

**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

April 10, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

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**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
School Breakfast Program	05PU-05/06	10.553	\$238,131	\$0	\$238,131	\$0
National School Lunch Program	LLP1/P4-05/06	10.555	786,610	0	786,610	0
Total Nutrition Cluster			1,024,741	0	1,024,741	0
Food Donation	-	10.550	0	57,902	0	57,902
Total U.S. Department of Agriculture			1,024,741	57,902	1,024,741	57,902
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education_Grants to States	6BSD-2005	84.027	1,383	0	202	0
	6BSF-2005		273,342	0	118,631	0
			(251,743)	0	0	0
	6BSF-2006		1,349,881	0	1,195,749	0
Total Special Education_Grants to States			1,372,863	0	1,314,582	0
Special Education_Preschool Grants	PGS1-2005	84.173	9,838	0	1,968	0
			(10,642)	0	0	0
	PGS1-2006		24,574	0	21,860	0
Total Special Education_Preschool Grants			23,770	0	23,828	0
Total Special Education Cluster			1,396,633	0	1,338,410	0
Adult Education_State Grant Program	ABS1-2005	84.002	(1,398)	0	4,904	0
	ABS1-2006		71,371	0	64,343	0
Total Adult Education_State Grant Program			69,973	0	69,247	0
Title 1 Grants to Local Educational Agencies	C1S1-2005	84.010	150,512	0	174,217	0
	C1S1-2006		1,050,679	0	960,200	0
	C1SD-2006		41,673	0	41,673	0
Total Title 1 Grants to Local Educational Agencies			1,242,864	0	1,176,090	0
Vocational Education_Basic Grants to States	20C1-2005	84.048	4,185	0	7,351	0
	20C1-2006		135,458	0	92,063	0
Total Vocational Education_Basic Grants to States			139,643	0	99,414	0
Safe and Drug-Free Schools and Communities_State Grants	DRS1-2005	84.186	(274)	0	0	0
	DRS1-2006		19,642	0	16,894	0
Total Safe and Drug-Free Schools and Communities_State Grants			19,368	0	16,894	0
Even Start_State Educational Agencies	EVS1-2005	84.213	0	0	23,038	0
Twenty-First Century Community Learning Centers	T1S1-2005	84.287	0	0	3,750	0
	T1S1-2006		599,990	0	599,990	0
Total Twenty-First Century Community Learning Centers			599,990	0	603,740	0
State Grants for Innovative Programs	C2S1-2005	84.298	14,386	0	1,738	0
			(6,132)	0	0	0
	C2S1-2006		27,953	0	31,398	0
Total State Grants for Innovative Programs			36,207	0	33,136	0
Education Technology State Grants	TJS1-2005	84.318	5,911	0	0	0
			(10,345)	0	0	0
	TJS1-2006		24,203	0	24,257	0
Total Education Technology State Grants			19,769	0	24,257	0

(Continued)

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF EDUCATION (continued)						
<i>Passed Through Ohio Department of Education (continued)</i>						
Comprehensive School Reform Demonstration	RFCC-2005	84.332	(1,566)	0	13,232	0
	RFCC-2006		1,566	0	1,566	0
Total Comprehensive School Reform Demonstration			0	0	14,798	0
ACNR Intervention	OE00-2006	84.346	4,259	0	8,702	0
Improving Teacher Quality State Grants	TRS1-2005	84.367	88,934	0	47,833	0
			(38,228)	0	0	0
	TRS1-2006		275,123	0	290,820	0
Total Improving Teacher Quality Program			325,829	0	338,653	0
Total U.S. Department of Education			3,854,535	0	3,746,379	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
State Children's Insurance Program	-	93.767	34,711	0	34,711	0
Medical Assistance Program	-	93.778	245,246	0	245,246	0
Total U.S. Department of Health and Human Services			279,957	0	279,957	0
Totals			<u>\$5,159,233</u>	<u>\$57,902</u>	<u>\$5,051,077</u>	<u>\$57,902</u>

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

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Twenty-First Century Community Learning Centers	84.287	\$599,990
Title 1D Grants to Local Educational Agencies	84.010	41,673

NOTE C - FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures), is reported in the Schedule at the fair market value of the commodities received.

NOTE D - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE E - TRANSFERS BETWEEN COST CENTERS

In 2003, the grant periods were modified by ODE to agree with the fiscal year of school districts. The grant periods changed from a 27 month period ending on September 30 to a 12 month period ending on June 30. Transfers were made between the 2005 and 2006 grant years for the following grants:

<u>Program Title</u>	<u>Amount</u>
Special Education Cluster	\$262,385
Adult Education State Grants Program	1,398
Safe and Drug Free Schools and Communities Program	274
State Grants for Innovative Programs	6,132
Education Technology State Grants Program	10,345
Comprehensive School Reform Demonstration Program	1,566
Improving Teacher Quality State Grants Program	38,228

NOTE F - MATCHING REQUIREMENTS

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

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE G - REFUNDS

Due to the expiration of period of availability, the following grants were refunded to the Ohio Department of Education.

<u>Program Title</u>	<u>Amount</u>
FY05 Special Education Access Grant	\$3,838
FY05 Even Start	23,038

NOTE H – FEDERAL EMERGENCY MANAGEMENT AGENCY GRANT

During fiscal year 2005, the District erroneously omitted \$14,430 in receipts and expenditures from the Federal Award Receipts and Expenditures Schedule. The grant was passed through the Ohio Emergency Management Agency (EMA) for reimbursement of damages incurred to buildings. Ohio EMA requested the District disclose this activity during fiscal year 2006.



Auditor of State Betty Montgomery

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

Lancaster City School District
Fairfield County
345 Mulberry Street
Lancaster, Ohio 43130

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Lancaster City School District, Fairfield County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter to the District's management dated December 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 20, 2006



Auditor of State Betty Montgomery

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

Lancaster City School District
Fairfield County
345 Mulberry Street
Lancaster, Ohio 43130

To the Board of Education:

Compliance

We have audited the compliance of the Lancaster City School District, Fairfield County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2006-003. In a separate letter to the District's management dated December 20, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

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

Internal Control Over Compliance

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

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 grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 20, 2006.

Federal Awards Receipts and Expenditures Schedule

We have audited the financial statements of the governmental activities, the discretely presented component unit, the major fund and the aggregate remaining fund information of the Lancaster City School District, Fairfield County, Ohio, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 20, 2006. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 20, 2006

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I (CFDA #84.010) 21 st Century Community Learning Centers (CFDA #84.287) Nutrition Cluster (CFDA #10.553 and CFDA #10.555) Improving Teacher Quality (CFDA #84.367) Medical Assistance Program (CFDA #93.778)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-001

Noncompliance Finding

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

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

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

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

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates if the District has approved their use and established maximum amounts.

3. Super Blanket Certificates - The District may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

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

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

LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)

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

FINDING NUMBER 2006-001

We recommend District officials and employees obtain the Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: This is being monitored now closely and hopefully will not be a problem in later years.

FINDING NUMBER 2006-002

Noncompliance Finding

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

The General and Preschool Handicapped funds had original appropriations in excess of estimated resources as of September 25, 2005 in the amounts of \$1,871,725 and \$13,341, respectively.

The deficits were the result of not filing an amended certificate until September 30 and adopting permanent appropriations on September 25. Appropriations were within estimated revenues available for expenditure at year end.

We recommend the Board review the Official and Amended Certificates of Estimated Resources when passing permanent appropriations and amendments to ensure such appropriations do not exceed certified resources. The Board should not authorize appropriations in excess of the most recent certificate of estimated resources.

Officials' Response: This problem was corrected before year end and will not be a problem in future years.

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Finding - CAFS Reporting

Finding Number	2006-003
CFDA Title and Number	Medical Assistance Program, #93.778
Federal Agency	U. S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of MRDD

Ohio Adm. Code Section 5101:3-38-10(G)(1) requires the District to submit to ODMRDD a cost report no later than ninety days after the close of the fiscal year that accurately reflect all medicaid and non-medicaid units of service provided. The annual cost report must include a statement of reconciliation comparing District Medicaid revenues to Medicaid allowable and reasonable costs.

The annual CAFS Cost Report (DMR 1537) due for the year ended June 30, 2005, was not completed by the District. This report should have included all costs incurred for this program, including those that were not reimbursed until fiscal year 2006.

The District should complete the CAFS Cost Report (DMR 1537) for the fiscal year ended June 30, 2005, and submit it to ODMRDD.

Officials' Response: The former Treasurer did not supply the information necessary for Healthcare Billing Specialists' to finish the report. All information has been submitted as of January 25, 2007.

**LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	See 2005-007 below		
2005-002	ORC Section 5705.36 (A)(1) – certifying available funds to County Auditor	No	Partially Corrected – repeated in management letter.
2005-003	ORC Section 5705.36 (A)(2) – increasing and reducing amended certificates	Yes	
2005-004	ORC Section 5705.39 – appropriations exceeding Estimated Resources	No	Repeated as Finding #2006-002.
2005-005	ORC Section 5705.41(D) – certifying the availability of funds	No	Repeated as Finding #2006-001.
2005-006	ORC Section 5705.10 – illegal advances	Yes	
2005-007	For the Treasurer to indicate approval of salaries	Yes	
2005-008	34 CFR 80.37(b) and 34 CFR 80.40(a) – for subrecipients to submit cash balances and disbursements, and monitoring	Yes	.
2005-009	34 CFR 80.21 – cash requests in amounts to be disbursed within one month	Yes	

Lancaster City School District, Ohio



Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2006

“A Community Focused on Student Achievement”

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Lancaster City School District, Ohio

Comprehensive Annual Financial Report
(CAFR)



For the Fiscal Year Ended June 30, 2006
Issued By: Treasurer's Office
Stephen R. St. Clair, Interim Treasurer

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LANCASTER CITY SCHOOL DISTRICT, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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LANCASTER CITY SCHOOL DISTRICT, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section



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LANCASTER CITY SCHOOLS

Administrative Offices
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December 20, 2006

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Lancaster City School District (School District) for the fiscal year ended June 30, 2006. This CAFR includes an opinion from the Ohio Auditor of State's Office and conforms to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District.

State law requires that every general-purpose local government file with the Auditor of State and publish notice of the availability of their financial statements within 150 days after the close of the year. The report includes the basic financial statements which provide an overview of the School District's financial position and the results of financial operations.

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

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

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

PROFILE OF THE GOVERNMENT

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

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

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

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

The Lancaster City School District was organized in the mid 1850's and continues to operate in the picturesque and historical setting of the Lancaster area. Over the years, in order to meet the needs of a growing community, the School District has expanded many times, and particularly in the mid 1950's and 1960's. The School District educates students from kindergarten through grade twelve. During fiscal year 2006 the School District was comprised of a high school (serving about 1300 students in grades 10-12), a freshman school, two junior high schools (serving grades 7-8) appropriately named General Sherman Junior High and Thomas Ewing Junior High, and eight elementary schools. As of June 30, 2006, the citizens of Lancaster have an investment of \$6,871,139 net of depreciation in School District land, buildings, furniture and equipment, and vehicles.

Statutorily, the School District operates under standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 of the Ohio Revised Code, to provide education services authorized by charter, and further mandated by State and Federal agencies. The School District operates under a locally elected Board of Education which consists of five members. The Board controls the School District's twelve instructional facilities staffed by 255 non-certified employees, 401 certificated personnel, and 31 administrative employees who provide services to 6,044 students.

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

THE REPORTING ENTITY

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

Component units are legally separate organizations for which the School District is financially accountable. Financial accountability exists if the School District appoints a voting majority of the component unit's governing board and (1) the School District is able to significantly influence the

programs or services performed or provided; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated in some manner to finance the deficits of, or provide financial support to the organization, or the School District is obligated for the debt of the organization. The Component Unit column of the financial statements represents the activity of the Lancaster-Fairfield Digital Academy.

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

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

ASSESSING ECONOMIC CONDITION AND OUTLOOK

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

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

Development. Construction for the U.S. Route 33 Lancaster Bypass to carry through US 33 traffic around the City was completed in late October 2005. This "interstate look-alike" highway with a divided four-lane cross-section in a limited-access right-of-way will lessen the traffic on Memorial Drive, and thus alleviate the traffic congestion on the City's major commercial corridor. This should attract customers to shop at the numerous businesses along this corridor, and attract new businesses to the corridor. Lancaster's City Council decided to focus the City's capital improvement monies to develop infrastructure to serve Phase 2 Rock Mill Corporate Park. The new sites are intended to attract new industries and jobs to Lancaster. The overall project involved street and roadway improvements, water system improvements including new lines and a storage tank, and new sanitary sewers and a lift station. West Fair Avenue between Camp Ground Road and Collins Road was upgraded from a county lane to an industrial street. The reconstructed street now has sufficient strength to carry the expected traffic loads.

The Jerry McClain Company is actively constructing a new 90 bed assisted living complex. New technology will be implemented to make this facility enhance the quality of life for residents. Approximately ninety jobs will be created from 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 continues to soar in the City. Single family homes also continue to add to the community's population.

Commercial. Interest in the City's Northwest Corridor, along North Memorial Drive, remained strong in 2006. National retail chains were working with Lancaster's Economic Development Director to construct a major retail center on vacant property along Ety Road just south of Memorial Drive. A regional bank erected a banking facility in the Lowe's Center on Schorrrway Drive.

Redevelopment of existing sites along Memorial Drive continued. Retail projects included Weldons Ice Cream Shoppe, Oakland Hill Bank, Standing Stone Bank, Hobby Lobby, TJ Maxx, Fifth Third Bank, and others.

Fairfield Medical Center (FMC) located in Lancaster, Ohio provides services in Fairfield County and the surrounding counties of Perry, Hocking, Vinton, Meigs, and Athens. The Medical Center provides full hospital services to the region with a 222 bed facility. FMC has over 250 doctors on staff and employees over 2,200.

