professional liability are protected by Columbia Company.

Insurance for property holds a \$5,000 deductible, general liability holds a \$1,000 deductible. The City carries a \$25,000 deductible for both police and professional liability insurance. The City also has an umbrella policy with Mt. Hawley Insurance Company for claims in excess of \$1,000,000.

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 13 - INSURANCE AND RISK MANAGEMENT (Continued)

On January 1, 1998 the City established an internal service fund to provide group health, dental and prescription drug benefits to employees and their eligible dependents through the South Central Insurance Consortium, a formalized risk management program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Health Insurance Management Fund (internal service fund) are available to pay claims. A third party administrator, E. V. Benefits/Meritan Management, Inc., which monitors all claim payments, administers the plan. There is an internal pool that covers claims from \$50,000 to \$150,000. An excess coverage insurance policy premium covers individual claims in excess of \$150,000. There is a lifetime maximum coverage per person of \$3,000,000 and an annual maximum coverage of \$1,000,000 per person.

The claims liability of \$246,400 reported in the fund at December 31, 2006 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2005	\$307,890	\$4,056,161	(\$4,111,337)	\$252,714
2006	252,714	4,843,863	(4,850,177)	246,400

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

NOTE 14 - CONSTRUCTION COMMITMENTS

As of December 31, 2006, the City had the following commitments with respect to capital improvements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>
Lake Allen Maple Sewer Separation	\$4,069,925
Upper Hocking Wastewater Treatment Plant	2,758,963
Ety Road TIF Project	3,449,137

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 15 - SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

The City has accrued a liability for landfill closure and postclosure care costs in the Sanitation Fund of \$1,865,362. These costs are funded by a sanitation rate increase that became effective April 1, 1997. The rate will remain in effect for twenty-five years to cover annual postclosure care costs. The remaining five years of postclosure care costs will be funded by \$459,718 which has been placed in a restricted account. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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

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

B. Community Action Board (the "Board")

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

F. Community Corrections Board (the “Board”)

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

H. FairCATS

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

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

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

NOTE 17 - CONTINGENCIES

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

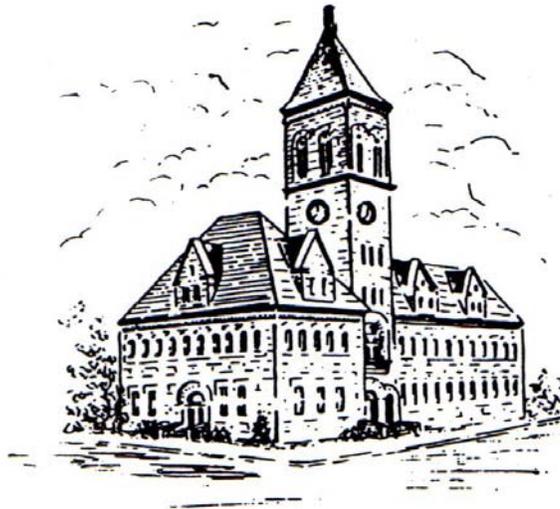
NOTE 18 - SUBSEQUENT EVENTS

On March 17, 2007, March 27, 2007, and April 17, 2007, the City authorized and issued \$131,500, \$9,246,000, and \$190,000 of general obligation notes for a medic unit, the Lake Allen sewer separation project and new roofs for three firehouses, respectively.

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*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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



Nonmajor Governmental Funds

Special Revenue Funds

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

Cemetery Fund

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

Street Construction, Maintenance and Repair Fund

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

Parks and Recreation Fund

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

Special Improvement District Fund

To account for fees assessed to all downtown business owners for the up-keep of the grounds surrounding their properties. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Lancaster Public Transit Program Fund

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

Family Violence Grant Fund

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

Law Director Victim Assistance Fund

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

Lancaster Community Development Fund

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

Law Enforcement Block Grant Fund

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

Police and Fire Pension Fund

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

(Continued)

Special Revenue Funds (Continued)

Fairfield County Court Surveillance Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Law Enforcement and Education Fund

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

Municipal Court Judicial Computer Fund

To account for monies received from the Municipal Court to be used for computer systems for the Municipal Judges.

Municipal Court Probation Fund

To account for fees assessed to criminal and traffic offenders who are placed by the Municipal Court on probation or other control sanctions to cover the cost of Probation department services and related expenditures.

Municipal Court Computerization Fund

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

Municipal Court Special Projects Fund

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

Municipal Court Family Violence Fund

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

Community Development Block Grant Fund

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

State Highway Fund

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

Drug Enforcement Fund

To account for monies received from fines to be used for drug enforcement activities. (This fund is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

Special Revenue Funds (Continued)

Cemetery Interment Fund

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

Debt Service Fund

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

General Bond Retirement Fund

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

Special Assessment Debt Retirement Fund

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

Capital Projects Fund

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

Fire Capital Improvement Fund

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

Fire Impact - District One Fund

To account for new construction impact fees to be use capital projects for the Fire Department.

Ety Road Tax Increment Financing (TIF) Project Fund

To account for financial resources to be used for Ety Road infrastructure improvements.

Permanent Fund

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

Cemetery Trust Fund

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

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 2,846,079	\$ 117,767	\$ 3,364,408	\$ 113,131	\$ 6,441,385
Investments	345,758	0	0	714,130	1,059,888
Receivables (net of allowance for doubtful accounts):					
Taxes	664,571	0	0	0	664,571
Accounts	30,846	0	0	193	31,039
Intergovernmental	1,878,834	0	0	0	1,878,834
Interest	15,502	0	0	0	15,502
Special Assessments	0	572,436	0	0	572,436
Loans	1,470,691	0	0	0	1,470,691
Inventory of Supplies	125,856	0	0	0	125,856
Prepaid Items	13,961	0	0	0	13,961
Total Assets	\$ 7,392,098	\$ 690,203	\$ 3,364,408	\$ 827,454	\$ 12,274,163
Liabilities:					
Accounts Payable	\$ 149,864	\$ 0	\$ 307,604	\$ 0	\$ 457,468
Accrued Wages and Benefits Payable	157,456	0	0	0	157,456
Interfund Loans Payable	285,000	0	0	0	285,000
Deferred Revenue	1,932,799	572,436	0	0	2,505,235
Accrued Interest Payable	0	0	52,901	0	52,901
General Obligation Notes Payable	0	0	4,590,500	0	4,590,500
Total Liabilities	2,525,119	572,436	4,951,005	0	8,048,560
Fund Balances:					
Reserved for Encumbrances	221,130	0	0	0	221,130
Reserved for Prepaid Items	13,961	0	0	0	13,961
Reserved for Supplies Inventory	125,856	0	0	0	125,856
Reserved for Debt Service	0	117,767	0	0	117,767
Reserved for Loans Receivable	1,470,691	0	0	0	1,470,691
Reserved for Endowments	0	0	0	827,454	827,454
Unreserved, Undesignated in:					
Special Revenue Funds	3,035,341	0	0	0	3,035,341
Capital Projects Funds	0	0	(1,586,597)	0	(1,586,597)
Total Fund Balances	4,866,979	117,767	(1,586,597)	827,454	4,225,603
Total Liabilities and Fund Balances	\$ 7,392,098	\$ 690,203	\$ 3,364,408	\$ 827,454	\$ 12,274,163

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 1,735,268	\$ 0	\$ 0	\$ 0	\$ 1,735,268
Intergovernmental Revenues	3,767,079	0	0	0	3,767,079
Charges for Services	1,450,804	0	137,650	27,860	1,616,314
Licenses, Permits and Fees	578	0	0	0	578
Investment Earnings	57,383	0	0	0	57,383
Special Assessments	100,329	35,998	0	0	136,327
Fines and Forfeitures	783,384	0	0	0	783,384
All Other Revenue	196,901	0	0	0	196,901
Total Revenue	8,091,726	35,998	137,650	27,860	8,293,234
Expenditures:					
Current:					
Security of Persons and Property	709,056	0	0	0	709,056
Public Health and Welfare Services	640,993	0	0	0	640,993
Leisure Time Activities	1,959,713	0	0	0	1,959,713
Community Environment	1,064,233	0	0	0	1,064,233
Transportation	3,805,510	0	0	0	3,805,510
General Government	544,929	1,667	0	0	546,596
Capital Outlay	0	0	1,606,169	0	1,606,169
Debt Service:					
Principal Retirement	90,000	169,586	0	0	259,586
Interest and Fiscal Charges	31,761	169,625	53,830	0	255,216
Total Expenditures	8,846,195	340,878	1,659,999	0	10,847,072
Excess (Deficiency) of Revenues Over Expenditures	(754,469)	(304,880)	(1,522,349)	27,860	(2,553,838)
Other Financing Sources (Uses):					
Transfers In	1,180,039	309,736	0	0	1,489,775
Transfers Out	(250,000)	0	0	0	(250,000)
Total Other Financing Sources (Uses)	930,039	309,736	0	0	1,239,775
Net Change in Fund Balances	175,570	4,856	(1,522,349)	27,860	(1,314,063)
Fund Balances at Beginning of Year	4,744,072	112,911	(64,248)	799,594	5,592,329
Decrease in Inventory Reserve	(52,663)	0	0	0	(52,663)
Fund Balances End of Year	\$ 4,866,979	\$ 117,767	\$ (1,586,597)	\$ 827,454	\$ 4,225,603

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Lancaster Public Transit Program Fund	Law Director Victim Assistance Fund
Assets:					
Cash and Cash Equivalents	\$ 110,842	\$ 585,128	\$ 280,316	\$ 118,115	\$ 38,148
Investments	0	0	0	0	0
Receivables (net of allowance for doubtful accounts):					
Taxes	17,552	0	263,281	0	0
Accounts	11,960	3,127	13,991	433	0
Intergovernmental	0	892,940	0	0	5,779
Interest	10,582	0	0	0	0
Loans	0	0	0	0	0
Inventory of Supplies	0	118,540	4,822	0	0
Prepaid Items	1,263	7,806	4,892	0	0
Total Assets	\$ 152,199	\$ 1,607,541	\$ 567,302	\$ 118,548	\$ 43,927
Liabilities:					
Accounts Payable	\$ 2,087	\$ 27,232	\$ 64,998	\$ 10,217	\$ 0
Accrued Wages and Benefits Payable	13,178	72,199	41,543	2,124	1,321
Interfund Loans Payable	0	0	225,000	60,000	0
Deferred Revenue	7,861	593,000	117,912	0	0
Total Liabilities	23,126	692,431	449,453	72,341	1,321
Fund Balances:					
Reserved for Encumbrances	1,252	17,360	0	60,997	0
Reserved for Prepaid Items	1,263	7,806	4,892	0	0
Reserved for Supplies Inventory	0	118,540	4,822	0	0
Reserved for Loans Receivable	0	0	0	0	0
Undesignated/Unreserved	126,558	771,404	108,135	(14,790)	42,606
Total Fund Balances	129,073	915,110	117,849	46,207	42,606
Total Liabilities and Fund Balances	\$ 152,199	\$ 1,607,541	\$ 567,302	\$ 118,548	\$ 43,927

CITY OF LANCASTER, OHIO

Lancaster Community Development Fund	Law Enforcement Block Grant Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund	Municipal Court Judicial Computer Fund
\$ 59,470	\$ 12,547	\$ 0	\$ 13,203	\$ 119,011	\$ 65,572	\$ 63,729
0	0	0	0	0	0	0
0	0	383,738	0	0	0	0
0	0	0	0	0	0	0
0	0	18,000	48,768	0	0	0
0	179	0	0	0	0	0
0	0	0	0	0	0	0
941	0	0	894	0	0	0
0	0	0	0	0	0	0
<u>\$ 60,411</u>	<u>\$ 12,726</u>	<u>\$ 401,738</u>	<u>\$ 62,865</u>	<u>\$ 119,011</u>	<u>\$ 65,572</u>	<u>\$ 63,729</u>
\$ 86	\$ 0	\$ 0	\$ 264	\$ 0	\$ 0	\$ 4,366
7,843	0	0	3,947	0	0	0
0	0	0	0	0	0	0
0	130	401,738	19,384	0	0	0
<u>7,929</u>	<u>130</u>	<u>401,738</u>	<u>23,595</u>	<u>0</u>	<u>0</u>	<u>4,366</u>
0	0	0	10	0	0	1,645
0	0	0	0	0	0	0
941	0	0	894	0	0	0
0	0	0	0	0	0	0
51,541	12,596	0	38,366	119,011	65,572	57,718
<u>52,482</u>	<u>12,596</u>	<u>0</u>	<u>39,270</u>	<u>119,011</u>	<u>65,572</u>	<u>59,363</u>
<u>\$ 60,411</u>	<u>\$ 12,726</u>	<u>\$ 401,738</u>	<u>\$ 62,865</u>	<u>\$ 119,011</u>	<u>\$ 65,572</u>	<u>\$ 63,729</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006**

	Municipal Court Probation Fund	Municipal Court Computerization Fund	Municipal Court Special Projects Fund	Municipal Court Family Violence Fund	CDBG Fund
Assets:					
Cash and Cash Equivalents	\$ 140,157	\$ 230,644	\$ 550,659	\$ 58,937	\$ 152,833
Investments	0	0	0	0	0
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	0
Accounts	0	0	0	0	0
Intergovernmental	0	0	0	0	868,506
Interest	0	0	0	0	0
Loans	0	0	0	0	1,470,691
Inventory of Supplies	659	0	0	0	0
Prepaid Items	0	0	0	0	0
Total Assets	\$ 140,816	\$ 230,644	\$ 550,659	\$ 58,937	\$ 2,492,030
Liabilities:					
Accounts Payable	\$ 0	\$ 4,773	\$ 3,093	\$ 640	\$ 32,108
Accrued Wages and Benefits Payable	8,903	3,739	0	2,659	0
Interfund Loans Payable	0	0	0	0	0
Deferred Revenue	0	0	0	0	760,413
Total Liabilities	8,903	8,512	3,093	3,299	792,521
Fund Balances:					
Reserved for Encumbrances	0	128,314	9,150	2,402	0
Reserved for Prepaid Items	0	0	0	0	0
Reserved for Supplies Inventory	659	0	0	0	0
Reserved for Loans Receivable	0	0	0	0	1,470,691
Undesignated/Unreserved	131,254	93,818	538,416	53,236	228,818
Total Fund Balances	131,913	222,132	547,566	55,638	1,699,509
Total Liabilities and Fund Balances	\$ 140,816	\$ 230,644	\$ 550,659	\$ 58,937	\$ 2,492,030