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

An Air of Expectancy. There continues to be an "air" of expectancy among the community in Lancaster. The growth in housing, in commerce, in industry, and in hospital/nursing homes has awakened the community to change.

Economically, we are still waiting for the re-structuring of the State of Ohio school financing structure so we will receive more funds from that source as indicated by the Ohio State Supreme Court decision dated December 2002.

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

MAJOR INITIATIVES

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

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

There were a number of specific initiatives and accomplishments made during the fiscal year ended June 30, 2006. Some of those were as follows:

Human Resources

- Recruited and hired 29 new employees for the 2005/06 school year. The Human Resource Department also handled and coordinated the processing and licensure of over 500 employees.
- Coordinated the School District's Entry Year Teacher Program for the fifth consecutive year with every E.Y.T. successfully passing their Praxis III Observation/Evaluation.
- Coordinated, implemented and completed the School District's Highly Qualified Paraprofessional Training and Testing program resulting in a 99 percent success rate for all Library Associates and Educational Assistants in the School District.

- Human Resource Services worked to create a data base in *File Maker Pro* of all licensed employees.

Instructional Services Department

- Provided on-going staff development focusing on assessments and data analysis for K-12 teachers at grade-level meetings, department meetings, waiver days, and staff meetings.
- Worked with staff to perfect the system of short-cycle assessments based on the Ohio Academic Standards that model the Achievement tests.
- Instituted the Virtual High School (VHS) courses in January at Lancaster High School. VHS allows twenty-five of our students each semester the opportunity to expand their class choices by over 150 courses.
- Added a new Business Management program and began the process for a new Woods Technology class in order to provide the twelve programs in eight career fields needed to maintain our career-technical funding. Finalized articulation agreements with Hocking College in both Medical Tech Prep and Agriculture.
- Completed the Student Tracker database and it is now fully functional; it allows us to keep data throughout a student's career. A staff database was also developed to track certification, professional meetings, and basic staff data.

Maintenance Department

- A storage room at the maintenance department was divided off to house the transportation and maintenance departments, along with adding a wall which divided the conference and break areas.
- Outside areas have been graded and gravel put down in the bus parking area.
- Electricians serviced all roof hvac units for preventative maintenance.

Special Education

- Provided in-services for special education teachers: Susan Nolan (Multi-sensory Approach to Instruction); peer reviewed, researched-based reading materials; behavioral management strategies; IEP Inter rating Process.
- Redefined the process for eligibility and service delivery system for Speech/Language Therapy, Adaptive Physical Education and Occupational Therapy.
- Established a collaborative arrangement with the Fairfield County Board of MR/DD for COPE Training.
- Expanded upon the provision of Assistive Technology throughout the School District.

Technology Department

- Developed a new School District web calendar using open source software which is free to the School District.
- The technology department moved the School District web page from an aging server to a new server.
- The new grading software program "Progressbook" was integrated into the schools.
- Members of the technology department began research and development of the "Thin Client" approach to computer deployment.
- The office successfully developed a Technology Plan for the next three years as required by E-Tech Ohio.

Transportation Department

- Reduced and almost completely eliminated bus seat vandalism by the efforts of the drivers and the use of cameras. This has resulted in a savings of \$10,000-\$20,000 in a single school year as documented from past years' invoices.
- The transportation department reduced our accident rate due to driver error. There were only two incidents in which School District vehicles were struck by another vehicle.

- The transportation department has been able to maintain the School District bus fleet and other miscellaneous vehicles with only one mechanic.
- We began anti-idling practices in March to reduce fuel consumption and particulate matter pollution. Six buses are equipped with pre-heaters which eliminate idling.
- The last two buses the School District purchased are getting 2-3 miles per gallon more because of the Benz engines. This results in a 28 percent decrease in fuel costs.
- A handicap bus was purchased with assistance from State resources.

Treasurer's Department

- Received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2005, which is the fourteenth year of receiving this award.
- Converted District purchase order processing to a web-based system. Provided training to those individuals responsible for purchasing.
- Continued to strive to meet the needs of customers.
- Updated and verified EMIS data within the EMIS system as it relates to payroll.

Athletic Department

- Football team: State Playoff qualifier.
- Volleyball team: Ohio Capital Conference (OCC) Ohio Division Champions; District Runner-up; Coach Kern OCC Ohio Division Coach of Year.
- Boys Basketball: OCC Ohio Division Champs, District Champs, Regional Champs, Final Four, Coach Cofman OCC and State Coach of the Year.
- 13 Varsity/Junior Varsity teams have a 3.00 GPA average or higher.
- Four student athletes earned athletic scholarships.
- Cheer: OCC Champs; NCA National Invitational Champs.
- Baseball: 20 win season.
- Seven student athletes became State qualifiers in the following sports: girls' golf, boys' and girls' cross-country, and boys' and girls' track. Five of those student athletes received awards.

Lancaster High School

- Lancaster High School (LHS) and the Stanberry Freshmen campus received the highest possible rating of Excellent on the State Report Card from the Ohio Department of Education.
- The graduating class of 2005 earned \$1,650,580 in scholarship money. With the renewable scholarship money added, the total raised to \$4,306,267.
- This spring, LHS began its affiliation with the Virtual High School which is a non-profit collaborative of over 200 national and international high schools. Our students have access to 25 "seats" in over 200 elective and advance placement course offerings. "Nuclear Physics", "World Conflict", "Music Composition and Arranging", "Environmental Chemistry", and "Screenwriting Fundamentals" are a few of the courses LHS students are currently taking.
- Community services are such a big part of what goes on at Lancaster High School. Our students demonstrate their caring for others nature throughout the school year. Besides Teen Institute, Renaissance, and the Serteens, many other projects were demonstrated by:
 - The 211 seniors involved in Community Care Day.
 - Cross Country coach, Holly Shipley along with the team members, Eric Horton and Simeon Raddatz, organized a two-mile Katrina Run with proceeds going to the American Red Cross.
 - The entire student body was involved with Pennies for Parishes to raise money for flood victims of Hurricane Katrina.
 - The Student Council raised money and collected canned goods for local foundation dinners, raised money for a family in need during the holidays, collected eyeglasses to help a student going on a mission trip to Guam, and raised money from the annual talent show for the Special Wish Foundation.

- Family and Consumer Science classes prepared and donated 50 dozen cookies, candies, and other treats for Fairhope Hospice and their annual cookie walk fundraiser.
- VoAg students once again collected canned food and fruit for local food pantries.
- The Spanish Club assisted a girl scout troop with a Christmas party.
- Multiple handicap classes sent care packages to our troops overseas. They also built a gingerbread house and donated it to the pediatric unit of the hospital.
- The National Honor Society sponsored 2 blood drives this year. The fall drive collected 47 units and the spring drive collected 60 units.
- Vocal Music
 - Four superior and three excellent ratings for our soloists at the OMEA contest.
 - At the OMEA District Contest our Chamber Singers received a rating of Superior which qualified them for the State Contest.
- Instrumental Music
 - Superior rating at the 25th annual LHS “Band of Gold” Invitational.
 - Superior rating, best percussion and 3rd place finish at the Licking Valley Band Festival.
 - Superior rating, best overall percussion, best overall music and 3rd place finish at the Athens Invitational.
 - Superior rating, 1st place percussion, 2nd place marching, 2nd place field commanders, 2nd place general effects, 2nd place auxiliary, 2nd place music, and 2nd place finish at the Shawnee March ORama
 - Superior rating, runner-up grand champion, overall best percussion and a 2nd place finish at the Brunswick Invitational.
 - At the OMEA State Marching Band Finals percussion received superior, guard received excellent, and the bands overall rating was superior.
- The LHS “In The Know” were divisional winners at the Copley Tournament.

General Sherman Junior High

- Science Olympiad team placed 4th in District Competition in March. The Science Olympiad team also placed 33rd in State Competition in April (individual placing: Mystery Architecture – 6th in state; Neuroscience – 6th in state)
- Power of the Pen Regional result: School ranked 6th out of 22 schools.
- General Sherman Band students performed at the Rock and Roll Hall of Fame in Cleveland, Ohio in April.
- Student Council raised over \$2,000 to help needy families at Christmas time.

Thomas Ewing Jr. High School

- Power of the Pen District & Regional Tournaments – several students received awards.
- Science Olympiad – 25 students competed. Regional competition results: 1st place – 4 teams, 2nd place – 3 teams, 3rd place – 4 teams, 4th place – 3 teams, 5th place – 1 team, 6th place – 1 team.
- Music – 7th and 8th grade Band members participated in the Ohio Music Education Association Solo and Ensemble Adjudicated Event. Students received ratings of “Excellent” – 3 students and “Superior” – 25 students.
- Student Council Sponsored Events – Food Drive for the food bank (1800 food items collected.) Participation in the District-wide “Pennies for Parishes” Katrina Hurricane relief effort. Conducted a “Pennies for Patients” campaign for the Leukemia/Lymphoma Society.

Cedar Heights Elementary

- A Wellness Plan was developed to address the physical health, nutrition, and general well being of our students, staff, and community. A Wellness Grant of \$10,000 was awarded to Cedar Heights Elementary School by the Center of Disease Control Foundation to implement our wellness plan and to build a walking track on the school playground.

- Our teaching staff continued their efforts to implement a balanced literacy approach to teach reading and writing skills to our students in grades K-4.
- A Character Education Program was developed and implemented during the school year.
- We used our Literacy Improvement Grant funds to provide an after-school tutoring program for our "at-risk" students utilizing the talent and services of our teaching staff as well as community volunteers.

East Elementary

- East Elementary became a host school for the new Kindergarten Academy. Students from East, Medill, and Sanderson elementary schools participated in an extended day kindergarten program
- East Elementary hosted an "Artist in Residence" program with grant funding from the Ohio Arts Council. The Zivili dance group worked with all students K-5. Two select "Core Groups" met each day to develop a program that was presented as part of our Parent Teacher Organization (PTO) Grandparents Night.
- The "Feeling Good Mileage Club" began as part of our before school program. Over 125 students participated in a daily walking program to help promote physical fitness. Students walked a ¼ mile path each morning before school. Several students were able to walk over 100 miles during the year. Plans are in place to construct a permanent walking track on the playground during the summer.
- East Elementary student achievement test scores improved in all areas grades 3-6 from the prior year and more than doubled the number of indicators earned on the state report card.

Medill Elementary

- Medill Elementary received an "Effective" rating from the Ohio Department of Education in the fall, for the third consecutive year.
- Medill Elementary continues to be nationally recognized as an Official Core Knowledge School, one of only two schools in the entire state of Ohio.
- Medill students collected over \$1,200 in coins to help families that needed assistance during the holiday season. In addition, Medill families contributed to the Hurricane Katrina Relief Effort by making additional contributions.

Sanderson Elementary

- Sanderson is acknowledged as an "Effective School" by the Ohio Department of Education for the second year in a row.
- Sanderson students and families enjoyed a two-week artists in-residency program with the dance artists from "Zivili" through a grant from the Ohio Arts Council and additional funding from Sanderson PTO.
- Sanderson students experienced enriching visits from a Japanese Exchange teacher, Russian teachers, Author Margaret Haddix and Senator Clarence Miller.
- Sanderson students participate in our morning Walking Across America Program by taking advantage of our half-mile paved walking trail which was constructed last year and sponsored by Sanderson PTO, Student Council, students and families.
- Nearly 100% of our fifth grade students have had creative writing projects and poetry published in The Columbus Dispatch; Anthology of Poetry, Inc.; Teacher's Selection: Anthology of Fifth Grade Poetry; A Celebration of Young Poets—Fall 2005; and a Celebration of Young Poets—Spring 2006.

South Elementary

- South PTO received a grant from Beneficial to provide mulch for our playground, book sacks, and volunteers for the 2005-2006 school year.
- With the financial support of the South Elementary School PTO, every classroom computer has been hooked up to a TV monitor. With the addition of monitors, students are able to use technology such as streaming videos to increase student achievement.

- South Elementary received literacy grant funding that enabled teachers to focus on helping at risk children gain additional assistance in reading and writing. Over 70 students received additional instruction in grades 2-6. Over 20 volunteers worked collaboratively with teachers and our literacy coordinator in one-on-one and small group instruction.
- South Elementary received the Governor's Buckeye Best Healthy School Award.
- South Elementary received a grant through the Ohio Arts Council which provided professional development for teachers and included student core groups. Students worked with musician Hal Walker for three week and performed at Thomas Ewing on May 24, 2006.

Tallmadge Elementary

- Reading tutoring was offered to children in grades one through six through the Ohio Reads Grant. Children in grades three, four, and five also received tutoring after school in preparation for Achievement Testing.
- Tallmadge Elementary began a before school walking program to promote healthy student habits.
- Tallmadge Elementary sponsored our first annual Health Walk. Many outside agencies and community organizations spent the day teaching students and parents about summer safety issues, summer activities, and health related services available to our families. Students also participated in a walk to raise funds for a future walking path for our school.
- Students supported community activities related to those in need. Over 1,000 food items were donated to families during the holiday season. Our "Giving Tree" provided Christmas gifts for families in our community, and our "Jump Rope for Heart" brought in donations for the American Heart Association. In a school that has over 51 percent economically disadvantaged students we were still able to reach out and help others.
- Volunteers from the Southeastern Correctional Institute and parent volunteers provided the tutors needed for our Ohio Reads after school program.
- Ohio University has provided many future teachers to our building for student teaching, observations, and tutoring.

Chief Tarhe Elementary

- 100 percent of Tarhe parents participated in the fall conferences. The increase in parental involvement this year has been a nice welcome addition to the school.
- Two years ago, Tarhe Elementary received a grant to help clean up and refurbish the nature trail behind the school. An annual "spring clean up" project has begun in which the children, teachers, and principal participate.
- In September, Chief Tarhe Elementary had an astounding 476 students! The growth in our attendance area continues, and our staff, parents, and students have all done a wonderful job with these "growing pains."
- This year our students donated nearly 650 canned goods to the local food shelters. In addition, Tarhe along with all schools donated over \$2,000 to help a school district in its relief efforts after Hurricane Katrina.

West Elementary

- West Elementary offered the Kindergarten Academy this year. Kindergarten students, who showed the need for extra help, benefited from extended time.
- West Elementary implemented a Peer Mediation Program this year. The purpose of this program was to provide an opportunity for students to find peaceful solutions to their conflicts with a little help from our peer mediators.
- West School started a daytime reading program. The purpose of the program was to motivate children to read more and develop better reading skills.
- West School students contributed money to St. Tammany Parish Public Schools and collected approximately 2,420 canned food items for Community Action of Fairfield County. West students also participated in a coin war that collected money for local charities.

Lancaster City Preschool

- Lancaster City Schools and Head Start parents attended a special presentation to learn more about the transition from preschool to kindergarten. The evening included a presentation from teachers and other staff as well as a question and answer period for parents. The goal is make this transition a positive learning experience for our preschoolers.
- The Lancaster City Preschool has successfully implemented the first standardized assessment aligned with preschool state standards.
- The preschool staff is very proud of the number of students who enter the preschool with special needs and are able to progress academically, able to enter kindergarten as typically developing students.

Custodial/Warehousing Department

- Took over the prior contracted service of spraying for bugs.
- Conducted several test plots of chemicals in various buildings.
- Custodial staff has kept the buildings clean and safe.

Food Service Department

- We served more than one million high-quality, nutritious, meals and snacks to our customers in an efficient and safe manner and continued to remain fiscally solvent. All state reports and claims have been submitted in a timely manner.
- We served approximately three hundred thousand breakfasts, most at no charge to all students. Our breakfast participation rate is approximately three times the national average.

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

For the Future. The School District will continue to have to seek ways to be more efficient, do more with less, while continuing to offer an excellent education to all children who attend Lancaster City Schools. State funding of schools in Ohio is always an uncertainty; therefore, the School District needs to remain flexible to the changes that most likely will come due to the State government's lack of focus and responsibility to fund schools adequately in Ohio. In the future, the School District will continue to deal with the unconstitutional funding formula, increased costs of educating students, and increased open enrollment.

LONG-TERM FINANCIAL PLANNING

The School District will need to seek additional revenue in fiscal year 2007. The State of Ohio's continued lack of response to the Supreme Court's ruling in December 2002 regarding school funding has brought the School District to the brink of a financial crisis. Two key changes resulting from HB66 that affect the School District are the elimination of the Tangible Personal Property Tax and the elimination of the Cost of Doing Business Factor from the school funding formula. These changes will be catastrophic to the School District. Also impacting the School District is the continued loss of students to Community (Charter) Schools and other public schools through open-enrollment. This loss of students amounted to in excess of \$1.7 million to the School District during fiscal year 2006. The changes in the tax structure in Ohio will force a tax burden shift from commercial/industrial taxpayers to residential taxpayers.

The School District placed a property tax replacement levy on the February 2006 election ballot. The approval of this levy was needed in order to maintain current programs and financial stability to the School District. This levy was not approved by the voters. Then the School District placed a one percent income tax levy on the May 2006 election ballot. This levy was also not approved by the voters. The School District was placed in fiscal caution by the Ohio Department of Education. A corrective action plan was approved by the Board of Education on March 23, 2006 which reduced its budget by approximately \$4.8 million. This was catastrophic to the School District and the children of the Lancaster community.

Over the last 10 years, the School District has realized a decline in enrollment from 6,615 students in fiscal year 1996 to 6,044 students in fiscal year 2006. October 2006 count week shows a further decrease to 5,872 for fiscal year 2007. While the School District will have an immediate need for an increase in operational funds, the School District's aging and outdated buildings continue to be a burden and strain on the general fund. The lack of available funds to repair and replace buildings will only get worse with time and the cost of repair/replacement will increase. All buildings in the School District are at least 39 years old or older, with the exception of the modular school classrooms installed at Tarhe Elementary during fiscal year 2005.

The School District had a performance audit completed by the Auditor of State's Office to help identify cost saving measures or efficiencies to maximize student achievement impact from public dollars. This performance audit included reviews of 5 operational areas: financial systems, human resources, facilities, transportation, and technology. The report in its entirety may be found on the auditor of state website. Many of the recommendations were implemented in the Corrective Action Plan.

In the November 2006 general election the School District had a one and one half percent earned income tax levy on the ballot for a period of 10 years. This levy was approved by the voters. This issue will generate \$8,698,676 annually per the Ohio Department of Taxation. The School District will receive the first distribution in April 2007 estimated to be 5.4 percent or \$469,728. The School District will not collect the full amount until fiscal year 2009. With the passage of this levy, the Board of Education has announced that it will not seek renewal of the 3.9 mill emergency property tax that was approved by the voters in 2004 for a three year period. The passage of this income tax levy will not be the end of the financial problems for the School District. The School District will still face difficult decisions in coming years when the 3.9 mill three year emergency levy ends which will result in a loss of tax revenue in the amount of \$3.2 million per fiscal year.

With the passage of the 1.5 percent earned income tax levy, the Board of Education at its August 24, 2006 meeting agreed to the following restorations:

- Effective January 1, 2007, reinstatement of the bus transportation for students in grades 9-12,
- Effective July 1, 2007, reinstatement of transportation for all co-curricular activities,
- Effective July 1, 2007, pay-to-participate will be reduced to \$100 and family caps will be reinstated, and
- Effective July 1, 2007, six educational service personnel teaching positions will be reinstated based on enrollment and programming.

In addition, there are other needs in the School District to which funds will be allocated over time. These include:

- Purchasing of new textbooks
- Updating computer labs and software
- Updating the library books and reference materials
- Maintenance of buildings and grounds
- Purchasing new buses and other equipment as needed
- Salaries and benefits are negotiated items within the union contracts.

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

FINANCIAL INFORMATION

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

Budget Process. The School District is required to have a balanced budget. The Board of Education adopts the School District budget annually in early January. The fiscal year begins on July 1 and ends on June 30. Budgets are controlled at the fund/function level for the general fund and the fund level for all remaining funds, except agency funds which are not required to be budgeted. The treasurer has been authorized to allocate the Board of Education's appropriations during the fiscal year among objects within a fund and function for the general fund and among functions and objects within a fund for all remaining funds. All disbursements and transfers of cash between funds require appropriation authority from the Board. All purchase order requests must be approved by the Treasurer; necessary appropriations are then encumbered and purchase orders released to vendors. Those requests which exceed the available appropriation are rejected until additional funds are secured. The School District's current accounting system provides interim financial reports which detail year-to-date expenditures and encumbrances versus appropriations and are available for review prior to authorizing additional purchases.

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

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

Financial Condition. This is the fourth year the School District has prepared financial statements following GASB 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." GASB 34 created new basic financial statements for reporting the School District's financial activities as follows:

Government-Wide Financial Statements. These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by businesses.

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

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

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

CASH MANAGEMENT POLICIES AND PRACTICE

The School District operates a cash management program designed to provide safety, liquidity, and yield. Funds are invested or deposited in Ohio State Treasurer's Investment Pool (STAR Ohio), federal agency securities, and demand deposit accounts. The total amount of interest earned for all funds was \$197,975 for the fiscal year ended June 30, 2006, \$180,296 being credited directly to the general fund. The cash management program is particularly successful because of access to daily balances which enables the School District to maintain minimum balance accounts and invest to the maximum extent.

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

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

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

All School District employees are covered by either of the state-wide systems, School Employees Retirement System of Ohio (SERS) or State Teachers Retirement System of Ohio (STRS). The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District to pay the employer share as determined by each retirement system. The School District's contribution requirements for pension and health care benefits were \$3,491,339 paid as the employer portion to STRS and \$973,214 paid as the employer portion to SERS. See Notes 12 and 13 to the Basic Financial Statements for complete details.

RISK MANAGEMENT

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in general aggregate. Other liability insurance includes \$1,000,000 for automotive liability with a \$500 deductible and \$1,000,000 for uninsured motorist liability with a \$500 deductible.

In addition, the School District maintains replacement cost insurance on buildings and contents in the amount of \$104,020,700 with a \$5,000 deductible. Inland marine is insured for \$5,308,871 with a \$1,000 deductible.

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

INDEPENDENT AUDIT

In compliance with State statute, the basic financial statements have been audited by the Ohio Auditor of State's Office. The independent auditor concluded that the School District's financial statements for the year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent accountant's report is presented as the first component of the financial section of this report.

AWARDS AND ACKNOWLEDGMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lancaster City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, with contents conforming to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

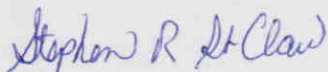
A Certificate of Achievement is valid for a period of one year only. Lancaster City School District has received a Certificate of Achievement for fourteen years out of the last fifteen years. The School District did not submit a CAFR for the fiscal year ended June 30, 1995. We believe our current report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

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

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

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

Respectfully Submitted,



Stephen R. St. Clair
Interim Treasurer
Lancaster City School District



Denise D. Callihan, Ph.D.
Superintendent
Lancaster City School District

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lancaster City School
District, Ohio

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



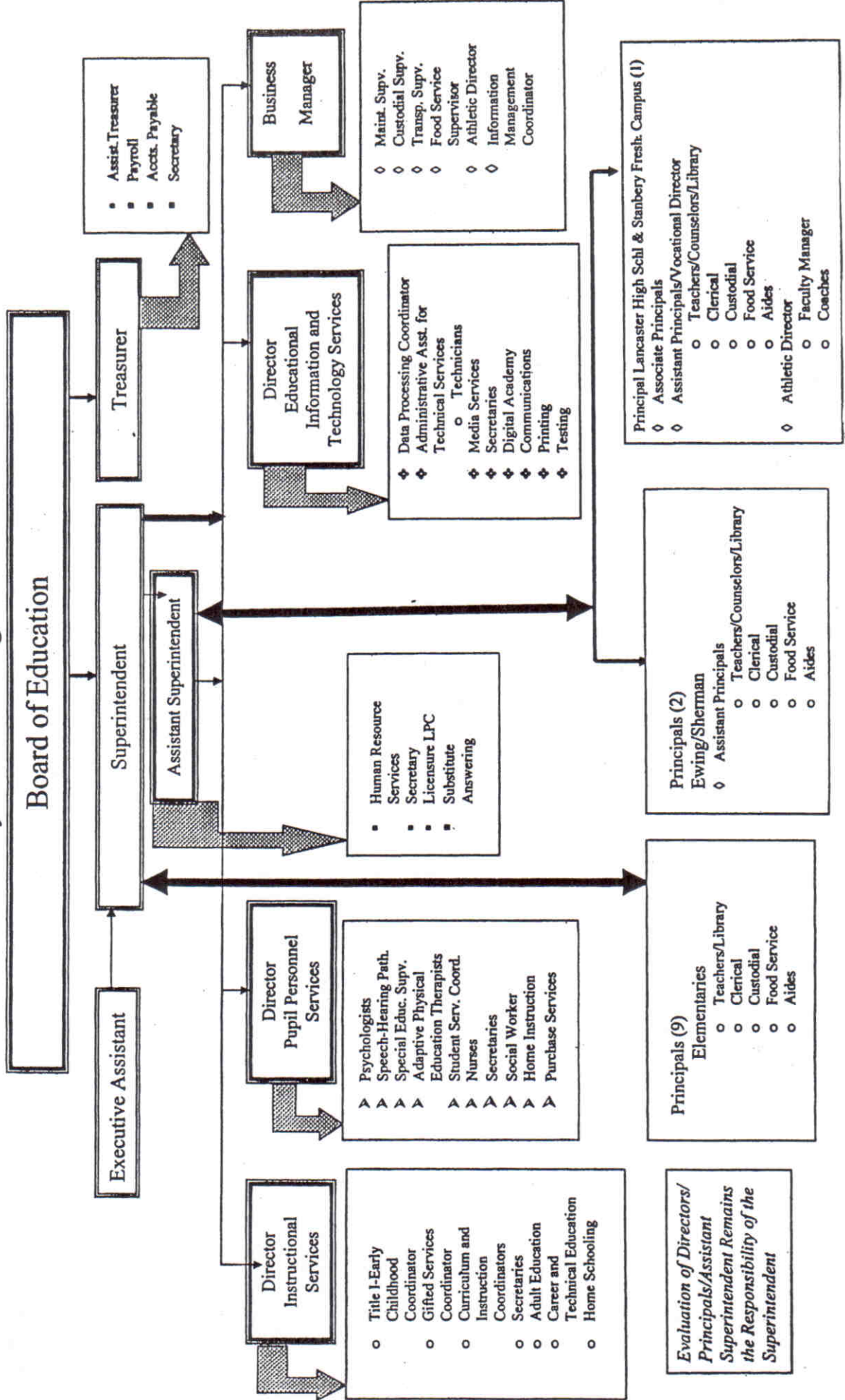
Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

Lancaster City Schools' Organizational Chart



LANCASTER CITY SCHOOL DISTRICT, OHIO

ORGANIZATIONAL CHART

(Continued)

CENTRAL OFFICE
ADMINISTRATORS

- Secretary
- Custodian

PRINCIPALS, ASSISTANT PRINCIPALS
VOCATIONAL DIRECTOR

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

TREASURER

- Assistant Treasurer
- Payroll Clerk
- Account Clerk
- Secretary

PUPIL PERSONNEL
DIRECTOR

- School Psychologists

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

DIRECTORS, SUPERVISORS
COORDINATORS

- Secretary

- Custodian

FOOD SERVICE
SUPERVISOR

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

MAINTENANCE/CUSTODIAL SUPERVISOR

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

TRANSPORTATION SUPERVISOR

- Bus Driver
- Mechanic
- Wash Rack Attendant
- Secretary

LANCASTER CITY SCHOOL DISTRICT, OHIO

PRINCIPAL OFFICIALS

JUNE 30, 2006

BOARD OF EDUCATION

Ms. Patti Moore
President
Mr. Gary Mauller Vice
President
Ms. Pam Barnett Member
Ms. Rosemary Hajost Member
Mr. Thomas Pearce
Member

Treasurer

Scott D. Osborne (resigned position on July 14, 2006)
Stephen R. St. Clair, Interim Treasurer (began position on June 1, 2006)

Administration

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

Financial Section



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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lancaster City School District
Fairfield County
345 East Mulberry Street
Lancaster, Ohio 43130

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Lancaster City School District, Fairfield County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Lancaster City School District, Fairfield County, Ohio, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules, and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

December 20, 2006

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

As management of the Lancaster City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the notes to the basic financial statements.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- Net assets of governmental activities increased \$822,343.
- General revenues accounted for \$43,522,594 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$11,299,032 or 21 percent of total revenues of \$54,821,626.
- Total assets of governmental activities decreased \$1,247,987 or 3.1 percent, as the major changes are a result of an increase in cash and cash equivalents \$994,572, offset by a decrease in intergovernmental receivables of \$342,779, and a decrease in property taxes receivable of \$1,401,043. The increase in cash and cash equivalents was due mainly to the School District implementing cost cutting measures. The decrease in property taxes receivable is due to the decrease in the assessed values of approximately \$19.6 million. Capital assets decreased by \$315,655 due mainly to current year depreciation expenses of \$422,867.
- Total liabilities of governmental activities decreased from \$36,527,051 to \$34,456,721. Long-term liabilities such as capital leases, intergovernmental payables, and compensated absences make up 13 percent of the total liabilities.
- The School District had \$53,999,283 in expenses related to governmental activities; only \$11,299,032 of these expenses was offset by program specific charges for services, grants, contributions, and interest.
- The School District only has one major fund, the general fund. The general fund had \$47,073,851 in revenues, \$46,289,707 in expenditures, and (\$60,294) in other financing sources (uses). The general fund's balance increased \$723,850.