CITY OF LANCASTER, OHIO

State Highway Fund	Drug Enforcement Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 49,037	\$ 134,523	\$ 63,208	\$ 2,846,079
119,614	0	226,144	345,758
0	0	0	664,571
0	0	1,335	30,846
44,841	0	0	1,878,834
2,788	0	1,953	15,502
0	0	0	1,470,691
0	0	0	125,856
0	0	0	13,961
<u>\$ 216,280</u>	<u>\$ 134,523</u>	<u>\$ 292,640</u>	<u>\$ 7,392,098</u>
\$ 0	\$ 0	\$ 0	\$ 149,864
0	0	0	157,456
0	0	0	285,000
31,026	0	1,335	1,932,799
<u>31,026</u>	<u>0</u>	<u>1,335</u>	<u>2,525,119</u>
0	0	0	221,130
0	0	0	13,961
0	0	0	125,856
0	0	0	1,470,691
185,254	134,523	291,305	3,035,341
<u>185,254</u>	<u>134,523</u>	<u>291,305</u>	<u>4,866,979</u>
<u>\$ 216,280</u>	<u>\$ 134,523</u>	<u>\$ 292,640</u>	<u>\$ 7,392,098</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Special Improvement District Fund	Lancaster Public Transit Program Fund
Revenues:					
Taxes	\$ 83,229	\$ 0	\$ 1,248,433	\$ 0	\$ 0
Intergovernmental Revenues	0	1,872,238	24,233	0	441,885
Charges for Services	202,584	421,116	341,854	0	329,086
Licenses, Permits and Fees	0	0	578	0	0
Investment Earnings	20,264	512	0	0	0
Special Assessments	0	0	0	100,329	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	57,509	89,973	37,076	0	4,177
Total Revenue	363,586	2,383,839	1,652,174	100,329	775,148
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Public Health and Welfare Services	609,187	0	0	0	0
Leisure Time Activities	0	0	1,959,713	0	0
Community Environment	0	0	0	100,329	0
Transportation	0	2,901,232	0	0	904,278
General Government	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
Total Expenditures	609,187	2,901,232	1,959,713	100,329	904,278
Excess (Deficiency) of Revenues Over Expenditures	(245,601)	(517,393)	(307,539)	0	(129,130)
Other Financing Sources (Uses):					
Transfers In	295,000	580,000	0	0	230,169
Transfers Out	0	0	(50,000)	0	0
Total Other Financing Sources (Uses)	295,000	580,000	(50,000)	0	230,169
Net Change in Fund Balances	49,399	62,607	(357,539)	0	101,039
Fund Balances (Deficit) at Beginning of Year	81,532	904,143	476,130	0	(54,832)
Increase (Decrease) in Inventory Reserve	(1,858)	(51,640)	(742)	0	0
Fund Balances End of Year	\$ 129,073	\$ 915,110	\$ 117,849	\$ 0	\$ 46,207

CITY OF LANCASTER, OHIO

Family Violence Grant Fund	Law Director Victim Assistance Fund	Lancaster Community Development Fund	Law Enforcement Block Grant Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund
\$ 0	\$ 0	\$ 0	\$ 0	\$ 403,606	\$ 0	\$ 0
0	44,081	216,336	2,594	35,239	84,315	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	34,602
0	0	0	0	0	0	0
<u>0</u>	<u>44,081</u>	<u>216,336</u>	<u>2,594</u>	<u>438,845</u>	<u>84,315</u>	<u>34,602</u>
10,262	47,919	0	19,126	438,845	103,434	75,000
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	166,986	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>10,262</u>	<u>47,919</u>	<u>166,986</u>	<u>19,126</u>	<u>438,845</u>	<u>103,434</u>	<u>75,000</u>
(10,262)	(3,838)	49,350	(16,532)	0	(19,119)	(40,398)
0	0	0	0	0	37,960	0
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,960</u>	<u>0</u>
(10,262)	(3,838)	49,350	(16,532)	0	18,841	(40,398)
10,262	46,444	3,108	29,128	0	19,535	159,409
0	0	24	0	0	894	0
<u>\$ 0</u>	<u>\$ 42,606</u>	<u>\$ 52,482</u>	<u>\$ 12,596</u>	<u>\$ 0</u>	<u>\$ 39,270</u>	<u>\$ 119,011</u>

(Continued)

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Law Enforcement and Education Fund	Municipal Court Judicial Computer Fund	Municipal Court Probation Fund	Municipal Court Computerization Fund	Municipal Court Special Projects Fund
Revenues:					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	10,634	0	0
Charges for Services	0	0	0	0	0
Licenses, Permits and Fees	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Special Assessments	0	0	0	0	0
Fines and Forfeitures	2,770	49,408	245,380	188,465	248,621
All Other Revenue	0	0	0	0	0
Total Revenue	2,770	49,408	256,014	188,465	248,621
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Public Health and Welfare Services	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Environment	0	0	0	0	0
Transportation	0	0	0	0	0
General Government	0	19,931	200,405	153,379	80,678
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
Total Expenditures	0	19,931	200,405	153,379	80,678
Excess (Deficiency) of Revenues Over Expenditures	2,770	29,477	55,609	35,086	167,943
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	2,770	29,477	55,609	35,086	167,943
Fund Balances (Deficit) at Beginning of Year	62,802	29,886	75,645	187,046	379,623
Increase (Decrease) in Inventory Reserve	0	0	659	0	0
Fund Balances End of Year	\$ 65,572	\$ 59,363	\$ 131,913	\$ 222,132	\$ 547,566

CITY OF LANCASTER, OHIO

<u>Municipal Court Family Violence Fund</u>	<u>CDBG Fund</u>	<u>State Highway Fund</u>	<u>Drug Enforcement Fund</u>	<u>Cemetery Interment Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,735,268
0	942,306	93,218	0	0	3,767,079
114,203	0	0	0	41,961	1,450,804
0	0	0	0	0	578
0	3,862	24,610	1,573	6,562	57,383
0	0	0	0	0	100,329
0	0	0	14,138	0	783,384
8,166	0	0	0	0	196,901
<u>122,369</u>	<u>946,168</u>	<u>117,828</u>	<u>15,711</u>	<u>48,523</u>	<u>8,091,726</u>
0	0	0	14,470	0	709,056
0	0	0	0	31,806	640,993
0	0	0	0	0	1,959,713
0	796,918	0	0	0	1,064,233
0	0	0	0	0	3,805,510
90,536	0	0	0	0	544,929
0	90,000	0	0	0	90,000
0	31,761	0	0	0	31,761
<u>90,536</u>	<u>918,679</u>	<u>0</u>	<u>14,470</u>	<u>31,806</u>	<u>8,846,195</u>
31,833	27,489	117,828	1,241	16,717	(754,469)
0	0	36,910	0	0	1,180,039
0	0	(200,000)	0	0	(250,000)
<u>0</u>	<u>0</u>	<u>(163,090)</u>	<u>0</u>	<u>0</u>	<u>930,039</u>
31,833	27,489	(45,262)	1,241	16,717	175,570
23,805	1,672,020	230,516	133,282	274,588	4,744,072
0	0	0	0	0	(52,663)
<u>\$ 55,638</u>	<u>\$ 1,699,509</u>	<u>\$ 185,254</u>	<u>\$ 134,523</u>	<u>\$ 291,305</u>	<u>\$ 4,866,979</u>

CITY OF LANCASTER, OHIO

***Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2006***

	<u>General Bond Retirement Fund</u>	<u>Special Assessment Debt Retirement Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 97,729	\$ 20,038	\$ 117,767
Receivables (net of allowance for doubtful accounts):			
Special Assessments	<u>0</u>	<u>572,436</u>	<u>572,436</u>
Total Assets	<u>\$ 97,729</u>	<u>\$ 592,474</u>	<u>\$ 690,203</u>
Liabilities:			
Deferred Revenue	<u>\$ 0</u>	<u>\$ 572,436</u>	<u>\$ 572,436</u>
Total Liabilities	<u>0</u>	<u>572,436</u>	<u>572,436</u>
Fund Balances:			
Reserved for Debt Service	<u>97,729</u>	<u>20,038</u>	<u>117,767</u>
Total Fund Balances	<u>97,729</u>	<u>20,038</u>	<u>117,767</u>
Total Liabilities and Fund Balances	<u>\$ 97,729</u>	<u>\$ 592,474</u>	<u>\$ 690,203</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006***

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$ 0	\$ 35,998	\$ 35,998
Total Revenue	<u>0</u>	<u>35,998</u>	<u>35,998</u>
Expenditures:			
Current:			
General Government	0	1,667	1,667
Debt Service:			
Principal Retirement	156,086	13,500	169,586
Interest and Fiscal Charges	153,650	15,975	169,625
Total Expenditures	<u>309,736</u>	<u>31,142</u>	<u>340,878</u>
Excess (Deficiency) of Revenues Over Expenditures	(309,736)	4,856	(304,880)
Other Financing Sources (Uses):			
Transfers In	309,736	0	309,736
Total Other Financing Sources (Uses)	<u>309,736</u>	<u>0</u>	<u>309,736</u>
Net Change in Fund Balances	0	4,856	4,856
Fund Balances at Beginning of Year	<u>97,729</u>	<u>15,182</u>	<u>112,911</u>
Fund Balances End of Year	<u>\$ 97,729</u>	<u>\$ 20,038</u>	<u>\$ 117,767</u>

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2006**

	Fire Capital Improvement Fund	Fire Impact - District One Fund	Ety Road TIF Project Fund	Total Nonmajor Capital Projects Funds
Assets:				
Cash and Cash Equivalents	\$ 45,892	\$ 158,615	\$ 3,159,901	\$ 3,364,408
Total Assets	<u>\$ 45,892</u>	<u>\$ 158,615</u>	<u>\$ 3,159,901</u>	<u>\$ 3,364,408</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 307,604	\$ 307,604
Accrued Interest Payable	6,372	0	46,529	52,901
General Obligation Notes Payable	990,500	0	3,600,000	4,590,500
Total Liabilities	<u>996,872</u>	<u>0</u>	<u>3,954,133</u>	<u>4,951,005</u>
Fund Balances:				
Undesignated/Unreserved	(950,980)	158,615	(794,232)	(1,586,597)
Total Fund Balances	<u>(950,980)</u>	<u>158,615</u>	<u>(794,232)</u>	<u>(1,586,597)</u>
Total Liabilities and Fund Balances	<u>\$ 45,892</u>	<u>\$ 158,615</u>	<u>\$ 3,159,901</u>	<u>\$ 3,364,408</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006***

	Fire Capital Improvement Fund	Fire Impact - District One Fund	Ety Road TIF Project Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Charges for Services	\$ 0	\$ 137,650	\$ 0	\$ 137,650
Total Revenue	<u>0</u>	<u>137,650</u>	<u>0</u>	<u>137,650</u>
Expenditures:				
Capital Outlay	858,466	0	747,703	1,606,169
Debt Service:				
Interest and Fiscal Charges	<u>7,301</u>	<u>0</u>	<u>46,529</u>	<u>53,830</u>
Total Expenditures	<u>865,767</u>	<u>0</u>	<u>794,232</u>	<u>1,659,999</u>
Excess (Deficiency) of Revenues Over Expenditures	(865,767)	137,650	(794,232)	(1,522,349)
Fund Balances at Beginning of Year	<u>(85,213)</u>	<u>20,965</u>	<u>0</u>	<u>(64,248)</u>
Fund Balances End of Year	<u>\$ (950,980)</u>	<u>\$ 158,615</u>	<u>\$ (794,232)</u>	<u>\$ (1,586,597)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 15,376,450	\$ 15,997,164	\$ 15,996,997	\$ (167)
Intergovernmental Revenues	3,040,155	3,225,361	2,823,397	(401,964)
Charges for Services	3,534,000	3,701,832	3,304,629	(397,203)
License, Permits and Fees	23,000	23,000	23,701	701
Investment Earnings	585,000	839,054	1,076,233	237,179
Fines and Forfeitures	892,000	892,000	746,435	(145,565)
All Other Revenues	504,223	627,692	471,322	(156,370)
Total Revenues	<u>23,954,828</u>	<u>25,306,103</u>	<u>24,442,714</u>	<u>(863,389)</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	6,714,744	6,739,717	6,432,742	306,975
Operations and Maintenance	613,975	667,193	515,927	151,266
Capital Outlay	219,332	241,141	188,385	52,756
Total Police	<u>7,548,051</u>	<u>7,648,051</u>	<u>7,137,054</u>	<u>510,997</u>
Fire:				
Personal Services	7,757,275	7,806,902	7,262,047	544,855
Operations and Maintenance	467,892	519,892	418,091	101,801
Capital Outlay	157,954	197,386	176,836	20,550
Total Fire	<u>8,383,121</u>	<u>8,524,180</u>	<u>7,856,974</u>	<u>667,206</u>
Street Lighting:				
Operations and Maintenance	190,000	190,000	189,650	350
Total Street Lighting	<u>190,000</u>	<u>190,000</u>	<u>189,650</u>	<u>350</u>
Total Security of Persons and Property	<u>16,121,172</u>	<u>16,362,231</u>	<u>15,183,678</u>	<u>1,178,553</u>
Public Health and Welfare Services:				
Health:				
Operations and Maintenance	281,000	281,000	281,000	0
Total Health	<u>281,000</u>	<u>281,000</u>	<u>281,000</u>	<u>0</u>
Assistance to Needy:				
Operations and Maintenance	500	500	0	500
Total Assistance to Needy	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Total Public Health and Welfare Services	<u>281,500</u>	<u>281,500</u>	<u>281,000</u>	<u>500</u>

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Community Environment:				
Zoning, Planning, Tree Commissions:				
Operations and Maintenance	89,600	89,600	85,227	4,373
Total Zoning, Planning, Tree Commission	89,600	89,600	85,227	4,373
Economic Development:				
Personal Services	13,613	13,613	13,371	242
Operations and Maintenance	56,237	56,237	44,181	12,056
Total Economic Development	69,850	69,850	57,552	12,298
Total Community Environment	159,450	159,450	142,779	16,671
General Government:				
Council:				
Personal Services	102,962	102,962	102,860	102
Operations and Maintenance	12,792	12,792	7,235	5,557
Total Council	115,754	115,754	110,095	5,659
Mayor:				
Personal Services	147,742	157,052	156,478	574
Operations and Maintenance	7,154	7,154	4,294	2,860
Capital Outlay	1,500	1,500	899	601
Total Mayor	156,396	165,706	161,671	4,035
Personnel:				
Personal Services	0	315	315	0
Operations and Maintenance	24,867	24,867	15,376	9,491
Capital Outlay	5,000	5,000	4,926	74
Total Personnel	29,867	30,182	20,617	9,565
Auditor:				
Personal Services	363,999	364,290	363,685	605
Operations and Maintenance	40,514	36,974	31,142	5,832
Capital Outlay	1,500	4,750	4,566	184
Total Auditor	406,013	406,014	399,393	6,621

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Treasurer:				
Personal Services	18,408	18,716	18,523	193
Operations and Maintenance	13,070	13,070	9,043	4,027
Capital Outlay	2,000	1,692	343	1,349
Total Treasurer	33,478	33,478	27,909	5,569
Law Director:				
Personal Services	439,259	439,259	414,478	24,781
Operations and Maintenance	67,666	66,517	57,062	9,455
Capital Outlay	5,027	6,740	6,612	128
Total Law Director	511,952	512,516	478,152	34,364
Law Director-Prosecution Contract:				
Personal Services	110,049	75,049	40,712	34,337
Operations and Maintenance	16,814	48,413	23,947	24,466
Capital Outlay	0	3,401	3,401	0
Total Law Director-Prosecution Contract	126,863	126,863	68,060	58,803
Law Director-Code Enforcement:				
Personal Services	62,017	62,036	61,979	57
Operations and Maintenance	13,406	18,387	15,989	2,398
Total Law Director-Code Enforcement	75,423	80,423	77,968	2,455
Municipal Court:				
Personal Services	675,505	676,665	670,390	6,275
Operations and Maintenance	66,991	65,832	65,488	344
Total Municipal Court	742,496	742,497	735,878	6,619
Judicial:				
Personal Services	531,918	543,082	537,323	5,759
Operations and Maintenance	155,151	144,987	75,809	69,178
Capital Outlay	5,200	4,200	2,448	1,752
Total Judicial	692,269	692,269	615,580	76,689
Civil Service:				
Personal Services	6,587	6,587	5,534	1,053
Operations and Maintenance	65,400	65,400	17,006	48,394
Total Civil Service	71,987	71,987	22,540	49,447

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
City Hall Maintenance:				
Personal Services	120,092	120,092	118,467	1,625
Operations and Maintenance	70,909	70,909	64,649	6,260
Capital Outlay	3,820	3,820	3,820	0
Total City Hall Maintenance	194,821	194,821	186,936	7,885
City Hall Maintenance-Annex:				
Operations and Maintenance	37,400	39,000	32,431	6,569
Total City Hall Maintenance-Annex	37,400	39,000	32,431	6,569
Maple Street Facilities:				
Operations and Maintenance	10,048	11,048	9,024	2,024
Total Maple Street Facilities	10,048	11,048	9,024	2,024
Fuel Depot:				
Operations and Maintenance	210,000	298,000	234,816	63,184
Total Fuel Depot	210,000	298,000	234,816	63,184
Service Safety Director:				
Personal Services	162,285	162,285	155,059	7,226
Operations and Maintenance	8,482	8,482	6,986	1,496
Total Service Safety Director	170,767	170,767	162,045	8,722
Engineer:				
Personal Services	636,800	636,800	614,707	22,093
Operations and Maintenance	101,590	104,090	63,014	41,076
Capital Outlay	26,011	23,511	5,328	18,183
Total Engineer	764,401	764,401	683,049	81,352
Certified Building Inspection:				
Personal Services	428,800	428,800	424,459	4,341
Operations and Maintenance	203,873	227,373	208,980	18,393
Capital Outlay	32,485	27,985	24,786	3,199
Total Certified Building Inspection	665,158	684,158	658,225	25,933
Administration Support:				
Personal Services	54,000	54,000	42,839	11,161
Operations and Maintenance	382,628	433,718	289,581	144,137
Total Administration Support	436,628	487,718	332,420	155,298

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Personal Services	385,000	531,900	505,656	26,244
Operations and Maintenance	903,197	928,197	861,319	66,878
Capital Outlay	15,800	15,800	15,600	200
Total Miscellaneous	<u>1,303,997</u>	<u>1,475,897</u>	<u>1,382,575</u>	<u>93,322</u>
Income Tax:				
Personal Services	410,605	410,605	401,841	8,764
Operations and Maintenance	468,522	468,522	436,477	32,045
Capital Outlay	7,500	7,500	5,915	1,585
Total Income Tax	<u>886,627</u>	<u>886,627</u>	<u>844,233</u>	<u>42,394</u>
Total General Government	<u>7,642,345</u>	<u>7,990,126</u>	<u>7,243,617</u>	<u>746,509</u>
Total Expenditures	<u>24,204,467</u>	<u>24,793,307</u>	<u>22,851,074</u>	<u>1,942,233</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(249,639)	512,796	1,591,640	1,078,844
Other Financing Sources (Uses):				
Transfers In	(63,127)	(63,127)	3,250	66,377
Transfers Out	(1,271,540)	(1,699,709)	(1,699,709)	0
Advances In	0	85,000	25,000	(60,000)
Advances Out	0	(85,000)	(85,000)	0
Total Other Financing Sources (Uses)	<u>(1,334,667)</u>	<u>(1,762,836)</u>	<u>(1,756,459)</u>	<u>6,377</u>
Net Change in Fund Balance	(1,584,306)	(1,250,040)	(164,819)	1,085,221
Fund Balance at Beginning of Year	2,661,517	2,661,517	2,661,517	0
Prior Year Encumbrances	324,983	324,983	324,983	0
Fund Balance at End of Year	<u>\$ 1,402,194</u>	<u>\$ 1,736,460</u>	<u>\$ 2,821,681</u>	<u>\$ 1,085,221</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund – Capital Improvement Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 239,083	\$ 247,654	\$ 249,369	\$ 1,715
Intergovernmental Revenues	0	240,655	270,060	29,405
All Other Revenues	0	140,000	169,290	29,290
Total Revenues	239,083	628,309	688,719	60,410
Expenditures:				
Operations and Maintenance	0	17,563	12,563	5,000
Capital Outlay	612,495	1,658,924	772,651	886,273
Debt Service:				
Principal Retirement	3,634,178	3,202,089	1,385,000	1,817,089
Interest and Fiscal Charges	0	41,796	41,796	0
Total Expenditures	4,246,673	4,920,372	2,212,010	2,708,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,007,590)	(4,292,063)	(1,523,291)	2,768,772
Other Financing Sources (Uses):				
General Obligation Notes Issued	785,000	1,185,000	1,621,100	436,100
Transfers In	2,108,844	2,496,844	496,844	(2,000,000)
Transfers Out	0	(36,910)	(36,910)	0
Total Other Financing Sources (Uses)	2,893,844	3,644,934	2,081,034	(1,563,900)
Net Change in Fund Balance	(1,113,746)	(647,129)	557,743	1,204,872
Fund Balance at Beginning of Year	793,929	793,929	793,929	0
Fund Balance at End of Year	\$ (319,817)	\$ 146,800	\$ 1,351,672	\$ 1,204,872

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	CEMETERY FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 79,694	\$ 82,551	\$ 83,123	\$ 572
Charges for Services	230,000	220,000	218,875	(1,125)
Investment Earnings	30,000	30,000	13,007	(16,993)
All Other Revenues	4,500	1,000	57,509	56,509
Total Revenues	<u>344,194</u>	<u>333,551</u>	<u>372,514</u>	<u>38,963</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	369,600	371,192	356,625	14,567
Operations and Maintenance	205,271	219,679	192,762	26,917
Capital Outlay	23,000	81,400	78,730	2,670
Total Expenditures	<u>597,871</u>	<u>672,271</u>	<u>628,117</u>	<u>44,154</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(253,677)	(338,720)	(255,603)	83,117
Other Financing Sources (Uses):				
Transfers In	295,000	295,000	295,000	0
Total Other Financing Sources (Uses)	<u>295,000</u>	<u>295,000</u>	<u>295,000</u>	<u>0</u>
Net Change in Fund Balance	41,323	(43,720)	39,397	83,117
Fund Balance at Beginning of Year	63,232	63,232	63,232	0
Prior Year Encumbrances	6,371	6,371	6,371	0
Fund Balance at End of Year	<u>\$ 110,926</u>	<u>\$ 25,883</u>	<u>\$ 109,000</u>	<u>\$ 83,117</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 0	\$ 34,286	\$ 0	\$ (34,286)
Intergovernmental Revenues	1,995,000	1,895,000	1,869,912	(25,088)
Charges for Services	490,250	429,350	421,116	(8,234)
Investment Earnings	0	0	512	512
All Other Revenues	17,000	11,000	88,678	77,678
Total Revenues	<u>2,502,250</u>	<u>2,369,636</u>	<u>2,380,218</u>	<u>10,582</u>
Expenditures:				
Transportation:				
Personal Services	2,023,744	1,964,594	1,874,753	89,841
Operations and Maintenance	827,753	945,875	835,226	110,649
Capital Outlay	180,398	254,848	253,094	1,754
Total Expenditures	<u>3,031,895</u>	<u>3,165,317</u>	<u>2,963,073</u>	<u>202,244</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(529,645)	(795,681)	(582,855)	212,826
Other Financing Sources (Uses):				
Transfers In	515,000	580,000	580,000	0
Total Other Financing Sources (Uses)	<u>515,000</u>	<u>580,000</u>	<u>580,000</u>	<u>0</u>
Net Change in Fund Balance	(14,645)	(215,681)	(2,855)	212,826
Fund Balance at Beginning of Year	544,087	544,087	544,087	0
Prior Year Encumbrances	15,410	15,410	15,410	0
Fund Balance at End of Year	<u>\$ 544,852</u>	<u>\$ 343,816</u>	<u>\$ 556,642</u>	<u>\$ 212,826</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

PARKS AND RECREATION FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,195,415	\$ 1,203,987	\$ 1,246,844	\$ 42,857
Intergovernmental Revenues	120,000	0	24,233	24,233
Charges for Services	521,385	491,385	327,863	(163,522)
Licenses, Permits and Fees	1,100	1,100	578	(522)
All Other Revenues	50,000	50,000	39,198	(10,802)
Total Revenues	<u>1,887,900</u>	<u>1,746,472</u>	<u>1,638,716</u>	<u>(107,756)</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	1,145,441	1,126,941	1,095,436	31,505
Operations and Maintenance	585,170	1,003,670	778,837	224,833
Capital Outlay	28,000	253,000	79,586	173,414
Total Expenditures	<u>1,758,611</u>	<u>2,383,611</u>	<u>1,953,859</u>	<u>429,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	129,289	(637,139)	(315,143)	321,996
Other Financing Sources (Uses):				
Transfers Out	0	(50,000)	(50,000)	0
Advances In	0	225,000	225,000	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>175,000</u>	<u>175,000</u>	<u>0</u>
Net Change in Fund Balance	129,289	(462,139)	(140,143)	321,996
Fund Balance at Beginning of Year	373,619	373,619	373,619	0
Prior Year Encumbrances	10,168	10,168	10,168	0
Fund Balance at End of Year	<u>\$ 513,076</u>	<u>\$ (78,352)</u>	<u>\$ 243,644</u>	<u>\$ 321,996</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	<u>\$ 0</u>	<u>\$ 100,329</u>	<u>\$ 100,329</u>	<u>\$ 0</u>
Total Revenues	<u>0</u>	<u>100,329</u>	<u>100,329</u>	<u>0</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	<u>107,000</u>	<u>107,000</u>	<u>100,329</u>	<u>6,671</u>
Total Expenditures	<u>107,000</u>	<u>107,000</u>	<u>100,329</u>	<u>6,671</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,000)	(6,671)	0	6,671
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (107,000)</u>	<u>\$ (6,671)</u>	<u>\$ 0</u>	<u>\$ 6,671</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

LANCASTER PUBLIC TRANSIT PROGRAM FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 484,600	\$ 484,600	\$ 441,885	\$ (42,715)
Charges for Services	284,850	284,850	328,653	43,803
All Other Revenues	0	0	4,177	4,177
Total Revenues	<u>769,450</u>	<u>769,450</u>	<u>774,715</u>	<u>5,265</u>
Expenditures:				
Transportation:				
Personal Services	62,850	92,600	90,692	1,908
Operations and Maintenance	703,194	882,863	854,577	28,286
Capital Outlay	128,850	109,600	91,771	17,829
Total Expenditures	<u>894,894</u>	<u>1,085,063</u>	<u>1,037,040</u>	<u>48,023</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(125,444)	(315,613)	(262,325)	53,288
Other Financing Sources (Uses):				
Transfers In	40,000	205,169	230,169	25,000
Advances In	85,000	85,000	85,000	0
Advances Out	0	(85,000)	(25,000)	60,000
Total Other Financing Sources (Uses)	<u>125,000</u>	<u>205,169</u>	<u>290,169</u>	<u>85,000</u>
Net Change in Fund Balance	(444)	(110,444)	27,844	138,288
Fund Balance at Beginning of Year	28,052	28,052	28,052	0
Prior Year Encumbrances	444	444	444	0
Fund Balance at End of Year	<u>\$ 28,052</u>	<u>\$ (81,948)</u>	<u>\$ 56,340</u>	<u>\$ 138,288</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