Using this Annual Financial Report

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

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

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

Table 1 - Net Assets

	Governmental Activities		
	2006	2005	Change
Assets			
Current and Other Assets	\$32,124,150	\$33,056,482	(\$932,332)
Capital Assets	6,871,139	7,186,794	(315,655)
Total Assets	38,995,289	40,243,276	(1,247,987)
Liabilities			
Long-Term Liabilities	4,398,310	4,477,046	(78,736)
Other Liabilities	30,058,411	32,050,005	(1,991,594)
Total Liabilities	34,456,721	36,527,051	(2,070,330)
Net Assets			
Invested in Capital Assets, Net of Debt	6,433,483	6,645,029	(211,546)
Restricted	579,524	822,176	(242,652)
Unrestricted (Deficit)	(2,474,439)	(3,750,980)	1,276,541
Total Net Assets	\$4,538,568	\$3,716,225	\$822,343

Total assets decreased \$1,247,987. The majority of the decrease in current and other assets was due mainly to an increase in cash and cash equivalents of \$944,572, a decrease in intergovernmental receivables of \$342,779, and a decrease in property taxes receivable of \$1,401,043. The increase in cash and cash equivalents was due mainly to the School District cutting expenses. The School District cut expenses over the prior year by approximately \$2.25 million. The decrease in property taxes receivable is due to the decrease in the assessed values of approximately \$19.6 million. This decrease is due mainly to the decrease in tangible personal property assessed values. The decline in the economy has especially hit Lancaster and several businesses within Lancaster School District's boundaries are struggling financially. Actual values for tangible personal property have dropped from \$358,820,356 in 2005 to \$236,022,404 in 2006. Capital assets decreased by \$315,655 due mainly to current year depreciation expenses of \$422,867. The School District limited capital asset purchases due to the stressed financial situation.

Total liabilities decreased by \$2,070,330. The majority of the decrease in other liabilities was due to the decrease of \$1,159,028 in deferred revenue due mainly to the decrease in taxes receivable, a decrease of \$124,694 in accounts payable, a decrease in intergovernmental payable of \$449,249, a decrease of \$256,932 in matured sick leave benefit payable, and a \$120,041 decrease of claims payable. The decrease in long-term liabilities of \$78,736 was the result of a \$133,894 decrease in capital leases, an increase in compensated absences of \$60,140, and a decrease in intergovernmental payable of \$4,982.

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, and comparisons to fiscal year 2005.

Table 2 - Changes in Net Assets

	Governmental Activities		
	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services	\$2,829,787	\$2,772,689	\$57,098
Operating Grants, Contributions, and Interest	8,398,759	8,858,004	(459,245)
Capital Grants and Contributions	70,486	237,372	(166,886)
Total Program Revenues	<u>11,299,032</u>	<u>11,868,065</u>	<u>(569,033)</u>
General Revenue			
Property Taxes	25,211,639	25,245,138	(33,499)
Grants and Entitlements	18,000,132	17,400,697	599,435
Gain on Sale of Capital Assets due to a Capital Lease	0	192,757	(192,757)
Payment in Lieu of Taxes	125,960	125,960	0
Investment Earnings	181,572	96,361	85,211
Miscellaneous	3,291	4,422	(1,131)
Total General Revenues	<u>43,522,594</u>	<u>43,065,335</u>	<u>457,259</u>
Total Revenues	<u>54,821,626</u>	<u>54,933,400</u>	<u>(111,774)</u>
Program Expenses			
Instruction			
Regular	22,550,491	23,028,446	(477,955)
Special	5,993,895	6,499,927	(506,032)
Vocational	2,533,090	2,555,949	(22,859)
Adult/Continuing	102,241	164,390	(62,149)
Support Services			
Pupil	2,655,701	3,019,821	(364,120)
Instructional Staff	3,312,136	3,501,558	(189,422)
Board of Education	103,737	212,283	(108,546)
Administration	4,235,498	4,391,395	(155,897)
Fiscal	1,249,249	1,089,018	160,231
Business	422,329	426,089	(3,760)
Operation and Maintenance of Plant	4,184,164	4,656,265	(472,101)
Pupil Transportation	1,760,638	1,761,350	(712)
Central	219,509	267,753	(48,244)
Operation of Non-Instructional Services:			
Food Service Operations	2,138,195	2,077,895	60,300
Other	1,045,611	1,077,936	(32,325)
Extracurricular Activities	826,654	891,207	(64,553)
Intergovernmental	641,663	596,240	45,423
Interest and Fiscal Charges	24,482	29,935	(5,453)
Total Program Expenses	<u>53,999,283</u>	<u>56,247,457</u>	<u>(2,248,174)</u>
<i>Change in Net Assets</i>	<u>\$822,343</u>	<u>(\$1,314,057)</u>	<u>\$2,136,400</u>

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Over the past several years the School District has experienced a significant amount of residential growth. The School District is located in Fairfield County, and includes all of the City of Lancaster and parts of Greenfield, Pleasant, and Berne townships within Fairfield County. Even though residential growth assessed values continue to increase, the total assessed values, upon which taxes are collected, decreased by \$19,617,818 from 2005 to 2006. This decrease was due mainly to the decline in tangible personal property taxes of \$30,699,488. The economic decline in the nation has also been felt in Lancaster's businesses.

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

The DeRolf IV Ohio Supreme Court decision has not eliminated the dependence on property taxes. The fundamental reliance on property taxes is still inherent with public schools in Ohio. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decrease as the real property valuation increases thus generating about the same revenue. Property taxes made up approximately 46 percent of revenues for governmental activities for the School District in fiscal year 2006. The State still has not fixed the funding system although there is hope for some change as the result of any recommendations from the Governors Blue Ribbon Task Force created as a result of DeRolf IV.

The decrease in program revenues of \$569,033 is due mainly to the fluctuation in grant funding, the State discontinuing two grants, and the loss of funding from one grant. The two discontinued grants were the summer school intervention grant which resulted in a decrease of \$116,234 and the safe schools hotline grant which resulted in a decrease of \$5,850. The School District did not receive a renewal of the even start grant which resulted in a decrease to program revenues of \$222,893 in the reading improvement special revenue fund. There were several decreases and increases in other grants. Some of the main grant revenue fluctuations are as follows: general fund CAFS funding increased by \$217,793, food service programs increased by \$83,447, continuous improvement grant decreased by \$86,685, and special education grants decreased by \$282,275.

The increase in general revenues of \$457,259 was mainly due to the increase in State foundation revenues and bus purchase allowance monies in the general fund.

Instruction comprises approximately 58 percent of governmental program expenses, support services make up approximately 33 percent of the program expenses, operation of non-instructional services make up approximately 6 percent of program expenses, and the remaining 3 percent of program expenses is related to extracurricular activities, intergovernmental, and interest and fiscal charges of the School District.

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

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 3 - Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
Program Expenses				
Instruction:				
Regular	\$22,550,491	\$21,452,831	\$23,028,446	\$21,489,379
Special	5,993,895	3,314,173	6,499,927	3,696,020
Vocational	2,533,090	1,903,918	2,555,949	1,903,587
Adult/Continuing	102,241	(78,816)	164,390	2,244
Support Services:				
Pupil	2,655,701	2,122,261	3,019,821	2,372,006
Instructional Staff	3,312,136	2,204,323	3,501,558	2,287,745
Board of Education	103,737	103,737	212,283	212,283
Administration	4,235,498	3,886,322	4,391,395	4,087,121
Fiscal	1,249,249	1,101,712	1,089,018	1,070,184
Business	422,329	422,329	426,089	426,089
Operation and Maintenance				
of Plant	4,184,164	4,149,042	4,656,265	4,591,476
Pupil Transportation	1,760,638	1,536,035	1,761,350	1,502,541
Central	219,509	163,121	267,753	206,982
Operation of				
Non-Instructional Services:				
Food Service Operations	2,138,195	(70,663)	2,077,895	(91,019)
Other	1,045,611	17,841	1,077,936	102,621
Extracurricular Activities	826,654	444,201	891,207	493,948
Intergovernmental	641,663	3,402	596,240	(3,750)
Interest and Fiscal Charges	24,482	24,482	29,935	29,935
Totals	\$53,999,283	\$42,700,251	\$56,247,457	\$44,379,392

The above schedule clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2006, only 21 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants, contributions, and interest. The remaining 79 percent is provided through taxes and entitlements.

The School District's Major Fund

The School District's major fund (the general fund) is accounted for using the modified accrual basis of accounting. The major fund had total revenues of \$47,073,851, expenditures of \$46,289,707, and other financing sources (uses) of (\$60,294). To address the negative carryover fund balance, the School District placed a 1.5 percent earned income tax on the November 7, 2006 ballot. The levy was approved by the voters. The public understands the financial difficulties that the School District has been facing. The income tax becomes effective on January 1, 2007 for a ten year period. The School District will begin to receive income tax collections from the State Department of Taxation in April 2007. The levy is expected to generate \$469,728 (5.4 percent) during fiscal year 2007 with the April 2007 receipt and \$8,698,676 annually for future fiscal years beginning with the third fiscal year of the income tax. The estimates were based on a historical income tax timeline of estimated collections by the State Department of Taxation. The School District will receive its final tax settlement from the March 2004 3.9 mill emergency operating levy for a

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

three year period on the August 2007 tax settlement. Due to the passing of the 1.5 percent earned income tax, the School District announced that it will not seek renewal of the 3.9 mill emergency operating property tax. Due to appropriation reductions approved by the School District for fiscal year 2006 the School District was able to reduce its overall expenses by approximately \$2.25 million. The general fund is still carrying a fund balance of (\$513,875) which improved from the (\$1,237,725) fund balance from fiscal year 2005. During fiscal year 2006 the School District had a performance audit completed by the Auditor of State's Office of Ohio. Many of the performance audit findings were implemented into the School District's Corrective Action Plan that was developed during fiscal year 2006, due to the School District being declared in fiscal caution in March 2006 by the State Department of Education. The School District realizes the seriousness of our financial situation and has implemented several steps to improve our status. The School District will still be faced with difficult cost cutting decisions in the future even though the 1.5 percent income tax levy passed.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the School District amended its general fund budget. The School District closely monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

The general fund had original revenue budget estimates of \$45,661,535. The original budget estimates were increased to a final budget amount of \$47,608,871 for the fiscal year. Actual revenues were \$452,853 under final budgeted estimates.

The School District's ending unobligated fund balance was \$268,369.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$6,871,139 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2006 balances compared to 2005.

**Table 4 - Capital Assets at June 30, 2006
 (Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$523,846	\$523,846
Land Improvements	608,935	634,870
Buildings and Improvements	3,844,686	3,908,204
Furniture and Equipment	973,290	1,189,412
Vehicles	920,382	930,462
Totals	<u><u>\$6,871,139</u></u>	<u><u>\$7,186,794</u></u>

Lancaster City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

During fiscal year 2006, there was not much activity relating to the purchase or disposal of capital assets. Due to the School District's confronting financial difficulties, purchasing has been limited to items that are of necessary importance. The \$315,655 decrease in capital assets, net of depreciation, was mainly due to posting current year depreciation figures. See Note 9 for more detailed information of the School District's capital assets.

Debt

During fiscal year 2006, the School District paid down a capital lease by \$133,894.

Table 5 – Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2006	2005
Capital Leases	\$437,656	\$571,550

See Notes 14 and 15 for more detailed information of the School District's outstanding capital leases payable.

Economic Factors

During fiscal year 2006, the School District was able to increase net assets by \$822,343. This was due mainly to revenues decreasing slightly from 2005 to 2006 which were offset by the implementation of cost cutting measures which decreased expenses by \$2,248,174. The School District Board of Education will continue to monitor and evaluate the financial condition of the School District and make adjustments when needed. The School District voters did approve a 1.5 earned income tax levy in November 2006. The School District will still continue to be conservative in the area of expenditures. The School District completed and implemented a Corrective Action Plan which was approved by the Ohio Department of Education due to the School District being declared in fiscal caution during fiscal year 2006. The School District continues to utilize a Board Finance Committee created during fiscal year 2005. This Committee's job is monitor the School District's financial stability and to meet once a month and report to the Board of Education any recommendations. Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the opportunities our students have come accustomed to.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information you may contact Stephen St. Clair, Interim Treasurer, Lancaster City School District, 345 East Mulberry Street, Lancaster, Ohio 43130. Or E-Mail at S_STCLAIR@LANCASTER.K12.OH.US.

BASIC FINANCIAL STATEMENTS

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Lancaster City School District, Ohio

Statement of Net Assets

June 30, 2006

	Primary Government	Component Unit
	Governmental Activities	Lancaster-Fairfield Digital Academy
Assets		
Cash and Cash Equivalents	\$2,988,800	\$275,678
Cash and Cash Equivalents in Segregated Accounts	11,354	0
Materials and Supplies Inventory	126,359	0
Inventory Held for Resale	39,455	0
Accounts Receivable	28,323	0
Accrued Interest Receivable	222	0
Intergovernmental Receivable	759,288	0
Prepays	99,315	1,299
Payment in Lieu of Taxes Receivable	251,920	0
Property Taxes Receivable	27,725,364	0
Capital Lease Receivable	93,750	0
Nondepreciable Capital Assets	523,846	0
Depreciable Capital Assets, Net	6,347,293	145,663
<i>Total Assets</i>	<u>38,995,289</u>	<u>422,640</u>
Liabilities		
Accounts Payable	379,029	35
Accrued Salaries and Benefits Payable	4,738,711	0
Matured Sick Leave Benefit Payable	241,683	0
Claims Payable	890,622	0
Accrued Interest Payable	775	0
Intergovernmental Payable	1,632,977	3,315
Deferred Revenue	22,174,614	26,224
Long-Term Liabilities:		
Due Within One Year	591,750	0
Due In More Than One Year	3,806,560	0
<i>Total Liabilities</i>	<u>34,456,721</u>	<u>29,574</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	6,433,483	145,663
Restricted for:		
Capital Projects	195,158	0
Public School Support	95,215	0
District Managed Activities	99,577	0
Auxiliary Services	53,297	0
Special Education	80,547	0
Other Purposes	55,730	0
Unrestricted (Deficit)	(2,474,439)	247,403
<i>Total Net Assets</i>	<u>\$4,538,568</u>	<u>\$393,066</u>

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$22,550,491	\$752,303	\$345,357	\$0
Special	5,993,895	157,139	2,522,583	0
Vocational	2,533,090	166,838	460,027	2,307
Adult/Continuing	102,241	34,471	146,586	0
Support Services:				
Pupil	2,655,701	9,593	523,847	0
Instructional Staff	3,312,136	20,708	1,087,105	0
Board of Education	103,737	0	0	0
Administration	4,235,498	92,514	252,449	4,213
Fiscal	1,249,249	146,783	754	0
Business	422,329	0	0	0
Operation and Maintenance of Plant	4,184,164	22,500	12,622	0
Pupil Transportation	1,760,638	44,342	116,295	63,966
Central	219,509	0	56,388	0
Operation of Non-Instructional Services:				
Food Service Operations	2,138,195	1,000,143	1,208,715	0
Other	1,045,611	0	1,027,770	0
Extracurricular Activities	826,654	382,453	0	0
Intergovernmental	641,663	0	638,261	0
Interest and Fiscal Charges	24,482	0	0	0
<i>Total Primary Government</i>	<u>\$53,999,283</u>	<u>\$2,829,787</u>	<u>\$8,398,759</u>	<u>\$70,486</u>
Component Unit				
Lancaster-Fairfield Digital Academy	<u>\$334,507</u>	<u>\$0</u>	<u>\$3,000</u>	<u>\$0</u>

General Revenues

Property Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Payment in Lieu of Taxes
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Unit
Governmental Activities	Lancaster-Fairfield Digital Academy
(\$21,452,831)	\$0
(3,314,173)	0
(1,903,918)	0
78,816	0
(2,122,261)	0
(2,204,323)	0
(103,737)	0
(3,886,322)	0
(1,101,712)	0
(422,329)	0
(4,149,042)	0
(1,536,035)	0
(163,121)	0
70,663	0
(17,841)	0
(444,201)	0
(3,402)	0
(24,482)	0
(42,700,251)	0
0	(331,507)
25,211,639	0
18,000,132	280,338
125,960	0
181,572	2,860
3,291	0
43,522,594	283,198
822,343	(48,309)
3,716,225	441,375
\$4,538,568	\$393,066

Lancaster City School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2006*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$520,159	\$1,407,512	\$1,927,671
Cash and Cash Equivalents in Segregated Accounts	11,354	0	11,354
Receivables:			
Property Taxes	27,725,364	0	27,725,364
Payment in Lieu of Taxes	251,920	0	251,920
Accounts	13,843	10,321	24,164
Intergovernmental	406,708	352,580	759,288
Accrued interest	222	0	222
Interfund	209,421	1,722	211,143
Capital Lease	0	93,750	93,750
Prepays	65,164	32,851	98,015
Inventory Held for Resale	0	39,455	39,455
Materials and Supplies Inventory	113,379	12,980	126,359
<i>Total Assets</i>	<u>\$29,317,534</u>	<u>\$1,951,171</u>	<u>\$31,268,705</u>
Liabilities			
Accounts Payable	\$237,452	\$141,577	\$379,029
Accrued Salaries and Benefits Payable	3,714,536	496,781	4,211,317
Intergovernmental Payable	1,406,606	226,371	1,632,977
Matured Sick Leave Benefit Payable	241,683	0	241,683
Interfund Payable	1,722	198,676	200,398
Deferred Revenue	24,229,410	115,324	24,344,734
<i>Total Liabilities</i>	<u>29,831,409</u>	<u>1,178,729</u>	<u>31,010,138</u>
Fund Balances			
Reserved for Encumbrances	188,288	166,614	354,902
Reserved for Property Taxes	3,598,132	0	3,598,132
Unreserved, Undesignated, Reported in:			
General Fund	(4,300,295)	0	(4,300,295)
Special Revenue Funds	0	505,920	505,920
Capital Projects Funds	0	99,908	99,908
<i>Total Fund Balances (Deficit)</i>	<u>(513,875)</u>	<u>772,442</u>	<u>258,567</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$29,317,534</u>	<u>\$1,951,171</u>	<u>\$31,268,705</u>

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2006*

Total Governmental Fund Balances		\$258,567
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,871,139
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	1,748,897	
Payment in Lieu of Taxes	251,920	
Capital Lease Receivable	93,750	
Accrued Interest	222	
Tuition and Charges from Other Districts	53,757	
Grants	21,574	2,170,120
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(362,173)
Long-term liabilities, including capital leases payable, and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(437,656)	
Intergovernmental Payable	(12,454)	
Accrued Interest Payable	(775)	
Compensated Absences Payable	(3,948,200)	(4,399,085)
Net Assets of Governmental Activities		\$4,538,568

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$25,313,325	\$0	\$25,313,325
Payment in Lieu of Taxes	125,960	0	125,960
Intergovernmental	20,154,903	6,269,119	26,424,022
Interest	180,296	16,031	196,327
Tuition and Fees	1,206,373	20,045	1,226,418
Charges for Services	0	980,965	980,965
Rent	2,857	71,263	74,120
Extracurricular Activities	88,460	474,832	563,292
Collection of a Capital Lease	0	31,250	31,250
Gifts and Donations	0	8,961	8,961
Miscellaneous	1,677	1,614	3,291
<i>Total Revenues</i>	<u>47,073,851</u>	<u>7,874,080</u>	<u>54,947,931</u>
Expenditures			
Current:			
Instruction:			
Regular	22,260,655	398,187	22,658,842
Special	4,837,423	1,319,949	6,157,372
Vocational	2,320,647	215,967	2,536,614
Adult/Continuing	28,402	73,839	102,241
Support Services:			
Pupils	2,172,589	534,407	2,706,996
Instructional Staff	2,131,282	1,170,476	3,301,758
Board of Education	103,737	0	103,737
Administration	4,012,490	194,549	4,207,039
Fiscal	1,267,051	750	1,267,801
Business	425,682	0	425,682
Operation and Maintenance of Plant	4,183,801	14,629	4,198,430
Pupil Transportation	1,759,086	26,538	1,785,624
Central	137,327	72,824	210,151
Operation of Non-Instructional Services:			
Food Service Operations	0	2,126,103	2,126,103
Other Non-Instructional Services	4,838	1,047,296	1,052,134
Extracurricular Activities	547,119	245,906	793,025
Capital Outlay	0	8,159	8,159
Intergovernmental	0	641,663	641,663
Debt Service:			
Principal Retirement	82,371	51,523	133,894
Interest and Fiscal Charges	15,207	9,512	24,719
<i>Total Expenditures</i>	<u>46,289,707</u>	<u>8,152,277</u>	<u>54,441,984</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>784,144</u>	<u>(278,197)</u>	<u>505,947</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	6,335	4,400	10,735
Transfers In	0	66,629	66,629
Transfers Out	(66,629)	0	(66,629)
<i>Total Other Financing Sources (Uses)</i>	<u>(60,294)</u>	<u>71,029</u>	<u>10,735</u>
<i>Net Change in Fund Balances</i>	723,850	(207,168)	516,682
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,237,725)</u>	<u>979,610</u>	<u>(258,115)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$513,875)</u>	<u>\$772,442</u>	<u>\$258,567</u>

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds \$516,682

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

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

Capital Asset Additions	143,344	
Depreciation Expense	(422,867)	(279,523)

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

Loss on disposal of capital assets	(25,397)	
Proceeds from sale of capital assets	(10,735)	(36,132)

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

Interest	65	
Capital lease payments received	(31,250)	
Grants	21,574	
Delinquent Taxes	(101,686)	
Tuition and Charges from Other School Districts	(12,000)	
Extracurricular Activities	(3,008)	(126,305)

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 237

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

Intergovernmental Payable	4,982	
Compensated Absences Payable	(60,140)	(55,158)

Repayment of capital leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 133,894

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

Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 668,648

Change in Net Assets of Governmental Activities \$822,343

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$24,837,041	\$25,815,262	\$25,453,654	(\$361,608)
Payment in Lieu of Taxes	0	0	125,960	125,960
Intergovernmental	19,550,077	20,410,859	20,046,608	(364,251)
Interest	62,176	65,000	200,127	135,127
Tuition and Fees	1,079,221	1,176,968	1,232,505	55,537
Rent	47,176	50,000	3,203	(46,797)
Extracurricular Activities	83,937	88,875	90,943	2,068
Miscellaneous	1,907	1,907	3,018	1,111
<i>Total Revenues</i>	45,661,535	47,608,871	47,156,018	(452,853)
Expenditures				
Current:				
Instruction:				
Regular	20,309,150	20,427,030	20,358,669	68,361
Special	4,946,983	4,859,388	4,859,388	0
Vocational	2,402,140	2,363,515	2,360,119	3,396
Adult/Continuing	60,575	29,940	29,940	0
Other	2,660,000	2,693,398	2,693,386	12
Support Services:				
Pupils	2,332,454	2,305,080	2,305,079	1
Instructional Staff	2,430,231	2,183,205	2,183,202	3
Board of Education	167,050	131,240	130,727	513
Administration	4,077,264	4,010,899	3,985,329	25,570
Fiscal	1,171,944	1,404,955	1,402,853	2,102
Business	383,381	465,169	463,162	2,007
Operation and Maintenance of Plant	4,376,480	4,131,736	4,131,736	0
Pupil Transportation	1,864,265	1,763,658	1,763,658	0
Central	183,206	150,145	149,924	221
Extracurricular Activities	559,912	554,069	550,400	3,669
<i>Total Expenditures</i>	47,925,035	47,473,427	47,367,572	105,855
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,263,500)	135,444	(211,554)	(346,998)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	9,565	10,000	6,335	(3,665)
Advances In	300,000	300,000	882,933	582,933
Advances Out	(400,000)	(830,988)	(829,286)	1,702
Transfers Out	(4,360)	(66,629)	(66,629)	0
<i>Total Other Financing Sources (Uses)</i>	(94,795)	(587,617)	(6,647)	580,970
<i>Net Change in Fund Balance</i>	(2,358,295)	(452,173)	(218,201)	233,972
<i>Fund Balance (Deficit) Beginning of Year</i>	(248,858)	(248,858)	(248,858)	0
<i>Prior Year Encumbrances Appropriated</i>	735,428	735,428	735,428	0
<i>Fund Balance (Deficit) End of Year</i>	(\$1,871,725)	\$34,397	\$268,369	\$233,972

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio

Statement of Fund Net Assets

Internal Service Fund

June 30, 2006

	Employee Benefits Self Insurance
Current Assets	
Cash and Cash Equivalents	\$1,061,129
Accounts Receivable	4,159
Prepays	1,300
<i>Total Assets</i>	<u>1,066,588</u>
Current Liabilities	
Interfund Payable	10,745
Deferred Revenue	527,394
Claims Payable	890,622
<i>Total Liabilities</i>	<u>1,428,761</u>
Net Assets	
Unrestricted (Deficit)	<u><u>(\$362,173)</u></u>

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
*Statement of Revenues,
Expenses, and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2006*

	Employee Benefits Self Insurance
Operating Revenues	
Charges for Services	\$7,109,270
Operating Expenses	
Purchased Services	422,215
Claims	6,018,407
<i>Total Operating Expenses</i>	6,440,622
<i>Change in Net Assets</i>	668,648
<i>Net Assets (Deficit) Beginning of Year</i>	(1,030,821)
<i>Net Assets (Deficit) End of Year</i>	(\$362,173)
See accompanying notes to the basic financial statements	

Lancaster City School District, Ohio
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2006

	Employee Benefits Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$7,200,661
Cash Payments to Suppliers for Services	(423,515)
Cash Payments for Claims	(6,138,448)
<i>Net Increase in Cash and Cash Equivalents</i>	638,698
<i>Cash and Cash Equivalents Beginning of Year</i>	422,431
<i>Cash and Cash Equivalents End of Year</i>	\$1,061,129
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$668,648
Adjustments to Reconcile	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,391)
Increase in Prepaids	(1,300)
Increase in Deferred Revenue	93,782
Decrease in Claims Payable	(120,041)
<i>Net Cash Provided by Operating Activities</i>	\$638,698

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose	
	Trust	
	Endowment	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$41,378	\$79,559
<i>Total Assets</i>	41,378	\$79,559
Liabilities		
Due to Students	0	\$79,559
<i>Total Liabilities</i>	0	\$79,559
Net Assets		
Held in Trust for Scholarships	41,378	
<i>Total Net Assets</i>	\$41,378	

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2006

	Endowment
Additions	
Interest	\$1,648
Deductions	0
<i>Change in Net Assets</i>	1,648
<i>Net Assets Beginning of Year</i>	39,730
<i>Net Assets End of Year</i>	\$41,378

See accompanying notes to the basic financial statements

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 1 - Description of the School District and Reporting Entity

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

The Board controls the School District's twelve instructional facilities staffed by 255 non-certificated employees, 401 certificated personnel, and 31 administrative employees who provide services to 6,044 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, agencies and offices that are not legally separate from the School District. For Lancaster City School District, this includes general operations, food service, and student related activities of the School District.