FAMILY VIOLENCE GRANT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	0	10,459	10,459	0
Total Expenditures	0	10,459	10,459	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(10,459)	(10,459)	0
Fund Balance at Beginning of Year	10,459	10,459	10,459	0
Fund Balance at End of Year	<u>\$ 10,459</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 40,388	\$ 59,325	\$ 52,707	\$ (6,618)
Total Revenues	<u>40,388</u>	<u>59,325</u>	<u>52,707</u>	<u>(6,618)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	41,824	41,824	40,126	1,698
Operations and Maintenance	<u>0</u>	<u>8,166</u>	<u>8,166</u>	<u>0</u>
Total Expenditures	<u>41,824</u>	<u>49,990</u>	<u>48,292</u>	<u>1,698</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,436)	9,335	4,415	(4,920)
Fund Balance at Beginning of Year	<u>33,733</u>	<u>33,733</u>	<u>33,733</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 32,297</u>	<u>\$ 43,068</u>	<u>\$ 38,148</u>	<u>\$ (4,920)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 198,897	\$ 198,897	\$ 216,336	\$ 17,439
Total Revenues	<u>198,897</u>	<u>198,897</u>	<u>216,336</u>	<u>17,439</u>
Expenditures:				
Community Environment:				
Personal Services	177,791	177,791	165,346	12,445
Operations and Maintenance	<u>4,750</u>	<u>4,750</u>	<u>1,250</u>	<u>3,500</u>
Total Expenditures	<u>182,541</u>	<u>182,541</u>	<u>166,596</u>	<u>15,945</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,356	16,356	49,740	33,384
Fund Balance at Beginning of Year	9,730	9,730	9,730	0
Fund Balance at End of Year	<u>\$ 26,086</u>	<u>\$ 26,086</u>	<u>\$ 59,470</u>	<u>\$ 33,384</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 2,337	\$ 2,545	\$ 208
Total Revenues	<u>0</u>	<u>2,337</u>	<u>2,545</u>	<u>208</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>29,773</u>	<u>31,928</u>	<u>19,772</u>	<u>12,156</u>
Total Expenditures	<u>29,773</u>	<u>31,928</u>	<u>19,772</u>	<u>12,156</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,773)	(29,591)	(17,227)	12,364
Fund Balance at Beginning of Year	16,043	16,043	16,043	0
Prior Year Encumbrances	<u>13,731</u>	<u>13,731</u>	<u>13,731</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1</u>	<u>\$ 183</u>	<u>\$ 12,547</u>	<u>\$ 12,364</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 425,000	\$ 425,000	\$ 403,606	\$ (21,394)
Intergovernmental Revenues	13,845	13,845	35,239	21,394
Total Revenues	<u>438,845</u>	<u>438,845</u>	<u>438,845</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>438,845</u>	<u>438,845</u>	<u>438,845</u>	<u>0</u>
Total Expenditures	<u>438,845</u>	<u>438,845</u>	<u>438,845</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

FAIRFIELD COUNTY COURT SURVEILLANCE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 52,000	\$ 52,000	\$ 72,315	\$ 20,315
Fines and Forfeitures	40,000	0	0	0
Total Revenues	<u>92,000</u>	<u>52,000</u>	<u>72,315</u>	<u>20,315</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	96,050	98,828	93,918	4,910
Operations and Maintenance	11,447	11,447	8,906	2,541
Total Expenditures	<u>107,497</u>	<u>110,275</u>	<u>102,824</u>	<u>7,451</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,497)	(58,275)	(30,509)	27,766
Other Financing Sources (Uses):				
Transfers In	0	37,960	37,960	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>37,960</u>	<u>37,960</u>	<u>0</u>
Net Change in Fund Balance	(15,497)	(20,315)	7,451	27,766
Fund Balance at Beginning of Year	5,648	5,648	5,648	0
Fund Balance at End of Year	<u>\$ (9,849)</u>	<u>\$ (14,667)</u>	<u>\$ 13,099</u>	<u>\$ 27,766</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 35,000	\$ 35,000	\$ 34,290	\$ (710)
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>34,290</u>	<u>(710)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>150,000</u>	<u>150,000</u>	<u>75,000</u>	<u>75,000</u>
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>75,000</u>	<u>75,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,000)	(115,000)	(40,710)	74,290
Fund Balance at Beginning of Year	83,542	83,542	83,542	0
Prior Year Encumbrances	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 43,542</u>	<u>\$ 43,542</u>	<u>\$ 117,832</u>	<u>\$ 74,290</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	LAW ENFORCEMENT AND EDUCATION FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 3,500	\$ 3,500	\$ 2,749	\$ (751)
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>2,749</u>	<u>(751)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,500	3,500	2,749	(751)
Other Financing Sources (Uses):				
Transfers Out	<u>(3,000)</u>	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>
Total Other Financing Sources (Uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>
Net Change in Fund Balance	500	500	2,749	2,249
Fund Balance at Beginning of Year	<u>62,524</u>	<u>62,524</u>	<u>62,524</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 63,024</u></u>	<u><u>\$ 63,024</u></u>	<u><u>\$ 65,273</u></u>	<u><u>\$ 2,249</u></u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 32,000	\$ 32,000	\$ 49,706	\$ 17,706
Total Revenues	<u>32,000</u>	<u>32,000</u>	<u>49,706</u>	<u>17,706</u>
Expenditures:				
General Government:				
Operations and Maintenance	37,500	37,500	11,961	25,539
Capital Outlay	<u>25,500</u>	<u>25,500</u>	<u>10,611</u>	<u>14,889</u>
Total Expenditures	<u>63,000</u>	<u>63,000</u>	<u>22,572</u>	<u>40,428</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,000)	(31,000)	27,134	58,134
Fund Balance at Beginning of Year	<u>26,730</u>	<u>26,730</u>	<u>26,730</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (4,270)</u>	<u>\$ (4,270)</u>	<u>\$ 53,864</u>	<u>\$ 58,134</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 10,634	\$ 10,634
Fines and Forfeitures	<u>300,000</u>	<u>300,000</u>	<u>245,920</u>	<u>(54,080)</u>
Total Revenues	<u>300,000</u>	<u>300,000</u>	<u>256,554</u>	<u>(43,446)</u>
Expenditures:				
General Government:				
Personal Services	205,500	217,507	195,660	21,847
Operations and Maintenance	<u>3,500</u>	<u>2,127</u>	<u>0</u>	<u>2,127</u>
Total Expenditures	<u>209,000</u>	<u>219,634</u>	<u>195,660</u>	<u>23,974</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	91,000	80,366	60,894	(19,472)
Fund Balance at Beginning of Year	<u>60,836</u>	<u>60,836</u>	<u>60,836</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 151,836</u>	<u>\$ 141,202</u>	<u>\$ 121,730</u>	<u>\$ (19,472)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 190,000	\$ 190,000	\$ 189,763	\$ (237)
Total Revenues	<u>190,000</u>	<u>190,000</u>	<u>189,763</u>	<u>(237)</u>
Expenditures:				
General Government:				
Personal Services	73,500	88,524	86,455	2,069
Operations and Maintenance	160,962	187,006	164,033	22,973
Capital Outlay	<u>137,962</u>	<u>96,894</u>	<u>45,685</u>	<u>51,209</u>
Total Expenditures	<u>372,424</u>	<u>372,424</u>	<u>296,173</u>	<u>76,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(182,424)	(182,424)	(106,410)	76,014
Fund Balance at Beginning of Year	<u>188,983</u>	<u>188,983</u>	<u>188,983</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6,559</u>	<u>\$ 6,559</u>	<u>\$ 82,573</u>	<u>\$ 76,014</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

MUNICIPAL COURT SPECIAL PROJECTS FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Fines and Forfeitures	\$ 200,000	\$ 200,000	\$ 249,257	\$ 49,257
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>249,257</u>	<u>49,257</u>
Expenditures:				
General Government:				
Operations and Maintenance	157,489	157,489	63,476	94,013
Capital Outlay	<u>55,000</u>	<u>55,000</u>	<u>31,826</u>	<u>23,174</u>
Total Expenditures	<u>212,489</u>	<u>212,489</u>	<u>95,302</u>	<u>117,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,489)	(12,489)	153,955	166,444
Fund Balance at Beginning of Year	353,247	353,247	353,247	0
Prior Year Encumbrances	<u>12,489</u>	<u>12,489</u>	<u>12,489</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 353,247</u>	<u>\$ 353,247</u>	<u>\$ 519,691</u>	<u>\$ 166,444</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

MUNICIPAL COURT FAMILY VIOLENCE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 112,158	\$ 112,158	\$ 114,605	\$ 2,447
All Other Revenues	0	8,166	8,166	0
Total Revenues	<u>112,158</u>	<u>120,324</u>	<u>122,771</u>	<u>2,447</u>
Expenditures:				
General Government:				
Personal Services	74,928	72,859	67,714	5,145
Operations and Maintenance	25,600	18,275	18,275	0
Capital Outlay	0	7,094	7,094	0
Total Expenditures	<u>100,528</u>	<u>98,228</u>	<u>93,083</u>	<u>5,145</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,630	22,096	29,688	7,592
Fund Balance at Beginning of Year	<u>17,200</u>	<u>17,200</u>	<u>17,200</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 28,830</u>	<u>\$ 39,296</u>	<u>\$ 46,888</u>	<u>\$ 7,592</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 974,947	\$ 974,947	\$ 0
Investment Earnings	0	2,555	2,555	0
All Other Revenues	0	3,906	4,592	686
Total Revenues	<u>0</u>	<u>981,408</u>	<u>982,094</u>	<u>686</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	3,000	3,000	1,984	1,016
Capital Outlay	1,334,855	1,934,219	895,853	1,038,366
Total Community Environment	<u>1,337,855</u>	<u>1,937,219</u>	<u>897,837</u>	<u>1,039,382</u>
Debt Service:				
Principal Retirement	90,000	90,000	90,000	0
Interest and Fiscal Charges	31,761	31,761	31,761	0
Total Debt Service	<u>121,761</u>	<u>121,761</u>	<u>121,761</u>	<u>0</u>
Total Expenditures	<u>1,459,616</u>	<u>2,058,980</u>	<u>1,019,598</u>	<u>1,039,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,459,616)	(1,077,572)	(37,504)	1,040,068
Fund Balance at Beginning of Year	190,337	190,337	190,337	0
Fund Balance at End of Year	<u>\$ (1,269,279)</u>	<u>\$ (887,235)</u>	<u>\$ 152,833</u>	<u>\$ 1,040,068</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	STATE HIGHWAY FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 85,000	\$ 85,000	\$ 94,343	\$ 9,343
Investment Earnings	15,000	15,000	23,558	8,558
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>117,901</u>	<u>17,901</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,000	100,000	117,901	17,901
Other Financing Sources (Uses):				
Transfers In	0	0	36,910	36,910
Transfers Out	0	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(200,000)</u>	<u>(163,090)</u>	<u>36,910</u>
Net Change in Fund Balance	100,000	(100,000)	(45,189)	54,811
Fund Balance at Beginning of Year	<u>214,423</u>	<u>214,423</u>	<u>214,423</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 314,423</u></u>	<u><u>\$ 114,423</u></u>	<u><u>\$ 169,234</u></u>	<u><u>\$ 54,811</u></u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 32,000	\$ 32,000	\$ 41,961	\$ 9,961
Investment Earnings	0	0	7,944	7,944
Total Revenues	<u>32,000</u>	<u>32,000</u>	<u>49,905</u>	<u>17,905</u>
Expenditures:				
Public Health and Welfare Services:				
Operations and Maintenance	<u>200,000</u>	<u>200,000</u>	<u>31,806</u>	<u>168,194</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>31,806</u>	<u>168,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(168,000)	(168,000)	18,099	186,099
Fund Balance at Beginning of Year	<u>271,253</u>	<u>271,253</u>	<u>271,253</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 103,253</u>	<u>\$ 103,253</u>	<u>\$ 289,352</u>	<u>\$ 186,099</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

	GENERAL BOND RETIREMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Investment Earnings	\$ 183,000	\$ 183,000	\$ 0	\$ (183,000)
Total Revenues	<u>183,000</u>	<u>183,000</u>	<u>0</u>	<u>(183,000)</u>
Expenditures:				
Debt Service:				
Principal Retirement	0	156,086	156,086	0
Interest and Fiscal Charges	0	153,650	153,650	0
Total Expenditures	<u>0</u>	<u>309,736</u>	<u>309,736</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	183,000	(126,736)	(309,736)	(183,000)
Other Financing Sources (Uses):				
Transfers In	0	0	332,384	332,384
Transfers Out	0	(22,648)	(22,648)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(22,648)</u>	<u>309,736</u>	<u>332,384</u>
Net Change in Fund Balance	183,000	(149,384)	0	149,384
Fund Balance at Beginning of Year	<u>97,729</u>	<u>97,729</u>	<u>97,729</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 280,729</u>	<u>\$ (51,655)</u>	<u>\$ 97,729</u>	<u>\$ 149,384</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

	SPECIAL ASSESSMENT DEBT RETIREMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Special Assessments	\$ 0	\$ 35,998	\$ 35,998	\$ 0
Total Revenues	<u>0</u>	<u>35,998</u>	<u>35,998</u>	<u>0</u>
Expenditures:				
General Government:				
Operations and Maintenance	0	1,667	1,667	0
Debt Service:				
Principal Retirement	0	13,500	13,500	0
Interest and Fiscal Charges	<u>100,000</u>	<u>115,975</u>	<u>15,975</u>	<u>100,000</u>
Total Expenditures	<u>100,000</u>	<u>131,142</u>	<u>31,142</u>	<u>100,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,000)	(95,144)	4,856	100,000
Fund Balance at Beginning of Year	<u>15,182</u>	<u>15,182</u>	<u>15,182</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (84,818)</u>	<u>\$ (79,962)</u>	<u>\$ 20,038</u>	<u>\$ 100,000</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

	FIRE CAPITAL IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Capital Outlay	0	859,000	858,466	534
Debt Service:				
Principal Retirement	0	166,500	166,500	0
Interest and Fiscal Charges	0	4,925	4,925	0
Total Expenditures	<u>0</u>	<u>1,030,425</u>	<u>1,029,891</u>	<u>534</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,030,425)	(1,029,891)	534
Other Financing Sources (Uses):				
General Obligation Notes Issued	166,000	297,500	990,500	693,000
Total Other Financing Sources (Uses)	<u>166,000</u>	<u>297,500</u>	<u>990,500</u>	<u>693,000</u>
Net Change in Fund Balance	166,000	(732,925)	(39,391)	693,534
Fund Balance at Beginning of Year	85,283	85,283	85,283	0
Fund Balance at End of Year	<u>\$ 251,283</u>	<u>\$ (647,642)</u>	<u>\$ 45,892</u>	<u>\$ 693,534</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 50,000	\$ 50,000	\$ 137,650	\$ 87,650
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>137,650</u>	<u>87,650</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,000	50,000	137,650	87,650
Fund Balance at Beginning of Year	<u>20,965</u>	<u>20,965</u>	<u>20,965</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 70,965</u>	<u>\$ 70,965</u>	<u>\$ 158,615</u>	<u>\$ 87,650</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Capital Outlay	<u>0</u>	<u>4,959,257</u>	<u>440,099</u>	<u>4,519,158</u>
Total Expenditures	<u>0</u>	<u>4,959,257</u>	<u>440,099</u>	<u>4,519,158</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(4,959,257)	(440,099)	4,519,158
Other Financing Sources (Uses):				
General Obligation Notes Issued	<u>0</u>	<u>4,959,257</u>	<u>3,600,000</u>	<u>(1,359,257)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>4,959,257</u>	<u>3,600,000</u>	<u>(1,359,257)</u>
Net Change in Fund Balance	0	0	3,159,901	3,159,901
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,159,901</u>	<u>\$ 3,159,901</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 32,000	\$ 32,000	\$ 32,624	\$ 624
Total Revenues	<u>32,000</u>	<u>32,000</u>	<u>32,624</u>	<u>624</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,000	32,000	32,624	624
Fund Balance at Beginning of Year	<u>794,637</u>	<u>794,637</u>	<u>794,637</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 826,637</u>	<u>\$ 826,637</u>	<u>\$ 827,261</u>	<u>\$ 624</u>

Internal Service Funds

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

Utilities Collection Fund

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

Information Services Fund

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

Health Insurance Management Fund

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

CITY OF LANCASTER, OHIO

***Combining Statement of Net Assets
Internal Service Funds
December 31, 2006***

	Utilities Collection	Information Services	Health Insurance Management	Total
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 225,216	\$ 123,234	\$ 87,778	\$ 436,228
Receivables:				
Accounts	0	1,000	0	1,000
Inventory of Supplies at Cost	48,047	4,435	0	52,482
Prepaid Items	719	0	2,700,000	2,700,719
Total Current Assets	273,982	128,669	2,787,778	3,190,429
<i>Non Current Assets:</i>				
Capital Assets Being Depreciated, Net	85,139	109,228	0	194,367
Total Assets	359,121	237,897	2,787,778	3,384,796
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	15,126	30,752	0	45,878
Accrued Wages and Benefits	52,706	18,542	0	71,248
Claims Payable	0	0	246,400	246,400
Capital Lease Payable-Current	2,057	0	0	2,057
Compensated Absences Payable - Current	67,153	20,115	0	87,268
Total Current Liabilities	137,042	69,409	246,400	452,851
<i>Long Term Liabilities:</i>				
Capital Leases Payable	4,234	0	0	4,234
Compensated Absences Payable	295,319	66,320	0	361,639
Total Liabilities	436,595	135,729	246,400	818,724
Net Assets:				
Invested in Capital Assets, Net of Related Debt	78,848	109,228	0	188,076
Unrestricted	(156,322)	(7,060)	2,541,378	2,377,996
Total Net Assets	\$ (77,474)	\$ 102,168	\$ 2,541,378	\$ 2,566,072

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2006**

	Utilities Collection	Information Services	Health Insurance Management	Total
Operating Revenues:				
Charges for Services	\$ 1,684,278	\$ 667,611	\$ 5,546,916	\$ 7,898,805
Other Operating Revenue	4,199	6,109	0	10,308
Total Operating Revenues	1,688,477	673,720	5,546,916	7,909,113
Operating Expenses:				
Personal Services	1,290,072	437,529	4,843,863	6,571,464
Contractual Services	230,460	93,222	0	323,682
Materials and Supplies	118,871	43,522	0	162,393
Depreciation	27,803	19,636	0	47,439
Total Operating Expenses	1,667,206	593,909	4,843,863	7,104,978
Operating Income (Loss)	21,271	79,811	703,053	804,135
Nonoperating Revenue (Expenses):				
Loss on Disposal of Capital Assets	0	(1,767)	0	(1,767)
Total Nonoperating Revenues (Expenses)	0	(1,767)	0	(1,767)
Change in Net Assets	21,271	78,044	703,053	802,368
Net Assets Beginning of Year	(98,745)	24,124	1,838,325	1,763,704
Net Assets End of Year	\$ (77,474)	\$ 102,168	\$ 2,541,378	\$ 2,566,072

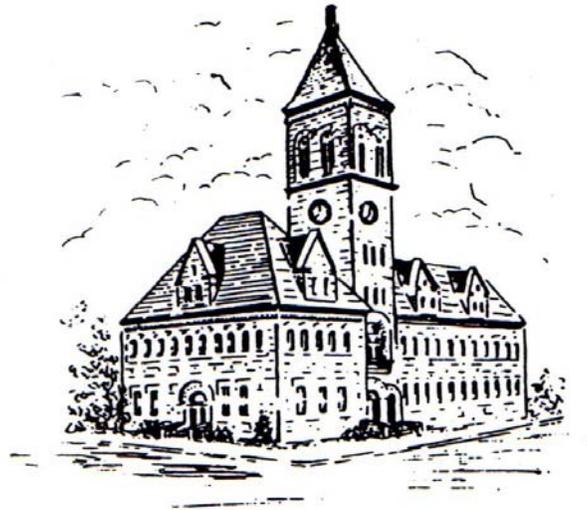
CITY OF LANCASTER, OHIO

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2006**

	Utilities Collection	Information Services	Health Insurance Management	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,688,477	\$672,870	\$5,546,916	\$7,908,263
Cash Payments for Goods and Services	(360,292)	(123,671)	0	(483,963)
Cash Payments to and on behalf of Employees	(1,254,022)	(425,671)	(5,548,137)	(7,227,830)
Net Cash Provided (Used) by Operating Activities	74,163	123,528	(1,221)	196,470
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(7,868)	(39,113)	0	(46,981)
Capital Lease Payments	(1,831)	0	0	(1,831)
Net Cash Used for Capital and Related Financing Activities	(9,699)	(39,113)	0	(48,812)
Net Increase (Decrease) in Cash and Cash Equivalents	64,464	84,415	(1,221)	147,658
Cash and Cash Equivalents at Beginning of Year	160,752	38,819	88,999	288,570
Cash and Cash Equivalents at End of Year	\$225,216	\$123,234	\$87,778	\$436,228
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income	\$21,271	\$79,811	\$703,053	\$804,135
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	27,803	19,636	0	47,439
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	0	(850)	0	(850)
(Increase) Decrease in Inventory	(11,266)	4,114	0	(7,152)
Increase in Prepaid Items	(5)	0	(697,960)	(697,965)
Increase in Accounts Payable	310	8,959	0	9,269
Increase in Accrued Wages and Benefits	2,388	4,347	0	6,735
Increase in Compensated Absences	33,662	7,511	0	41,173
Decrease in Claims Payable	0	0	(6,314)	(6,314)
Total Adjustments	52,892	43,717	(704,274)	(607,665)
Net Cash Provided (Used) by Operating Activities	\$74,163	\$123,528	(\$1,221)	\$196,470

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2006 the Utilities Fund and Information Services Fund had outstanding liabilities of \$3,975 and \$17,897 for certain capital assets.



Fiduciary Funds

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

Agency Funds

Street Deposit Fund

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

Municipal Court Fund

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

Law Library Fund

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

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2006***

	Balance December 31, 2005	Additions	Deductions	Balance December 31, 2006
<u>Street Deposit Fund</u>				
Assets:				
Cash and Cash Equivalents	\$2,600	\$500	\$0	\$3,100
Total Assets	<u>\$2,600</u>	<u>\$500</u>	<u>\$0</u>	<u>\$3,100</u>
Liabilities:				
Due to Others	\$2,600	\$500	\$0	\$3,100
Total Liabilities	<u>\$2,600</u>	<u>\$500</u>	<u>\$0</u>	<u>\$3,100</u>
<u>Municipal Court Fund</u>				
Assets:				
Cash with Fiscal Agent	\$104,612	\$3,915,142	(\$3,869,953)	\$149,801
Total Assets	<u>\$104,612</u>	<u>\$3,915,142</u>	<u>(\$3,869,953)</u>	<u>\$149,801</u>
Liabilities:				
Due to Other Funds	\$4,391	\$1,652,790	(\$1,652,960)	\$4,221
Intergovernmental Payable	0	884,340	(884,340)	0
Due to Others	100,221	1,378,012	(1,332,653)	145,580
Total Liabilities	<u>\$104,612</u>	<u>\$3,915,142</u>	<u>(\$3,869,953)</u>	<u>\$149,801</u>
<u>Law Library Fund</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$52,780	(\$52,780)	\$0
Due from Other Funds	4,391	4,221	(4,391)	4,221
Total Assets	<u>\$4,391</u>	<u>\$57,001</u>	<u>(\$57,171)</u>	<u>\$4,221</u>
Liabilities:				
Intergovernmental Payable	\$4,391	\$57,001	(\$57,171)	\$4,221
Total Liabilities	<u>\$4,391</u>	<u>\$57,001</u>	<u>(\$57,171)</u>	<u>\$4,221</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$107,212	\$3,968,422	(\$3,922,733)	\$152,901
Due from Other Funds	4,391	4,221	(4,391)	4,221
Total Assets	<u>\$111,603</u>	<u>\$3,972,643</u>	<u>(\$3,927,124)</u>	<u>\$157,122</u>
Liabilities:				
Due to Other Funds	\$4,391	\$1,652,790	(\$1,652,960)	\$4,221
Intergovernmental Payables	4,391	941,341	(941,511)	4,221
Due to Others	102,821	1,378,512	(1,332,653)	148,680
Total Liabilities	<u>\$111,603</u>	<u>\$3,972,643</u>	<u>(\$3,927,124)</u>	<u>\$157,122</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2006***

Capital Assets:

Land	\$14,774,539
Construction in Progress	904,660
Buildings	6,455,749
Improvements Other Than Buildings	5,634,870
Vehicles	5,779,456
Equipment	4,656,625
Infrastructure	<u>14,426,845</u>
Total Net Capital Assets	<u><u>\$52,632,744</u></u>

Net Investment in Capital Assets from:

General Fund	\$12,859,659
Special Revenue Funds	34,187,592
Proprietary Funds (Gas)	7,202
Internal Services	285,261
Donated	<u>5,293,030</u>
Total Net Investment in Capital Assets	<u><u>\$52,632,744</u></u>

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2006***

Function and Activity	Land	Construction in Progress	Buildings
<u>General Government:</u>			
Council	\$0	\$0	\$0
Mayor	0	0	0
Personnel	0	0	0
City Hall	395,083	0	772,500
Auditor	0	0	0
Income Tax	0	0	0
Treasurer	0	0	0
Safety Director	1,000	0	103,600
Engineer	0	0	0
Certified Building Inspection	0	0	0
Prosecutor	0	0	0
Court-Clerk	0	0	0
Court-Judicial	0	0	7,925
Court Electronic Surveillance	0	0	0
Information Services - Internal Service	0	0	0
Total	396,083	0	884,025
<u>Security of Persons and Property:</u>			
Police	141,962	0	2,010,264
Fire	25,600	54,201	234,473
Total	167,562	54,201	2,244,737
<u>Public Health and Welfare Services:</u>			
Public Health	0	0	0
Cemetery	14,897	0	63,430
Total	14,897	0	63,430
<u>Transportation:</u>			
Public Transit	0	0	0
Street Construction	12,458,097	850,459	494,411
Total	12,458,097	850,459	494,411
<u>Community Environment:</u>			
Community Development	0	0	0
Economic Development	0	0	0
Total	0	0	0
<u>Leisure Time Activities:</u>			
Park	1,737,900	0	2,769,146
Mumaugh	0	0	0
Total	1,737,900	0	2,769,146
Total Capital Assets	\$14,774,539	\$904,660	\$6,455,749

CITY OF LANCASTER, OHIO

Improvements Other Than Buildings	Vehicles	Equipment	Infrastructure	Total
\$0	\$0	\$0	\$0	\$0
0	0	4,150	0	4,150
0	0	11,924	0	11,924
2,504,292	0	130,288	0	3,802,163
0	0	55,602	0	55,602
3,630	0	51,996	0	55,626
0	0	3,404	0	3,404
17,275	13,655	54,796	0	190,326
0	55,463	109,773	0	165,236
0	102,301	2,196	0	104,497
10,750	0	74,460	0	85,210
2,416	0	225,941	0	228,357
55,387	0	168,293	0	231,605
0	0	14,172	0	14,172
0	39,096	246,165	0	285,261
<u>2,593,750</u>	<u>210,515</u>	<u>1,153,160</u>	<u>0</u>	<u>5,237,533</u>
128,897	618,991	875,495	0	3,775,609
492,288	2,577,265	762,123	0	4,145,950
<u>621,185</u>	<u>3,196,256</u>	<u>1,637,618</u>	<u>0</u>	<u>7,921,559</u>
0	31,191	93,483	0	124,674
94,491	119,212	182,251	0	474,281
<u>94,491</u>	<u>150,403</u>	<u>275,734</u>	<u>0</u>	<u>598,955</u>
0	601,859	4,235	0	606,094
33,026	1,232,415	1,002,954	14,426,845	30,498,207
<u>33,026</u>	<u>1,834,274</u>	<u>1,007,189</u>	<u>14,426,845</u>	<u>31,104,301</u>
0	0	54,733	0	54,733
0	0	10,476	0	10,476
<u>0</u>	<u>0</u>	<u>65,209</u>	<u>0</u>	<u>65,209</u>
2,286,678	388,008	514,831	0	7,696,563
5,740	0	2,884	0	8,624
<u>2,292,418</u>	<u>388,008</u>	<u>517,715</u>	<u>0</u>	<u>7,705,187</u>
<u>\$5,634,870</u>	<u>\$5,779,456</u>	<u>\$4,656,625</u>	<u>\$14,426,845</u>	<u>\$52,632,744</u>