The following activities are included within the reporting entity:

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

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

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

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

members. The Board of Directors is appointed as follows: five representatives from the School District, one representative that is a public educator or other public official, and one person representing the interests of parents and students of the LFDA. The School District is able to impose its will on the LFDA. The School District can suspend the LFDA's operations for any of the following reasons: 1) The LFDA's failure to meet student performance requirements stated in its contract with the School District, 2) The LFDA's failure to meet generally accepted standards of fiscal management, 3) The LFDA's violation of any provisions of the contract with the School District or applicable state or federal law, and 4) Other good cause. Separately issued financial statements can be obtained from the Lancaster-Fairfield Digital Academy, 345 East Mulberry Street, Lancaster, Ohio 43130.

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

School District.

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

B. Fund Accounting

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

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

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

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

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

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

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

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

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

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

D. Basis of Accounting

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

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

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and one federal agency security.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$180,296, which includes \$70,190 assigned from other School District funds.

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 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 expense/expenditure is reported in the fiscal year in which services are consumed.

G. Inventory

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

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

H. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-50 years
Buildings and Improvements	20-80 years
Machinery and Equipment	5-20 years
Furniture and Fixtures	5-20 years
Vehicles	5-10 years

I. Interfund Balances

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

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. The School District currently has no restricted assets.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for employees with accumulated unused vacation time when earned.

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

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Interfund Activity

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

N. Fund Balance Reserves

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

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

O. Net Assets

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

The government-wide statement of net assets reports \$579,524 of restricted net assets, of which none is restricted by enabling legislation.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were none for fiscal year 2006.

Q. Estimates

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

R. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund and function level for the general fund and the fund level for all remaining funds. The Treasurer has been authorized to allocate Board appropriations among objects within a fund and function during the fiscal year for the general fund and among functions and objects within all remaining funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the original certificate. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 – Changes in Accounting Principles and a Newly Adopted Policy

Changes in Account Principles For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, GASB Statement No. 44, “Economic Condition Reporting: The Statistical Section”, and GASB Statement No. 47, “Accounting for Termination Benefits.”

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 44 improves the understandability and usefulness of the information that the State and local governments present as supplementary information in the statistical section.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements.

Change in Estimated Useful Lives During fiscal year 2006, the School District adopted a capital asset policy that revised the useful lives of capital assets. The School District increased the useful lives of various assets so the financial statements would more properly reflect the amount of years that the School District is actually using their capital assets. This change in useful lives is being applied prospectively.

Note 4 – Accountability and Legal Compliance

A. Accountability

The following funds had deficit fund balances/net assets as of June 30, 2006:

	<u>Deficit Fund Balances/Net Assets</u>
<u>General Fund:</u>	
General	(\$513,875)
<u>Special Revenue Funds:</u>	
Data Communications	(2,800)
Title V	(3,445)
Drug Free Grant	(1,271)
Reducing Class Size	(139,377)
<u>Internal Service Fund:</u>	
Employee Benefits Self-Insurance	(362,173)

The deficit balances in the general fund, special revenue funds, and internal service fund are the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District acknowledges the deficit in the internal service fund. The School District has made significant progress in increasing its fund balance from (\$1,030,821) as of June 30, 2005 to (\$362,173) as of June 30, 2006. The School District will also change medical and dental insurance providers again in November 2006 in order to save additional money. Effective July 1, 2006, the School District enacted an employee contribution increase from three to seven percent for fiscal year 2006 to 20 percent of the premium for all employees for fiscal year 2007. The deficit in the general fund is of great concern to the School District. The School District passed a

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

one and one half percent earned income tax levy during the November 7, 2006 election. The School District has a more positive outlook on their financial status due to the passage of the income tax levy (see Note 24).

B. Legal Compliance

The general fund had original appropriations in excess of estimated resources contrary to Section 5705.39, Revised Code, in the amount of \$1,871,725.

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

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

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Segregated accounts and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
4. Investments reported at cost (budget basis) rather than fair value (GAAP basis).
5. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Net Change in Fund Balance	
GAAP Basis	\$723,850
Net Adjustment for Revenue Accruals	84,644
Net Adjustment for Expenditure Accruals	(811,060)
Beginning:	
Segregated Accounts	5,215
Fair Value of Investments	(11,028)
Prepaid Items	65,009
Ending:	
Segregated Accounts	(11,354)
Fair Value of Investments	14,690
Prepaid Items	(65,164)
Advances In	882,933
Advances Out	(829,286)
Adjustment for Encumbrances	<u>(266,650)</u>
Budget Basis	<u><u>(\$218,201)</u></u>

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$361,701 of the School District's bank balance of \$526,842 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool.

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	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$1,753,867	Average 34.77 Days
Federal National Mortgage Association Bond	985,310	6/29/2007
Total	<u>\$2,739,177</u>	

Interest Rate Risk

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

Credit Risk

The Federal National Mortgage Association Bond carried a rating by Fitch, Inc. of AAA. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District's investments in the Federal National Mortgage Association Bond represented 36 percent and STAR Ohio represented 64 percent of the School District's total investments.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent

Lancaster City School District, Ohio
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for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, however, this settlement was not made until July 2006.

The School District receives property taxes from Fairfield County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late settlement were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The June 30 personal property tax settlement that was not received until July, 2006, was in the amount of \$1,316,467 in the general fund. The amount available as an advance at June 30, 2006, was \$3,598,132 to the general fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second-Half Collections		2006 First-Half Collections		2006 Effective Tax Rates (per \$1,000 of assessed valuation)
	Amount	Percent	Amount	Percent	
Agricultural/ Residential	\$547,089,300	62%	\$561,512,210	65%	26.3975
Commerical/Industrial and Public Utility Real	225,661,990	25%	222,642,280	25%	30.4908
Public Utility Personal	25,676,090	3%	25,354,560	3%	68.4000
Tangible Personal Property	89,705,089	10%	59,005,601	7%	68.4000
Total	<u>\$888,132,469</u>	<u>100%</u>	<u>\$868,514,651</u>	<u>100%</u>	

Note 8 - Receivables

Receivables at June 30, 2006, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year except for delinquent property taxes. Delinquent property taxes as of June 30, 2006 were \$1,748,897.

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A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Title II-D Grant	\$54
Preschool Handicapped Grant	103
Medicare	115
Miscellaneous Items	200
Homestead and Rollback	2,516
Adult Education Reimbursements	2,694
Ohio Reads Grant	3,749
Administrative Fees Reimbursement	3,750
Artist in Residency Grant	4,000
Title V Grant	5,377
Vocational Education Grants	5,539
Title II-A Grant	61,239
Idea B Grant	62,651
Title I Grant	85,355
Tuition from Other Districts	91,356
School Lunch Reimbursement	122,301
Foundation Adjustments	308,289
Total	<u>\$759,288</u>

Payment in Lieu of Taxes

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

1. \$55,990 in compensation will be paid for the property tax exemption granted to Anchor Hocking for their expansion and renovation project. For any year in which the amount of property taxes exempted is less than 100 percent of the compensation, the \$55,990 will be reduced by a proportionate amount.

2. \$69,970 is compensation for the inventory to be located in the modified Rickenbacker General Authority Foreign Trade Zone (Foreign Trade Zone). In the event the boundary of the Foreign Trade Zone is not modified and the inventory remains taxable, then no compensation shall be required for the inventory. Anchor Hocking is seeking a modification of the Foreign Trade Zone to incorporate a portion of its glass manufacturing facility which will result in an exemption for the value of inventory located within the Foreign Trade Zone.

The School District did not record a receivable for all future payments because of the payments being based upon the two circumstances above. A receivable for the amount that is anticipated to be received by the School District during fiscal year 2007 for fiscal years 2006 and 2007 has been recorded in the General Fund with a corresponding credit to deferred revenue on the fund financial statements. On the government-wide statements the deferred revenue is removed and “payment in lieu of taxes” is shown. A receivable has been recorded in the amount of \$251,920 which represents amounts measurable at June 30, 2006.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
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Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Nondepreciable Capital Assets				
Land	\$523,846	\$0	\$0	\$523,846
Depreciable Capital Assets				
Land Improvements	1,077,173	0	(26,006)	1,051,167
Buildings and Improvements	16,772,701	0	(24,595)	16,748,106
Furniture and Equipment	4,999,115	5,659	(72,006)	4,932,768
Vehicles	2,398,703	137,685	(28,453)	2,507,935
Total at Historical Cost	<u>25,247,692</u>	<u>143,344</u>	<u>(151,060)</u>	<u>25,239,976</u>
Less Accumulated Depreciation				
Land Improvements	(442,303)	(25,935)	26,006	(442,232)
Buildings and Improvements	(12,864,497)	(63,518)	24,595	(12,903,420)
Furniture and Equipment	(3,809,703)	(189,805)	40,030	(3,959,478)
Vehicles	(1,468,241)	(143,609)	24,297	(1,587,553)
Total Accumulated Depreciation	<u>(18,584,744)</u>	<u>(422,867)</u>	<u>114,928</u>	<u>(18,892,683)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>6,662,948</u>	<u>(279,523)</u>	<u>(36,132)</u>	<u>6,347,293</u>
Governmental Activities Capital Assets, Net	<u>\$7,186,794</u>	<u>(\$279,523)</u>	<u>(\$36,132)</u>	<u>\$6,871,139</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$137,540
Special	6,839
Vocational	8,188
Support Services:	
Pupil	4,672
Instructional Staff	8,020
Administration	6,746
Fiscal	5,102
Business	772
Operation and Maintenance	24,296
Pupil Transportation	144,708
Central	11,083
Extracurricular	33,629
Operation of Non-Instructional Services:	
Food Service Operations	22,036
Other	9,236
Total Depreciation Expense	<u>\$422,867</u>

Lancaster City School District, Ohio
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Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Hilb, Rogal, and Hobbs for insurance coverage with the Netherlands Insurance Company. The types and amounts of coverage provided are as follows:

Coverage	Amount	Deductible
Building and Personal Property - replacement cost	\$104,020,700	\$5,000
Flood	1,000,000	100,000
Earthquake	1,000,000	10%
Automobile Liability - combined single limit	1,000,000	500
Auto Medical Payments	5,000	0
Uninsured/Underinsured Motorists	1,000,000	500
Inland Marine	5,308,871	1,000
General Liability per Occurrence	1,000,000	0
General Aggregate	3,000,000	0
Products/Completed Operations Aggregate	3,000,000	0
Personal and Advertising Injury	1,000,000	0
Employee Benefits Liability Per Employee	1,000,000	1,000
Employee Benefits Liability Aggregate	3,000,000	1,000
Ohio Employers Liability Aggregate Limit	3,000,000	0
Sexual Misconduct and Molestation-Each Loss/Aggregate	1,000,000	0
School Leaders Errors and Omissions-Each Loss/Aggregate	1,000,000	2,500
Umbrella Occurrence/Aggregate	1,000,000	0

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

B. Workers' Compensation

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Lancaster City School District, Ohio
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C. Medical and Dental

The School District provides a limited medical, surgical, prescription drug, and dental insurance program for its employees. Claims are paid directly to the third party administrator out of the School District's self-insurance internal service fund. Anthem serviced all medical and dental claims by employees for fiscal year 2006. The internal service fund presented in the financial statements reflects the premiums paid into the self-insurance internal service fund by the same funds that pay the employees' salaries. The School District pays monthly medical premiums of up to \$1,167 for certified and classified employees for family coverage and up to \$469 for certified and classified employees for single coverage. The School District pays monthly dental premiums of up to \$42 for family and single coverage for certified and classified employees. The premiums paid into the internal service fund are used for claims, claim reserves, and administrative costs. The School District has a stop loss coverage insurance policy which covers individual claims in excess of \$150,000 per employee per year for medical claims. The School District has no stop loss coverage for the dental claims.

The claims liability of \$890,622 reported in the internal service fund at June 30, 2006, is based on an estimate provided by the third party administrator. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2005	\$1,315,887	\$5,869,882	\$6,175,106	\$1,010,663
2006	1,010,663	6,018,407	6,138,448	890,622

Note 11 - Employee Benefits

A. Compensated Absences

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

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

B. Life Insurance

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

Lancaster City School District, Ohio
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C. *Deferred Compensation*

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

Note 12 - Defined Benefit Pension Plans

A. *School Employees Retirement System*

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$636,952, \$662,803, and \$573,006, respectively; 53 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. *State Teachers Retirement System*

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

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

Lancaster City School District, Ohio
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the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$3,218,619, \$3,306,132, and \$3,208,758, respectively; 87 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$23,339 made by the School District and \$57,306 made by the plan members.

Note 13 - Postemployment Benefits

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$249,381 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

Lancaster City School District, Ohio
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After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the School District paid \$336,262 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

Note 14 - Capitalized Leases

In fiscal year 2005, the School District entered into a lease obligation for the purchase and installation of modular buildings at the Tarhe Elementary School. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future long-term minimum lease payments required under the capital lease as of June 30, 2006.