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2006***

Function and Activity	December 31, 2005	Additions	Deletions	December 31, 2006
<u>General Government:</u>				
Council	\$2,422	\$0	(\$2,422)	\$0
Mayor	4,150	0	0	4,150
Personnel	7,118	4,806	0	11,924
City Hall	3,802,163	0	0	3,802,163
Auditor	53,402	2,200	0	55,602
Income Tax	55,626	0	0	55,626
Treasurer	3,404	0	0	3,404
Safety Director	199,520	0	(9,194)	190,326
Engineer	138,626	36,035	(9,425)	165,236
Certified Building Inspection	70,338	37,116	(2,957)	104,497
Prosecutor	84,179	3,031	(2,000)	85,210
Court-Clerk	465,696	42,035	(279,374)	228,357
Court-Judicial	194,152	37,453	0	231,605
Court-Electronic Surveillance	14,172	0	0	14,172
Information Services - Internal Service	232,964	57,010	(4,713)	285,261
Total	<u>5,327,932</u>	<u>219,686</u>	<u>(310,085)</u>	<u>5,237,533</u>
<u>Security of Persons and Property:</u>				
Police	3,674,839	100,770	0	3,775,609
Fire	3,261,484	884,466	0	4,145,950
Total	<u>6,936,323</u>	<u>985,236</u>	<u>0</u>	<u>7,921,559</u>
<u>Public Health and Welfare Services:</u>				
Public Health	124,674	0	0	124,674
Cemetery	470,413	19,636	(15,768)	474,281
Total	<u>595,087</u>	<u>19,636</u>	<u>(15,768)</u>	<u>598,955</u>
<u>Transportation:</u>				
Public Transit	606,094	0	0	606,094
Street Construction	27,324,060	3,182,512	(8,365)	30,498,207
Total	<u>27,930,154</u>	<u>3,182,512</u>	<u>(8,365)</u>	<u>31,104,301</u>
<u>Community Environment:</u>				
Community Development	54,733	0	0	54,733
Economic Development	10,476	0	0	10,476
Total	<u>65,209</u>	<u>0</u>	<u>0</u>	<u>65,209</u>
<u>Leisure Time Activities:</u>				
Park	7,523,551	173,012	0	7,696,563
Mumaugh	8,624	0	0	8,624
Total	<u>7,532,175</u>	<u>173,012</u>	<u>0</u>	<u>7,705,187</u>
Total Capital Assets	<u><u>\$48,386,880</u></u>	<u><u>\$4,580,082</u></u>	<u><u>(\$334,218)</u></u>	<u><u>\$52,632,744</u></u>

STATISTICAL SECTION

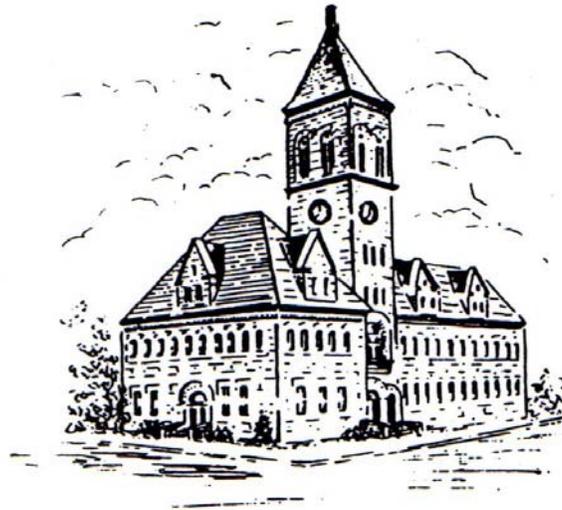


STATISTICAL TABLES

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

Contents

Financial Trends	S 3 – S 11
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 12 – S 15
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue source which is income tax.	
Debt Capacity	S 16 – S 23
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 24 – S 27
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 28 – S 35
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	



City of Lancaster

*Net Assets by Component
Last Four Years
(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$20,219,881	\$20,574,646	\$21,352,341	\$23,975,773
Restricted	6,450,635	6,966,940	7,689,262	7,586,314
Unrestricted	<u>3,683,855</u>	<u>4,442,545</u>	<u>5,041,192</u>	<u>4,724,339</u>
Total Governmental Activities Net Assets	<u>\$30,354,371</u>	<u>\$31,984,131</u>	<u>\$34,082,795</u>	<u>\$36,286,426</u>
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	\$27,922,328	\$26,504,751	\$28,994,290	\$30,722,799
Restricted	0	978,578	1,018,993	1,054,021
Unrestricted (Deficit)	<u>15,945,149</u>	<u>22,452,273</u>	<u>26,856,616</u>	<u>31,203,849</u>
Total Business-type Activities Net Assets	<u>\$43,867,477</u>	<u>\$49,935,602</u>	<u>\$56,869,899</u>	<u>\$62,980,669</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$48,142,209	\$47,079,397	\$50,346,631	\$54,698,572
Restricted	6,450,635	7,945,518	8,708,255	8,640,335
Unrestricted	<u>19,629,004</u>	<u>26,894,818</u>	<u>31,897,808</u>	<u>35,928,188</u>
Total Primary Government Net Assets	<u>\$74,221,848</u>	<u>\$81,919,733</u>	<u>\$90,952,694</u>	<u>\$99,267,095</u>

Source: City Auditor's Office

City of Lancaster

*Changes in Net Assets
Last Four Years
(accrual basis of accounting)*

	2003	2004	2005	2006
Expenses				
Governmental Activities:				
Security of Persons and Property	\$13,728,378	\$13,716,187	\$14,473,126	\$16,104,691
Public Health and Welfare Services	881,427	896,457	779,600	878,467
Leisure Time Activities	1,773,654	1,657,885	1,742,633	2,124,266
Community Environment	833,665	724,170	789,851	959,561
Transportation	3,871,092	4,366,390	4,378,695	4,342,096
General Government	6,143,687	6,571,065	6,949,947	7,223,816
Interest and Fiscal Charges	209,429	218,203	339,328	322,513
<i>Total Governmental Activities Expenses</i>	<u>27,441,332</u>	<u>28,150,357</u>	<u>29,453,180</u>	<u>31,955,410</u>
Business-type Activities:				
Gas	19,558,945	20,229,675	23,308,942	23,771,384
Water	6,211,390	7,990,566	8,014,591	8,513,968
Water Pollution	6,325,948	6,656,732	6,539,509	7,226,506
Sanitation	2,932,207	2,956,661	2,921,855	3,033,340
Storm Water	57,286	600,286	706,217	1,159,357
<i>Total Business-type Activities Expenses</i>	<u>35,085,776</u>	<u>38,433,920</u>	<u>41,491,114</u>	<u>43,704,555</u>
<i>Total Primary Government Expenses</i>	<u><u>\$62,527,108</u></u>	<u><u>\$66,584,277</u></u>	<u><u>\$70,944,294</u></u>	<u><u>\$75,659,965</u></u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$2,033,168	\$1,986,291	\$1,932,337	\$1,871,567
Public Health and Welfare Services	191,105	273,345	260,032	270,286
Leisure Time Activities	326,109	332,834	360,817	369,508
Community Environment	0	0	105,422	100,329
Transportation	160,055	763,338	735,194	821,284
General Government	412,399	1,191,311	1,891,022	2,072,411
Operating Grants and Contributions	3,645,073	4,217,797	4,087,234	3,606,523
Capital Grants and Contributions	870,520	1,029,423	1,105,484	2,054,029
<i>Total Governmental Activities Program Revenues</i>	<u>7,638,429</u>	<u>9,794,339</u>	<u>10,477,542</u>	<u>11,165,937</u>

(continued)

City of Lancaster

Changes in Net Assets
Last Four Years
(accrual basis of accounting)

	2003	2004	2005	2006
Business-type Activities:				
Charges for Services				
Gas	20,331,249	22,009,172	25,405,950	26,107,359
Water	6,854,809	8,286,110	8,388,041	8,616,566
Water Pollution	6,433,722	7,174,132	7,006,365	7,314,131
Sanitation	3,004,224	3,490,894	3,488,335	3,577,116
Storm Water	72,031	1,807,308	1,675,474	1,828,503
Operating Grants and Contributions	0	0	0	0
Capital Grants and Contributions	1,244,524	2,833,839	2,461,246	2,371,650
<i>Total Business-type Activities Program Revenues</i>	<u>37,940,559</u>	<u>45,601,455</u>	<u>48,425,411</u>	<u>49,815,325</u>
<i>Total Primary Government Program Revenues</i>	<u>45,578,988</u>	<u>55,395,794</u>	<u>58,902,953</u>	<u>60,981,262</u>
Net (Expense)/Revenue				
Governmental Activities	(19,802,903)	(18,356,018)	(18,975,638)	(20,789,473)
Business-type Activities	2,854,783	7,167,535	6,934,297	6,110,770
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$16,948,120)</u>	<u>(\$11,188,483)</u>	<u>(\$12,041,341)</u>	<u>(\$14,678,703)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes Levied for:				
General Purposes	\$1,717,151	\$1,657,395	\$1,726,655	\$1,935,850
Special Purposes	366,655	346,940	373,293	413,013
Income Taxes	13,234,650	14,134,110	14,424,322	15,641,005
Other Local Taxes	788,704	391,507	626,179	516,698
Intergovernmental Revenue, Unrestricted	2,615,769	2,855,315	2,752,068	2,604,474
Investment Earnings	322,878	356,036	644,320	1,159,085
Miscellaneous	184,303	409,637	527,465	722,979
Transfers	307,742	218,643	0	0
<i>Total Governmental Activities</i>	<u>19,537,852</u>	<u>20,369,583</u>	<u>21,074,302</u>	<u>22,993,104</u>
Business-type Activities:				
Transfers	(307,742)	(218,643)	0	0
<i>Total Business-type Activities</i>	<u>(307,742)</u>	<u>(218,643)</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$19,230,110</u>	<u>\$20,150,940</u>	<u>\$21,074,302</u>	<u>\$22,993,104</u>
Change in Net Assets				
Governmental Activities	(\$265,051)	\$2,013,565	\$2,098,664	\$2,203,631
Business-type Activities	2,547,041	6,948,892	6,934,297	6,110,770
<i>Total Primary Government Change in Net Assets</i>	<u>\$2,281,990</u>	<u>\$8,962,457</u>	<u>\$9,032,961</u>	<u>\$8,314,401</u>

Source: City Auditor's Office

City of Lancaster

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$470,549	\$376,519	\$624,449	\$604,801
Unreserved	<u>2,611,559</u>	<u>4,087,592</u>	<u>3,886,758</u>	<u>4,722,994</u>
<i>Total General Fund</i>	<u>3,082,108</u>	<u>4,464,111</u>	<u>4,511,207</u>	<u>5,327,795</u>
All Other Governmental Funds				
Reserved	1,232,154	1,245,305	2,116,559	1,491,819
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	757,137	1,211,728	1,309,074	1,895,862
Capital Projects Funds	<u>(1,580,068)</u>	<u>46,836</u>	<u>309,162</u>	<u>1,490,335</u>
Total All Other Governmental Funds	<u>409,223</u>	<u>2,503,869</u>	<u>3,734,795</u>	<u>4,878,016</u>
<i>Total Governmental Funds</i>	<u><u>\$3,491,331</u></u>	<u><u>\$6,967,980</u></u>	<u><u>\$8,246,002</u></u>	<u><u>\$10,205,811</u></u>

Source: City Auditor's Office

NOTE: Years 1997-2002 do not include the Cemetery Interment and Cemetery Trust Funds which were classified as a Fiduciary Funds prior to implementing GASB 34 in 2003.

City of Lancaster

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$588,579	\$426,004	\$315,859	\$336,003	\$332,621	\$447,451
<u>4,416,149</u>	<u>3,856,325</u>	<u>3,290,763</u>	<u>3,940,089</u>	<u>3,724,907</u>	<u>4,042,869</u>
<u>5,004,728</u>	<u>4,282,329</u>	<u>3,606,622</u>	<u>4,276,092</u>	<u>4,057,528</u>	<u>4,490,320</u>
1,875,511	2,499,441	2,322,508	2,472,534	2,571,986	2,776,859
1,987,417	2,307,521	2,333,595	2,581,905	3,084,591	3,035,341
<u>(300,658)</u>	<u>(588,472)</u>	<u>257,216</u>	<u>(17,171)</u>	<u>(306,634)</u>	<u>(1,543,724)</u>
<u>3,562,270</u>	<u>4,218,490</u>	<u>4,913,319</u>	<u>5,037,268</u>	<u>5,349,943</u>	<u>4,268,476</u>
<u>\$8,566,998</u>	<u>\$8,500,819</u>	<u>\$8,519,941</u>	<u>\$9,313,360</u>	<u>\$9,407,471</u>	<u>\$8,758,796</u>

City of Lancaster

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	1997	1998	1999	2000
Revenues:				
Taxes	\$11,198,436	\$12,390,842	\$13,027,298	\$13,380,081
Intergovernmental Revenues	6,326,755	5,914,778	6,697,900	7,294,436
Charges for Services	1,252,725	1,665,352	2,042,576	2,205,328
Licenses and Permits	77,548	132,198	22,110	31,392
Investment Earnings	837,472	960,524	1,108,721	1,386,365
Special Assessments	0	0	0	0
Fines and Forfeitures	849,233	900,331	937,945	1,003,554
All Other Revenue	1,154,643	1,420,348	748,335	630,795
Total Revenue	21,696,812	23,384,373	24,584,885	25,931,951
Expenditures:				
Current:				
Security of Persons and Property	9,460,120	10,291,943	10,823,478	11,299,152
Public Health and Welfare Services	1,293,204	1,368,687	1,545,281	1,674,330
Leisure Time Activities	1,140,200	1,252,835	1,277,405	1,393,910
Community Environment	780,789	1,054,629	2,540,844	811,135
Transportation	2,329,897	2,337,205	3,205,369	3,277,651
General Government	3,606,140	3,783,666	4,317,811	4,929,982
Capital Outlay	2,607,790	361,731	2,507,284	3,208,706
Debt Service:				
Principal Retirement	0	0	90,000	163,998
Interest and Fiscal Charges	133,141	99,807	130,611	228,382
Total Expenditures	21,351,281	20,550,503	26,438,083	26,987,246
Excess (Deficiency) of Revenues Over Expenditures	345,531	2,833,870	(1,853,198)	(1,055,295)

City of Lancaster

2001	2002	2003	2004	2005	2006
\$13,886,573	\$14,504,954	\$15,317,624	\$16,088,874	\$16,421,231	\$17,981,983
6,606,745	6,659,241	6,010,243	6,367,123	6,443,731	6,933,762
2,109,084	2,141,310	2,353,249	3,586,258	4,132,594	4,232,866
32,443	18,653	25,167	11,340	22,049	24,279
980,453	458,438	376,875	347,591	598,759	1,151,742
215,585	37,480	41,006	36,873	144,634	136,327
1,084,988	1,213,778	1,309,508	1,175,825	1,471,477	1,522,814
275,525	325,514	217,954	516,825	573,346	884,284
<u>25,191,396</u>	<u>25,359,368</u>	<u>25,651,626</u>	<u>28,130,709</u>	<u>29,807,821</u>	<u>32,868,057</u>
11,600,718	12,690,508	13,039,847	13,477,234	14,402,149	15,901,921
1,655,940	1,140,416	824,672	845,713	854,324	921,993
1,852,663	1,474,007	1,598,290	1,463,661	1,632,501	1,959,713
605,689	957,514	818,537	713,786	787,384	1,204,194
3,273,454	3,061,935	3,603,691	4,001,483	3,672,615	3,805,510
5,113,651	5,246,602	5,791,625	6,121,410	6,929,816	6,946,297
3,509,832	1,088,656	2,461,374	899,156	1,151,747	2,221,974
93,043	104,043	535,629	4,168,086	4,254,086	259,586
236,478	235,184	172,778	230,382	349,665	298,633
<u>27,941,468</u>	<u>25,998,865</u>	<u>28,846,443</u>	<u>31,920,911</u>	<u>34,034,287</u>	<u>33,519,821</u>
(2,750,072)	(639,497)	(3,194,817)	(3,790,202)	(4,226,466)	(651,764)

(Continued)

City of Lancaster

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	1997	1998	1999	2000
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
Other Financing Sources - Capital Leases	0	228,230	1,125,905	373,373
Housing and Urban Development Loan	0	0	1,660,000	0
Ohio Public Works Commission Loan	0	0	0	104,431
Ohio Water Development Authority Loans	0	0	0	2,000,000
Special Assessment Bonds	0	0	0	0
General Obligation Notes Issued	0	0	0	0
General Obligation Bonds Issued	0	0	0	0
Premium on General Obligation Bonds	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Transfers In	1,526,451	2,987,179	3,324,327	3,458,028
Transfers Out	(1,181,651)	(2,577,464)	(2,996,727)	(2,927,552)
Total Other Financing Sources (Uses)	<u>344,800</u>	<u>637,945</u>	<u>3,113,505</u>	<u>3,008,280</u>
Net Change in Fund Balance	<u>\$690,331</u>	<u>\$3,471,815</u>	<u>\$1,260,307</u>	<u>\$1,952,985</u>
Debt Service as a Percentage of Noncapital Expenditures	0.68%	0.50%	0.91%	1.55%

Source: City Auditor's Office

NOTE: Years 1997-2002 do not include the Cemetery Interment and Cemetery Trust Funds which were classified as a Fiduciary Funds prior to implementing GASB 34 in 2003.

City of Lancaster

2001	2002	2003	2004	2005	2006
0	0	0	0	0	0
301,883	127,540	0	465,049	142,381	10,079
0	0	0	0	0	0
17,290	0	0	0	0	0
0	0	0	0	0	0
367,000	0	0	0	0	0
0	425,000	2,260,000	3,960,000	0	0
0	0	0	0	4,150,000	0
0	0	0	0	0	0
0	0	0	0	0	0
3,290,548	2,715,595	1,555,237	1,846,362	1,732,309	1,986,619
(3,281,247)	(2,715,595)	(1,555,237)	(1,693,114)	(1,732,309)	(1,986,619)
695,474	552,540	2,260,000	4,578,297	4,292,381	10,079
(\$2,054,598)	(\$86,957)	(\$934,817)	\$788,095	\$65,915	(\$641,685)
1.31%	1.37%	2.90%	17.34%	17.14%	1.97%

City of Lancaster

*Income Tax Revenues by Source, Governmental Funds
Last Ten Years*

Tax year	1997	1998	1999	2000
Income Tax Rate	1.60%	1.60%	1.60%	1.60%
Estimated Personal Income	\$925,375,264	\$992,729,554	\$1,037,142,715	\$992,489,480
Total Tax Collected	\$9,470,709	\$3,301,804	\$11,203,855	\$11,688,041
Income Tax Receipts				
Withholding	7,758,405	855,111	8,651,322	9,097,488
Percentage	81.92%	25.90%	77.22%	77.84%
Corporate	956,429	1,564,906	1,522,715	1,443,871
Percentage	10.10%	47.40%	13.59%	12.35%
Individuals	755,875	881,787	1,029,818	1,146,682
Percentage	7.98%	26.71%	9.19%	9.81%

Source: City Income Tax Department

- (1) Effective July 1, 2005, the income tax rate increased from 1.6% to 1.75%.
- (2) Credit is given for tax paid to city of employment up to a maximum of 1.0%

City of Lancaster

2001	2002	2003	2004	2005	2006
1.60%	1.60%	1.60%	1.60%	1.75%	1.75%
\$1,019,085,600	\$1,038,003,560	\$1,061,675,160	\$1,105,333,540	\$1,104,896,980	\$1,214,840,000
\$11,659,246	\$13,520,973	\$13,170,482	\$13,323,746	\$14,186,430	\$15,550,666
9,385,830	10,980,427	10,374,895	10,318,818	11,136,624	12,067,107
80.50%	81.21%	78.77%	77.45%	78.50%	77.60%
1,234,068	1,462,968	1,280,896	1,281,868	1,262,432	1,515,792
10.58%	10.82%	9.73%	9.62%	8.90%	9.75%
1,039,348	1,077,578	1,514,691	1,723,060	1,787,374	1,967,767
8.91%	7.97%	11.50%	12.93%	12.60%	12.65%



City of Lancaster

*Income Tax Collections
Current Year and Seven Years Ago*

Calendar Year 2006

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.09%	\$4,680,259	30.10%
All Others	11,023	99.91%	10,870,407	69.90%
Total	11,033	100.00%	\$15,550,666	100.00%

Calendar Year 1999

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.12%	\$3,363,435	30.02%
All Others	8,201	99.88%	7,840,420	69.98%
Total	8,211	100.00%	\$11,203,855	100.00%

Source: City Income Tax Department

City of Lancaster

Ratio of Outstanding Debt By Type Last Ten Years

	1997	1998	1999	2000
Governmental Activities ⁽¹⁾				
Housing and Urban Development Loan Payable	\$0	\$0	\$1,570,000	\$1,480,000
Ohio Public Works Commission Loan Payable	0	0	0	104,431
Ohio Water Development Authority Loans Payable	0	0	0	2,000,000
Special Assessment Bonds Payable	0	0	0	0
Long Term Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Leases	87,220	206,617	1,172,624	1,197,894
Business-type Activities ⁽¹⁾				
Ohio Water Development Authority Loans Payable	\$25,736,368	\$28,216,373	\$27,520,453	\$26,281,807
Long-Term Notes Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Landfill Postclosure Care Liability	0	0	0	0
Capital Leases	1,512	0	0	59,099
Total Primary Government	<u>\$25,825,100</u>	<u>\$28,422,990</u>	<u>\$30,263,077</u>	<u>\$31,123,231</u>
Population ⁽²⁾				
City of Lancaster	37,826	38,254	38,983	35,335
Outstanding Debt Per Capita	\$683	\$743	\$776	\$881
Income ⁽³⁾				
Personal (in thousands)	925,375	992,730	1,037,143	992,489
Percentage of Personal Income	2.79%	2.86%	2.92%	3.14%

Sources:

(1) Source: City Auditor's Office

(2) US Bureau of Census, Population Division, 2006 is estimate made by the City

(3) US Department of Commerce, Bureau of Economic Analysis

(a) Per Capita Income is only available by County, Total Personal Income is a calculation

City of Lancaster

2001	2002	2003	2004	2005	2006
\$1,390,000	\$1,300,000	\$1,210,000	\$1,120,000	\$1,030,000	\$940,000
118,678	115,635	106,506	100,420	94,334	88,248
2,000,000	2,000,000	2,000,000	0	0	0
367,000	356,000	344,500	332,500	319,500	306,000
0	525,000	2,260,000	3,960,000	0	0
0	0	0	0	3,965,000	3,815,000
1,191,657	1,041,334	826,207	929,486	849,076	617,050
\$34,567,215	\$46,932,034	\$47,881,940	\$46,849,409	\$44,400,803	\$41,823,289
0	0	2,400,000	0	0	0
0	0	0	13,506,256	13,168,005	12,824,754
0	0	2,131,343	2,057,125	1,945,873	1,865,362
39,252	41,256	15,537	28,679	35,004	26,714
<u>\$39,673,802</u>	<u>\$52,311,259</u>	<u>\$59,176,033</u>	<u>\$68,883,875</u>	<u>\$65,807,595</u>	<u>\$62,306,417</u>
35,600	35,860	36,120	36,380	36,380	40,000
\$1,114	\$1,459	\$1,638	\$1,893	\$1,809	\$1,558
1,019,086	1,038,004	1,061,675	1,105,334	1,104,897	1,214,840
3.89%	5.04%	5.57%	6.23%	5.96%	5.13%

City of Lancaster

*Ratios of General Bonded Debt Outstanding
Last Two Years*

Year	2005	2006
Population ⁽¹⁾	36,380	40,000
Assessed Value ⁽²⁾	\$727,046,497	\$708,753,525
General Bonded Debt ⁽³⁾		
General Obligation Bonds	\$3,965,000	\$3,815,000
Resources Available to Pay Principal ⁽⁴⁾	\$97,729	\$97,729
Net General Bonded Debt	\$3,867,271	\$3,717,271
Ratio of Net Bonded Debt to Estimated Actual Value	0.53%	0.52%
Net Bonded Debt per Capita	\$106.30	\$92.93

Source:

- (1) U.S. Bureau of Census of Population, 2006 is estimate made by the City
- (2) Fairfield County Auditor
- (3) Includes all general obligation bonded debt supported by property taxes.
There were no General Obligation Bonds prior to 2005
- (4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

City of Lancaster

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2006*

<u>Jurisdiction</u>		<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Lancaster</u>	<u>Amount Applicable to the City of Lancaster</u>
Direct:				
City of Lancaster	(1)	\$6,026,600	100.00%	\$6,026,600
Overlapping:				
Lancaster City School District	(2)	0	80.96%	0
Fairfield County	(2)	12,015,000	24.32%	<u>2,922,048</u>
			Subtotal	<u>2,922,048</u>
			Total	<u><u>\$8,948,648</u></u>

Source:

(1) City Auditor's Office

(2) Fairfield County Auditor

City of Lancaster

Debt Limitations Last Ten Years

Collection Year	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$495,019,975	\$506,815,749	\$555,038,081	\$567,571,771
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	51,977,097	53,215,654	58,278,999	59,595,036
City Debt Outstanding (2)	2,451,333	1,801,333	2,200,000	2,300,000
Less: Applicable Debt Service Fund Amounts	(7,919)	(7,919)	(7,919)	(8,575)
Net Indebtedness Subject to Limitation	<u>2,443,414</u>	<u>1,793,414</u>	<u>2,192,081</u>	<u>2,291,425</u>
Overall Legal Debt Margin	<u><u>\$49,533,683</u></u>	<u><u>\$51,422,240</u></u>	<u><u>\$56,086,918</u></u>	<u><u>\$57,303,611</u></u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$495,019,975	\$506,815,749	\$555,038,081	\$567,571,771
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	27,226,099	27,874,866	30,527,094	31,216,447
City Debt Outstanding (2)	2,451,333	1,801,333	2,200,000	2,300,000
Less: Applicable Debt Service Fund Amounts	(7,919)	(7,919)	(7,919)	(8,575)
Net Indebtedness Subject to Limitation	<u>2,443,414</u>	<u>1,793,414</u>	<u>2,192,081</u>	<u>2,291,425</u>
Overall Legal Debt Margin	<u><u>\$24,782,685</u></u>	<u><u>\$26,081,452</u></u>	<u><u>\$28,335,013</u></u>	<u><u>\$28,925,022</u></u>

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

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.
Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Auditor's Office

City of Lancaster

2001	2002	2003	2004	2005	2006
\$580,459,833	\$661,031,641	\$669,449,822	\$672,465,949	\$727,046,497	\$708,753,525
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
60,948,282	69,408,322	70,292,231	70,608,925	76,339,882	74,419,120
1,875,000	1,625,000	3,158,000	4,710,000	5,116,500	6,026,600
(8,575)	(12,532)	(59,559)	(53,473)	(97,729)	(97,729)
1,866,425	1,612,468	3,098,441	4,656,527	5,018,771	5,928,871
\$59,081,857	\$67,795,854	\$67,193,790	\$65,952,398	\$71,321,111	\$68,490,249
\$580,459,833	\$661,031,641	\$669,449,822	\$672,465,949	\$727,046,497	\$708,753,525
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
31,925,291	36,356,740	36,819,740	36,985,627	39,987,557	38,981,444
1,875,000	1,625,000	3,158,000	4,710,000	5,116,500	6,026,600
(8,575)	(12,532)	(59,559)	(53,473)	(97,729)	(97,729)
1,866,425	1,612,468	3,098,441	4,656,527	5,018,771	5,928,871
\$30,058,866	\$34,744,272	\$33,721,299	\$32,329,100	\$34,968,786	\$33,052,573

City of Lancaster

*Pledged Revenue Coverage
Last Six Years*

	2001	2002	2003	2004
Water Mortgage Bonds (1 a)				
Gross Revenues (2)	\$5,776,886	\$6,638,113	\$6,854,809	\$8,286,110
Direct Operating Expenses (3)	3,761,913	4,252,663	4,300,565	5,236,639
Net Revenue Available for Debt Service	2,014,973	2,385,450	2,554,244	3,049,471
Annual Debt Service Requirement	0	0	0	82,221
Coverage	0.00	0.00	0.00	37.09
Water Pollution Mortgage Bonds (1 b)				
Gross Revenues (2)	\$5,776,979	\$6,373,850	\$6,433,722	\$7,174,132
Direct Operating Expenses (3)	3,052,172	3,277,736	3,528,703	3,752,201
Net Revenue Available for Debt Service	2,724,807	3,096,114	2,905,019	3,421,931
Annual Debt Service Requirement	0	0	0	51,054
Coverage	0.00	0.00	0.00	67.03
Special Assessment Bonds (1 c)				
Special Assessment Collections	\$35,873	\$37,480	\$37,214	\$36,872
Debt Service				
Principal	0	11,000	11,500	12,000
Interest	11,010	18,350	17,800	17,225
Coverage	3.26	1.28	1.27	1.26

(1 a) In 2004 the City issued \$8,205,000 of Water Mortgage Bonds

(1 b) In 2004 the City issued \$5,095,000 of Water Pollution Mortgage Bonds

(1 c) In 2001 the City issued \$367,000 of Special Assessment Bonds

(2) Gross revenues include operating revenues plus interest income.