Year	Governmental Activities	
	Principal	Interest
2007	\$139,758	\$18,855
2008	145,746	12,867
2009	152,152	6,458
Total	\$437,656	\$38,180

The equipment was originally capitalized in the amount of \$670,215. Principal payments in fiscal year 2006 totaled \$133,894 in the governmental funds.

Property under Capital Lease	\$670,215
Less: Accumulated Depreciation	(24,484)
Total June 30, 2006	\$645,731

Lancaster City School District, Ohio
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For the Fiscal Year Ended June 30, 2006

Note 15 - Long Term Obligations

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

	Principal Outstanding 6/30/2005	Additions	Deductions	Principal Outstanding 6/30/2006	Due in One Year
Governmental Activities					
Capital Leases Payable	\$571,550	\$0	\$133,894	\$437,656	\$139,758
Intergovernmental Payable	17,436	0	4,982	12,454	4,982
Compensated Absences Payable	3,888,060	729,899	669,759	3,948,200	447,010
Total Governmental Activities Long-Term Obligations	<u>\$4,477,046</u>	<u>\$729,899</u>	<u>\$808,635</u>	<u>\$4,398,310</u>	<u>\$591,750</u>

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

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

The following table lists the special assessment payments required as of June 30, 2006.

Year	
2007	\$4,982
2008	4,982
2009	2,490
Total	<u>\$12,454</u>

The School District's overall legal debt margin was \$72,434,267, with an unvoted debt margin of \$804,825 at June 30, 2006.

Note 16 – Capital Lease Receivable

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

Year	
2007	\$31,250
2008	31,250
2009	31,250
Total	<u>\$93,750</u>

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Note 17 - Interfund Balances

Interfund balances at June 30, 2006 consist of the following individual interfund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	\$209,421	\$1,722
Other Governmental Funds:		
Food Service	1,596	0
Scholarship Memorial	126	0
Auxiliary Services	0	505
Title V	0	3,445
Continuous Improvement	0	53
Reducing Class Size	0	182,734
Reading Improvement	0	6,394
Vocational Educaion	0	5,545
Total Other Governmental Funds	1,722	198,676
Internal Service Fund:		
Employee Benefits Self Insurance	0	10,745
Total All Funds	\$211,143	\$211,143

The general fund made advances to other non-major governmental funds and the employee benefits self insurance internal service fund, in the amount of \$209,421 to subsidize negative cash balances. In addition, the general fund owed \$1,722 to the food service fund and the scholarship memorial fund for their portion of interest earnings for June, 2006. The interfund payables are anticipated to be repaid within one year.

Interfund transfers during 2006, consisted of the general fund transferring \$66,629 to several nonmajor special revenue funds. During fiscal year 2005, the general fund receipted in \$66,629 in transfers-in due to the closure of several nonmajor special revenue grants and inactive funds. The fiscal year 2005 audit concluded that the School District did not follow proper procedures for closing inactive grants and inactive funds; therefore, the money was returned to the proper nonmajor special revenue funds. The monies for the inactive grants and funds were researched by the School District and returned to the grantor or the original provider.

Note 18 – Related Party Transactions

During fiscal year 2006, the School District received from the LFDA \$17,920 for rent, \$437 for miscellaneous reimbursements, and \$53,000 for administrative and technical services. As of June 30, 2006, the LFDA did not owe the School District for any outstanding services.

Note 19 - Jointly Governed Organizations

Metropolitan Educational Council - The Metropolitan Educational Council (MEC) is a jointly governed organization. The organization is composed of over one hundred members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. MEC

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

also provides a variety of services through its data processing center to thirty-one member districts (“C” sites) in the Ohio Counties of Fairfield, Franklin, Madison, Pickaway, and Union with the major emphasis being placed on fiscal services. MEC also provides services to the School District including pupil scheduling, attendance reporting, and grade reporting. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts), and one representative from each county. MEC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for MEC. Financial statements for MEC can be obtained from the Metropolitan Educational Council, at 2100 Citygate Drive, Columbus, Ohio 43219. The School District's payments to MEC in fiscal year 2006 were \$112,300 for computer services and support.

Fairfield County Council for Educational Collaboration - Fairfield County Council of Educational Collaboration (FCCEC) is a jointly governed organization operated by a Board which consists of superintendents, or a designated representative, from nine boards of education and the Ohio University-Lancaster Campus within Fairfield County. The purpose of the FCCEC is to bring together the public school systems and the public institutions for higher education in Fairfield County so that they can collectively devise and provide for enhanced educational opportunities for the students and citizens of our community. The areas of interest that may be addressed by the Council include, but are not limited to, student programming, school management issues, and other collaborative projects deemed appropriate by the governing body of the Council. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District made no contributions to FCCEC during fiscal year 2006.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members, one elected and one appointed member from each of the seven regions into which the 29 Appalachian counties are divided, and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member school districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$300 for fiscal year 2006.

Central Ohio Special Education Regional Resource Center - The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, and representatives of universities. The School District participates in the following services of COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, Early Childhood Services Project, and the Ohio Resource Center for Low Incidence and Severely Handicapped Project. These services are to assist the School District in complying with mandates of Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for COSERRC. The School District made no payments to COSERRC during fiscal year 2006.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Fairfield County Family, Adult, and Children First Council - The Fairfield County Family, Adult and Children First Council is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: Director of the Fairfield County Community Mental Health and Recovery Services Board, Health Commissioner of the Fairfield County Health Department, Health Commissioner of the City of Lancaster Health Department, Director of the Fairfield County Human Services, Director of the Children Services Department, Superintendent of the Fairfield County Mental Retardation and Development Disabilities, the Fairfield County Juvenile Court Judge, Superintendent of Lancaster City Schools, Superintendent of Fairfield County Board of Education, a representative of the City of Lancaster, Chair of the Fairfield County Commissioners, State Department of Youth Services Regional representative, representative from the County Head Start Agencies, a representative of the County's early intervention collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986", and a least three individuals representing the interests of families in the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. In fiscal year 2006, the School District received a federal grant entitled the "21st Century Grant" in which the School District passed through \$299,995 to the Council to operate the Eastside Center for Success program. Continued existence of the Council is not dependent on the School District's continued participation, no equity interest exists, and no debt is outstanding.

Fairfield County Multi-System Youth Committee - The Fairfield County Multi-System Youth Committee is a group of agencies that coordinate the provision of services to multi-need youth in the area. Members of the Committee include representatives of the Fairfield County Youth Services, Fairfield County Board of MR/DD, Fairfield County Mental Health and Recovery Services Board, Fairfield County Children Services, Fairfield County Health Department, New Horizons, the local office of the Rehabilitation Services Commission, Fairfield County Drug and Alcohol Recovery Services, the Lancaster City Health Department, and the Lancaster City Board of Education. The Committee received no additional monies from the School District during fiscal year 2006. Operations were paid from the previous existing balance that had accumulated from State and federal grants. No debt is currently outstanding. The Committee is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Committee.

School Study Council of Ohio - The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. Participating school districts have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. Participating school districts may elect to be associate members which entitles them to attend meetings and participate in Council discussions but not to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2006, the Board consisted of sixteen members. In fiscal year 2006, the School District made no payments to the Council.

Lancaster-Fairfield Community School - The Lancaster-Fairfield Community School (LFCS), formally known as the Lancaster-Fairfield Alternative School, is a legally separate community school created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The LFCS's mission, under a contractual agreement with the School District (LFCS's sponsor), is to utilize a holistic approach to the education of at-risk students, offering students a variety of programs that address the physical, social, emotional, and educational needs of the students. LFCS feels it is necessary to assist at-risk youth in developing positive behaviors and attitudes and become successful learners. Currently the LFCS only services students within the School District. The LFCS is operated by a Board of Directors consisting of seven voting members. The Board of Directors is appointed as follows: three representatives from the School

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

District, one representative from the Fairfield County Juvenile Court, one representative from a local school district within Fairfield County, the superintendent from the Fairfield County Educational Service Center, and one representative from the Fairfield County Job and Family Services department. The LFCS is not fiscally dependent on the School District. The School District may suspend the LFCS's operations for any of the following reasons: 1) The LFCS's failure to meet student performance requirements stated in its contract with the School District, 2) The LFCS's failure to meet generally accepted standards of fiscal management, 3) The LFCS's violation of any provisions of the contract with the School District or applicable state or federal law, and 4) Other good cause. The School District made no contributions to LFCS during fiscal year 2006. LFCS paid \$23 to the School District for postage reimbursements.

Note 20 – Insurance Purchasing Pool

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

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

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

Note 22 - Set asides

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

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

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2005	(\$3,089,749)	(\$670,215)
Current Year Set-aside Requirement	880,368	880,368
Current Year Offsets	0	(15,494)
Qualifying Disbursements	<u>(699,034)</u>	<u>(1,355,185)</u>
Total	<u>(\$2,908,415)</u>	<u>(\$1,160,526)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$2,908,415)</u>	<u>(\$670,215)</u>

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

Note 23 – Lancaster-Fairfield Digital Academy Component Unit

A. Description of the School

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

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

LFDA operates under the direction of a seven-member Board of Directors made up of five-members from the Lancaster City School District and two-members from the public. The first public member shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of LFDA. The second public member shall be a person who represents the interests of parents and students served by the conversion school. LFDA is a component unit of the Sponsor. The Sponsor appoints a majority of the board and is able to impose its will on the LFDA. The Sponsor can suspend the LFDA's operations for any of the following reasons: 1) The LFDA's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The LFDA's failure to meet generally accepted standards of fiscal management, 3) The LFDA's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of LFDA and the children it serves. During fiscal year 2006, LFDA paid

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

purchased services to Tri-Rivers Educational Computer Association (TRECA) for providing planning, design, implementation, and instructional services. Thus, LFDA did not have any employees. LFDA rented facilities from the Sponsor.

B. Summary of Significant Accounting Policies

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

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

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

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

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

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

Cash and Cash Equivalents. Cash received by LFDA is reflected as "Cash and Cash Equivalents" on the statement of net assets. LFDA had no investments during the fiscal year ended June 30, 2006.

Prepaid Items. LFDA records payments made to vendors for services that will benefit periods beyond June 30, 2006, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Capital Assets. LFDA's capital assets during fiscal year 2006 consisted of computers and computer equipment. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. LFDA maintains a capitalization threshold of five hundred dollars. All of LFDA's reported capital assets are depreciated using the straight-line method over six years of useful life.

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

The statement of net assets reports no restricted net assets and has no monies restricted by enabling legislation.

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

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

C. Changes in Accounting Principles

For the fiscal year ended June 30, 2006, the LFDA implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. There was no effect on the financial statements.

D. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, LFDA's deposits may not be returned. LFDA does not have a deposit policy for custodial credit risk. At June 30, 2006, the bank balance of LFDA's deposits was \$289,590. \$100,000 of the bank balance was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$189,590 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

E. Contract with TRECA

LFDA contracted with TRECA for management consulting services. Under the contract, the following terms were agreed upon:

- TRECA shall provide LFDA with instructional, supervisory/administrative, and technical services sufficient to effectively implement LFDA’s educational plan and LFDA’s assessment and accountability plan.
- All personnel providing services to LFDA on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to LFDA shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- LFDA shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to day operations of LFDA.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- LFDA shall pay TRECA up to \$3,600 per full-time student K-12 student enrollment in LFDA per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

For fiscal year 2006, \$141,637 was paid to TRECA under this contract and \$3,315 was a payable to TRECA at June 30, 2006.

To obtain TRECA’s audited June 30, 2006, financial statements please contact Scott Armstrong, Treasurer, at scott@treca.org.

F. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Computer Equipment	\$120,388	\$91,535	(\$1,198)	\$210,725
Less Accumulated Depreciation	(31,689)	(33,706)	333	(65,062)
Capital Assets, Net	\$88,699	\$57,829	(\$865)	\$145,663

G. Risk Management

LFDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, LFDA contracted with Hilb, Rogal, and Hobbs for insurance coverage with the Netherlands Insurance Company. The types and amounts of coverage provided are as follows:

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	3,000,000
Medical Expense Limit - Any One Person/Occurrence	15,000
Damage to Rented Premises - Each Occurrence	300,000
Personal and Advertising Injury	1,000,000
Errors and Omissions (Deductible \$2,500):	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

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

H. Purchased Services

For the period July 1, 2005 through June 30, 2006, purchased service expenses were for the following services:

Type	Amount
Professional and Technical Services	\$213,081
Audit Services	17,920
Testing Services	5,127
Total	<u>\$236,128</u>

I. Related Party Transactions

Of the seven-member board of the LFDA, Lancaster City School District, Sponsor, appoints five-members. LFDA is presented as a component unit of the Sponsor. During fiscal year 2006, LFDA paid \$71,357 to their Sponsor for administrative services, the development of web delivered services, technology relating to those services and curricular design, rent, and the reimbursement of audit expenses. As of June 30, 2006, LFDA owed no outstanding payments to their Sponsor.

K. Contingencies

Grants. LFDA received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the LFDA. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the LFDA at June 30, 2006.

Ohio Department of Education Enrollment Review. The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by LFDA. These reviews are conducted to ensure LFDA is reporting accurate student enrollment data to the State, upon which foundation funding is calculated. During fiscal year 2006, LFDA repaid \$6,033 to the State through foundation revenue reductions due to receiving an overpayment during fiscal year 2005. The fiscal year 2006 review resulted in

Lancaster City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

the discovery of an overpayment to LFDA in the amount of \$26,224. This amount has been reflected as deferred revenue and will be deducted from foundation funding in fiscal year 2007.

Litigation. A suit was filed in the U.S. District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on LFDA is not presently determinable.

Note 24 – Subsequent Events

On July 1, 2006, the School District increased all employee insurance contributions, which ranged from three to seven percent for fiscal year 2006, to 20 percent of the premium.