(3) Direct operating expenses include operating expenses less depreciation.

Source: City Auditor's Office

City of Lancaster

<u>2005</u>	<u>2006</u>
\$8,388,041	\$8,613,246
4,924,256	5,348,084
3,463,785	3,265,162
565,969	561,869
6.12	5.81
\$7,006,365	\$7,314,131
3,510,807	3,925,494
3,495,558	3,388,637
349,141	351,641
10.01	9.64
\$39,212	\$35,998
13,000	13,500
16,625	15,975
1.32	1.22

City of Lancaster

Demographic and Economic Statistics Last Ten Years

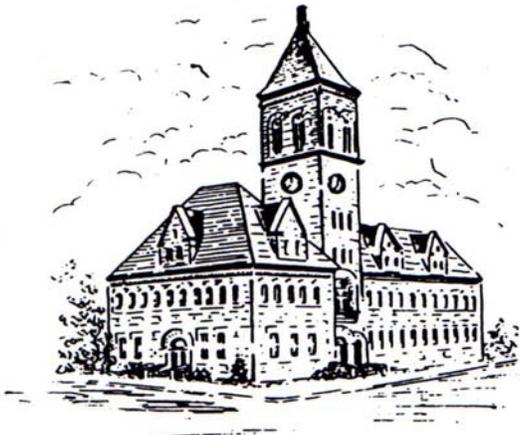
Calendar Year	1997	1998	1999	2000	2001
Population					
City of Lancaster (2)	37,826	38,254	38,983	35,335	35,600
Fairfield County (1)	103,461	103,461	103,461	122,759	122,759
Income (3)(a)					
Total Personal (in thousands)	925,375	992,730	1,037,143	992,489	1,019,086
Per Capita	24,464	25,951	26,605	28,088	28,626
Unemployment Rate (4)					
Federal	5.4%	4.9%	4.5%	4.2%	3.8%
State	4.8%	4.6%	4.3%	4.3%	3.7%
Fairfield County	3.2%	3.0%	2.9%	2.6%	2.8%
Civilian Work Force Estimates (4)					
State	5,710,000	5,678,000	5,749,000	5,900,400	5,857,000
Fairfield County	62,500	63,500	65,800	67,900	69,800

Sources:

- (1) US Bureau of Census of Population
- (2) Lancaster Community Development Department estimates
 - (a) Federal 2000 Census
- (3) US Department of Commerce, Bureau of Economic Analysis information is only available through 2005 for the presentation of 2006 statistics, the City is using the latest information available.
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation
- (4) State Department of Labor Statistics

City of Lancaster

2002	2003	2004	2005	2006
35,860	36,120	36,380	36,380	40,000
122,759	122,759	122,759	138,423	138,423
1,038,004	1,061,675	1,105,334	1,104,897	1,214,840
28,946	29,393	30,383	30,371	30,371
4.8%	5.8%	6.0%	5.5%	5.0%
4.3%	5.7%	6.1%	6.0%	5.9%
4.5%	4.7%	5.3%	5.3%	4.8%
5,828,000	5,915,000	5,875,300	5,900,400	5,934,000
67,800	68,600	71,700	72,200	74,200



City of Lancaster

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2006		
		Number of Employees	Rank	Percentage of Total Employment
Fairfield Medical Center	Medical	2,000	1	11.49%
Anchor Hocking	Glass Manufacturer	1,003	2	5.76%
Fairfield County	Government	825	3	4.74%
Lancaster City Schools	Education	687	4	3.95%
Diamond Power	Metal Fabrication	500	5	2.87%
Ralston Foods	Cereal	450	6	2.59%
City of Lancaster	Government	449	7	2.58%
Crestview	Nursing Care	260	8	1.49%
Gorsuch Enterprises	Real Estate, Builder	250	9	1.44%
Glasfloss	Fiberglass Manufacturer	250	10	1.44%
Total		6,674		38.36%
Total Employment within the City		<u>17,400</u>		
Employer	Nature of Business	1997		
		Number of Employees	Rank	Percentage of Total Employment
Fairfield Medical Center	Medical	1,750	1	9.07%
Anchor Hocking	Glass Manufacturer	1,400	2	7.25%
Lancaster City Schools	Education	781	3	4.05%
Fairfield County	Government	672	4	3.48%
City of Lancaster	Government	423	5	2.19%
Diamond Power	Metal Fabrication	400	6	2.07%
Ralston Foods	Cereal	385	7	1.99%
Crestview **	Nursing Care	288	8	1.49%
Gorsuch Enterprises **	Real Estate, Builder	277	9	1.44%
Glasfloss **	Fiberglass Manufacturer	277	10	1.44%
Total		6,653		34.47%
Total Employment within the City		<u>19,300</u>		

Sources:

Total employment is from the State of Ohio Work Force Informer

Company information is from City development records and the Fairfield County Chamber of Commerce

** Except for the three marked in 1997 - These were estimated from a percentage of change calculation from the total employment information for the two periods recorded.

Government information is from Fairfield County payroll office and the City of Lancaster's Mayor Office

City of Lancaster

Full Time Equivalent Employees by Function Last Ten Years

	1997	1998	1999	2000	2001	2002
Governmental Activities						
General Government						
Auditor	5.00	5.00	6.00	6.00	6.00	6.00
Treasurer	1.00	1.00	1.00	1.00	1.00	1.00
Legal	6.00	7.00	7.00	8.00	9.00	9.00
City Council	11.00	11.00	11.00	11.00	11.00	11.00
Court	21.00	19.00	21.00	25.00	27.00	25.00
Administration	4.00	4.00	4.00	5.00	5.00	5.00
Engineering	9.00	9.00	10.00	10.00	10.00	10.00
Certified Building	0.00	0.00	0.00	0.00	0.00	0.00
Income Tax	5.00	5.00	6.00	6.00	6.00	6.00
Maintenance	2.00	1.00	2.00	2.00	2.00	2.00
Electric	8.00	8.00	8.00	9.00	9.00	9.00
Information Systems	0.00	0.00	0.00	0.00	1.00	2.00
Security of Persons and Property						
Police	82.00	83.00	84.00	83.00	86.00	88.00
Fire	79.00	80.00	81.00	83.00	82.00	83.00
Public Health and Welfare						
Cemetery	9.00	9.00	9.00	8.00	8.00	10.00
Transportation						
Street	26.00	27.00	26.00	28.00	27.00	28.00
Leisure Time Activities						
Parks	23.00	27.00	24.00	26.00	29.00	26.00
Community Environment						
Community Development	4.00	4.00	4.00	4.00	4.00	3.00
Public Transit	0.00	0.00	0.00	0.00	0.00	0.00
Civil Service	0.00	1.00	1.00	1.00	1.00	2.00
Business-Type Activities						
Utilities						
Gas	30.00	31.00	29.00	29.00	27.00	27.00
Water	37.00	37.00	37.00	40.00	41.00	48.00
Water Pollution	23.00	23.00	22.00	22.00	21.00	22.00
Sanitation	26.00	26.00	31.00	32.00	32.00	27.00
Storm Water	0.00	0.00	0.00	0.00	0.00	0.00
Utilities Collection	19.00	19.00	18.00	18.00	18.00	19.00
<i>Total Employees</i>	<u>448.00</u>	<u>454.00</u>	<u>465.00</u>	<u>478.00</u>	<u>483.00</u>	<u>470.00</u>

Method: 1.00 for each full-time, 0.50 for each part-time and 0.25 for each seasonal employee

Source: City Auditor's Office

City of Lancaster

2003	2004	2005	2006
6.00	6.00	6.00	6.00
1.00	1.00	1.00	1.00
9.00	9.00	9.00	9.00
11.00	11.00	11.00	11.00
27.00	25.00	30.00	32.00
4.00	4.00	4.00	4.00
12.00	12.00	11.00	8.00
0.00	3.00	4.00	6.00
6.00	6.00	6.00	5.00
2.00	2.00	2.00	2.00
9.00	0.00	0.00	0.00
2.00	4.00	4.00	6.00
84.00	84.00	84.00	83.00
79.00	79.00	88.00	94.00
1.00	1.00	1.00	1.00
9.00	9.00	6.00	5.00
26.00	29.00	31.00	29.00
25.00	25.00	25.00	25.00
3.00	3.00	3.00	3.00
2.00	1.00	1.00	1.00
3.00	1.00	1.00	1.00
26.00	25.00	24.00	24.00
47.00	43.00	44.00	43.00
24.00	23.00	23.00	23.00
26.00	26.00	24.00	24.00
2.00	3.00	3.00	3.00
19.00	20.00	21.00	21.00
465.00	455.00	467.00	470.00
465.00	455.00	467.00	470.00

City of Lancaster

Operating Indicators by Function Last Ten Years

	1997	1998	1999	2000
Governmental Activities				
General Government				
Court				
Number of Traffic Cases	12,688	13,631	13,164	13,898
Number of Open Cases	454	559	576	553
Licenses and Permits				
Number of Building Permits	219	179	197	225
Number of Building Inspections	1,680	1,880	2,560	2,400
Security of Persons and Property				
Police				
Number of Calls Received	N/A	N/A	N/A	N/A
Number Traffic Citations	4,607	4,580	3,315	3,470
Number of Arrests	3,937	3,012	3,169	3,023
Parking Tickets Written	1,342	1,240	831	1,330
Fire				
Number of Fire Calls	6,036	6,010	5,982	6,100
Number of EMS Runs	4,369	4,290	4,231	4,430
Number of Inspections	2,112	2,010	2,101	2,180
Leisure Time Activities				
Parks				
Number of Programs Offered	13	13	13	13
Number of Pool Passes Issued	35,110	34,820	34,382	32,966
Business-Type Activities				
Water				
Number of Service Connections	13,718	14,018	14,064	13,718
Daily Average Consumption (thousands of gallons)	5M	5M	5M	5M
Peak Daily Consumption (thousands of gallons) (1)	8.5M	8.5M	8.5M	8.5M
Water Pollution				
Number of Service Connections	13,100	13,691	13,736	13,707
Maximum Daily Capacity	12.5M	12.5M	12.5M	12.5M
Daily Average Sewage Treatment (thousands of gallons)	6.5M	6.5M	6.5M	6.0M
Sanitation				
Number of Customers	13,100	13,100	13,100	13,800
Storm Water				
Number of Customers (2)	0	0	0	0

Source: City Auditor's Office

N/A = Not Available

(1) New plant opened for a full year in 2006

(2) Storm Water Department began billing customers in 2004

City of Lancaster

2001	2002	2003	2004	2005	2006
16,269	17,213	13,510	11,378	12,021	11,285
673	1,026	560	603	1,310	1,282
179	169	161	161	824	795
2,560	2,760	2,820	3,630	4,921	4,075
N/A	54,555	56,440	46,923	56,486	56,311
3,693	4,242	4,685	4,735	4,121	3,671
3,372	3,715	4,031	4,333	3,918	3,863
1,577	2,928	2,770	2,162	1,744	1,856
6,545	6,782	6,952	7,277	7,040	7,094
4,739	5,029	5,197	5,526	5,407	5,508
2,269	2,487	2,865	4,208	2,783	2,527
13	13	13	13	15	16
32,122	17,108	15,236	18,186	22,338	19,071
14,275	14,275	14,741	14,240	14,240	15,110
5.1M	5.1M	5.1M	5.1M	4.5M	4.1M
16.5M	16.5M	8.5M	8.5M	8.5M	16.5M
13,800	13,885	13,885	13,707	13,707	14,794
12.5M	12.5M	6M	5.8M	5.8M	6.82M
6.1M	7M	12.5M	12.5M	12.5M	12.5M
14,200	14,400	14,600	15,000	15,185	15,185
0	0	0	13,898	13,989	14,291

City of Lancaster

Capital Asset Statistics by Function Last Ten Years

	1997	1998	1999	2000
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	16.547	16.547	16.547	16.547
Buildings	34	34	34	34
Security of Persons and Property				
Police				
Stations	1	1	1	1
Vehicles	12	12	12	12
Fire				
Stations	3	3	3	3
Vehicles	19	19	19	21
Public Health & Welfare				
Cemetery				
Land (acres)	150	150	150	150
Transportation				
Street				
Streets (lane miles)	134	134	134	134
Street Lights	2,085	2,085	2,085	2,085
Traffic Signals	88	88	88	88
Leisure Time Activities				
Parks				
Land (acres)	594	594	594	657
Buildings	18	18	18	18
Parks	24	24	24	25
Playgrounds	12	12	12	12
Swimming Pools	3	3	3	2
Tennis Courts	15	15	15	12
Baseball/Softball Diamonds	26	26	26	26
Soccer Fields	8	8	8	8

City of Lancaster

2001	2002	2003	2004	2005	2006
16,547	16,547	16,547	16,547	16,547	16,547
35	35	36	36	36	36
1	1	1	1	1	1
13	13	16	17	17	17
3	3	3	3	3	3
21	21	20	20	21	22
150	150	150	150	150	150
141	141	144	144	160	160
2,085	2,085	2,355	2,355	2,360	2,360
88	88	92	92	92	92
657	657	701	701	720	720
18	21	21	21	21	21
25	25	26	26	27	27
12	12	12	12	12	12
2	2	2	2	2	2
12	12	10	10	10	10
26	26	26	26	26	26
8	8	8	8	8	8

City of Lancaster

*Capital Asset Statistics by Function
Last Ten Years*

	1997	1998	1999	2000
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	150	150	150	153
Pump Stations	1	1	1	1
Number of Hydrants	1,320	1,400	1,400	1,400
Storage Capacity (thousands of gallons)	8.5M	8.5M	8.5M	8.5M
Water Pollution				
Sewerlines (Miles)	170	170	170	170
Lift Stations	7	7	8	8
Sanitation				
Packers	8	8	8	8
Storm Water				
Storm Sewers (Miles)	0	0	0	0

Source: City Auditor's Office

City of Lancaster

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
161	162	162	162	162	170
1	1	1	2	2	2
1,400	1,400	1,425	1,425	1,425	1,600
8.5M	8.5M	8.5M	16.5M	16.5M	16.5M
170	170	170	170	170	170
7	7	8	9	9	9
8	8	9	9	9	9
0	0	0	58	60	61





Mary Taylor, CPA
Auditor of State

CITY OF LANCASTER

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 2, 2007**