On November 1, 2006, the School District changed their medical, drug, and dental insurance provider to the South Central Ohio Insurance Consortium in order to save more money on monthly premiums.

On November 7, 2006, the voters approved a one and one half percent earned income tax levy for current operating expenses. The levy shall take effect on January 1, 2007 and shall be levied for ten years. This levy is anticipated to generate \$8,698,676 annually per the Ohio Department of Taxation.

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Lancaster City School District, Ohio

Combining Financial Statements and Schedules

Lancaster City School District, Ohio

General Fund

The General Fund accounts for all governmental resources not accounted for in any other fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$24,837,041	\$25,815,262	\$25,453,654	(\$361,608)
Payment in Lieu of Taxes	0	0	125,960	125,960
Intergovernmental	19,550,077	20,410,859	20,046,608	(364,251)
Interest	62,176	65,000	200,127	135,127
Tuition and Fees	1,079,221	1,176,968	1,232,505	55,537
Rent	47,176	50,000	3,203	(46,797)
Extracurricular Activities	83,937	88,875	90,943	2,068
Miscellaneous	1,907	1,907	3,018	1,111
<i>Total Revenues</i>	45,661,535	47,608,871	47,156,018	(452,853)
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	14,421,252	13,884,438	13,881,457	2,981
Fringe Benefits	5,246,160	5,943,492	5,943,492	0
Purchased Services	35,564	24,050	23,905	145
Materials and Supplies	550,772	534,167	468,932	65,235
Capital Outlay - New	25,621	29,488	29,488	0
Capital Outlay - Replacement	29,781	11,395	11,395	0
<i>Total Regular</i>	20,309,150	20,427,030	20,358,669	68,361
Special:				
Salaries and Wages	3,509,160	3,579,671	3,579,671	0
Fringe Benefits	1,414,782	1,247,995	1,247,995	0
Purchased Services	9,294	21,859	21,859	0
Materials and Supplies	11,312	9,428	9,428	0
Capital Outlay - New	2,435	435	435	0
Capital Outlay - Replacement	0	0	0	0
<i>Total Special</i>	4,946,983	4,859,388	4,859,388	0
Vocational:				
Salaries and Wages	1,749,365	1,730,071	1,730,071	0
Fringe Benefits	582,585	555,243	555,243	0
Purchased Services	7,625	6,013	6,013	0
Materials and Supplies	44,309	48,022	44,626	3,396
Capital Outlay - New	18,256	24,166	24,166	0
<i>Total Vocational</i>	2,402,140	2,363,515	2,360,119	3,396
Adult/Continuing:				
Salaries and Wages	49,500	23,967	23,967	0
Fringe Benefits	9,575	3,682	3,682	0
Materials and Supplies	1,500	2,291	2,291	0
<i>Total Adult/Continuing</i>	\$60,575	\$29,940	\$29,940	\$0

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund (Continued)
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other:				
Purchased Services	\$2,660,000	\$2,693,398	\$2,693,386	\$12
Total Instruction	30,378,848	30,373,271	30,301,502	71,769
Support Services:				
Pupils:				
Salaries and Wages	1,474,737	1,320,807	1,320,806	1
Fringe Benefits	416,995	423,120	423,120	0
Purchased Services	323,902	528,080	528,080	0
Materials and Supplies	116,820	33,073	33,073	0
Total Pupils	2,332,454	2,305,080	2,305,079	1
Instructional Staff:				
Salaries and Wages	1,469,999	1,410,749	1,410,748	1
Fringe Benefits	812,786	663,367	663,367	0
Purchased Services	26,671	15,879	15,879	0
Materials and Supplies	118,025	91,931	91,929	2
Other	2,750	1,279	1,279	0
Total Instructional Staff	2,430,231	2,183,205	2,183,202	3
Board of Education:				
Salaries and Wages	6,800	6,800	6,600	200
Fringe Benefits	1,200	1,200	1,137	63
Materials and Supplies	250	250	0	250
Other	158,800	122,990	122,990	0
Total Board of Education	167,050	131,240	130,727	513
Administration:				
Salaries and Wages	2,802,464	2,774,972	2,774,972	0
Fringe Benefits	1,060,135	993,271	993,271	0
Purchased Services	191,495	225,321	199,751	25,570
Materials and Supplies	16,220	10,539	10,539	0
Capital Outlay - Replacement	0	1,968	1,968	0
Other	6,950	4,828	4,828	0
Total Administration	4,077,264	4,010,899	3,985,329	25,570
Fiscal:				
Salaries and Wages	339,044	331,661	331,661	0
Fringe Benefits	138,125	127,013	127,013	0
Purchased Services	74,516	74,306	74,306	0
Materials and Supplies	5,759	8,165	8,165	0
Interest and Fiscal Charges	0	25,000	24,719	281
Principal Retirement	0	135,000	72,859	62,141
Other	614,500	703,810	764,130	(60,320)
Total Fiscal	\$1,171,944	\$1,404,955	\$1,402,853	\$2,102

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund (Continued)
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Business:				
Salaries and Wages	\$92,519	\$92,519	\$92,519	\$0
Fringe Benefits	48,975	50,052	49,490	562
Purchased Services	227,832	310,358	310,355	3
Materials and Supplies	11,555	11,770	10,328	1,442
Capital Outlay - New	2,500	0	0	0
Other	0	470	470	0
Total Business	383,381	465,169	463,162	2,007
Operation and Maintenance of Plant:				
Salaries and Wages	1,892,686	1,933,895	1,933,895	0
Fringe Benefits	872,475	803,446	803,446	0
Purchased Services	1,401,815	1,219,777	1,219,777	0
Materials and Supplies	202,504	174,618	174,618	0
Capital Outlay - Replacement	7,000	0	0	0
Total Operation and Maintenance of Plant	4,376,480	4,131,736	4,131,736	0
Pupil Transportation:				
Salaries and Wages	920,122	919,449	919,449	0
Fringe Benefits	449,578	421,528	421,528	0
Purchased Services	84,040	21,598	21,598	0
Materials and Supplies	238,565	231,972	231,972	0
Capital Outlay - New	31,950	31,426	31,426	0
Capital Outlay - Replacement	140,010	137,685	137,685	0
Total Pupil Transportation	1,864,265	1,763,658	1,763,658	0
Central:				
Salaries and Wages	73,877	73,877	73,757	120
Fringe Benefits	39,800	38,233	38,233	0
Purchased Services	35,586	18,929	18,928	1
Materials and Supplies	23,843	18,256	18,256	0
Capital Outlay - Replacement	10,000	750	750	0
Other	100	100	0	100
Total Central	183,206	150,145	149,924	221
Total Support Services	16,986,275	16,546,087	16,515,670	30,417
Extracurricular Activities:				
Academic and Subject Oriented Activities:				
Salaries and Wages	49,140	55,640	55,640	0
Fringe Benefits	8,000	9,174	9,174	0
Purchased Services	100	99	0	99
Other	250	460	460	0
Total Academic and Subject Oriented Activities	\$57,490	\$65,373	\$65,274	\$99

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund (Continued)
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Occupation Oriented Activities:				
Salaries and Wages	\$933	\$1,029	\$1,029	\$0
Fringe Benefits	475	379	264	115
Total Occupation Oriented Activities	1,408	1,408	1,293	115
Sports Oriented Activities:				
Salaries and Wages	361,850	352,353	352,353	0
Fringe Benefits	89,425	62,312	62,312	0
Purchased Services	0	28,500	28,124	376
Total Sports Oriented Activities	451,275	443,165	442,789	376
School and Public Service				
Co-Curricular Activities:				
Salaries and Wages	38,339	33,110	31,439	1,671
Fringe Benefits	5,300	6,000	5,490	510
Materials and Supplies	6,100	5,013	4,115	898
Total School and Public Service Co-Curricular Activities	49,739	44,123	41,044	3,079
Total Extracurricular Activities	559,912	554,069	550,400	3,669
<i>Total Expenditures</i>	<i>47,925,035</i>	<i>47,473,427</i>	<i>47,367,572</i>	<i>105,855</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(2,263,500)</i>	<i>135,444</i>	<i>(211,554)</i>	<i>(346,998)</i>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	9,565	10,000	6,335	(3,665)
Advances In	300,000	300,000	882,933	582,933
Advances Out	(400,000)	(830,988)	(829,286)	1,702
Operating Transfers Out	(4,360)	(66,629)	(66,629)	0
Total Other Financing Sources (Uses)	(94,795)	(587,617)	(6,647)	580,970
Net Change in Fund Balance	(2,358,295)	(452,173)	(218,201)	233,972
<i>Fund Balance (Deficit) Beginning of Year</i>	<i>(248,858)</i>	<i>(248,858)</i>	<i>(248,858)</i>	<i>0</i>
<i>Prior Year Encumbrances Appropriated</i>	<i>735,428</i>	<i>735,428</i>	<i>735,428</i>	<i>0</i>
Fund Balance (Deficit) at End of Year	(\$1,871,725)	\$34,397	\$268,369	\$233,972

Lancaster City School District, Ohio

Nonmajor Governmental Funds

Special Revenue Funds

The special revenue funds account for those financial resources that are restricted by legal, regulatory, or administrative action to finance particular functions or activities of the School District.

Capital Projects Fund

The capital projects fund is maintained to account for those financial resources received and used for the acquisition, construction, or improvement of major capital facilities. For fiscal year 2006, there was only one active capital project fund, permanent improvement.

Lancaster City School District, Ohio

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets			
Cash and Cash Equivalents	\$1,297,165	\$110,347	\$1,407,512
Receivables:			
Accounts	10,321	0	10,321
Intergovernmental	352,580	0	352,580
Interfund	1,722	0	1,722
Capital Lease	0	93,750	93,750
Prepays	32,851	0	32,851
Inventory Held for Resale	39,455	0	39,455
Materials and Supplies Inventory	12,980	0	12,980
<i>Total Assets</i>	<u>\$1,747,074</u>	<u>\$204,097</u>	<u>\$1,951,171</u>
Liabilities			
Accounts Payable	\$132,638	\$8,939	\$141,577
Accrued Salaries and Benefits Payable	496,781	0	496,781
Intergovernmental Payable	226,371	0	226,371
Interfund Payable	198,676	0	198,676
Deferred Revenue	21,574	93,750	115,324
<i>Total Liabilities</i>	<u>1,076,040</u>	<u>102,689</u>	<u>1,178,729</u>
Fund Balances			
Reserved for Encumbrances	165,114	1,500	166,614
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	505,920	0	505,920
Capital Projects Funds	0	99,908	99,908
<i>Total Fund Balances</i>	<u>671,034</u>	<u>101,408</u>	<u>772,442</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,747,074</u>	<u>\$204,097</u>	<u>\$1,951,171</u>

Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2006*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	\$6,266,806	\$2,313	\$6,269,119
Interest	16,031	0	16,031
Tuition and Fees	20,045	0	20,045
Charges for Services	980,965	0	980,965
Rent	580	70,683	71,263
Extracurricular Activities	469,825	5,007	474,832
Collection of a Capital Lease	0	31,250	31,250
Gifts and Donations	7,061	1,900	8,961
Miscellaneous	0	1,614	1,614
<i>Total Revenues</i>	<u>7,761,313</u>	<u>112,767</u>	<u>7,874,080</u>
Expenditures			
Current:			
Instruction:			
Regular	398,187	0	398,187
Special	1,319,949	0	1,319,949
Vocational	215,967	0	215,967
Adult/Continuing	73,839	0	73,839
Support Services:			
Pupils	534,407	0	534,407
Instructional Staff	1,170,476	0	1,170,476
Administration	185,207	9,342	194,549
Fiscal	750	0	750
Operation and Maintenance of Plant	14,629	0	14,629
Pupil Transportation	26,538	0	26,538
Central	72,824	0	72,824
Operation of Non-Instructional Services:			
Food Service Operations	2,126,103	0	2,126,103
Other Non-Instructional Services	1,047,296	0	1,047,296
Extracurricular Activities	245,906	0	245,906
Capital Outlay	0	8,159	8,159
Intergovernmental	641,663	0	641,663
Debt Service:			
Principal Retirement	0	51,523	51,523
Interest and Fiscal Charges	0	9,512	9,512
<i>Total Expenditures</i>	<u>8,073,741</u>	<u>78,536</u>	<u>8,152,277</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(312,428)</u>	<u>34,231</u>	<u>(278,197)</u>
Other Financing Sources			
Proceeds from Sale of Capital Assets	0	4,400	4,400
Transfers In	66,629	0	66,629
<i>Total Other Financing Sources</i>	<u>66,629</u>	<u>4,400</u>	<u>71,029</u>
<i>Net Change in Fund Balances</i>	(245,799)	38,631	(207,168)
<i>Fund Balances Beginning of Year</i>	916,833	62,777	979,610
<i>Fund Balances End of Year</i>	<u>\$671,034</u>	<u>\$101,408</u>	<u>\$772,442</u>

Lancaster City School District, Ohio

Nonmajor Special Revenue Funds

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

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

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

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

Community Grants Fund - To account for grants received from a private foundation and monies from local businesses which provide funds for the development of teaching staff and extracurricular activities for students.

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

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

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

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

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

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

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

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

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

(Continued)

Lancaster City School District, Ohio

Nonmajor Special Revenue Funds (Continued)

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

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

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

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

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

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

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

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

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

Lancaster City School District, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Food Service	Scholarship Memorial	Public School Support	Community Grants	District Managed Student Activity	Auxiliary Services
Assets						
Cash and Cash Equivalents	\$387,778	\$36,479	\$109,931	\$25,710	\$102,676	\$154,879
Receivables:						
Accounts	1,220	0	30	8,328	685	0
Intergovernmental	122,301	0	4,000	0	0	0
Interfund	1,596	126	0	0	0	0
Prepays	6,066	0	216	0	1,525	9,710
Inventory Held for Resale	39,455	0	0	0	0	0
Materials and Supplies Inventory	11,012	0	1,968	0	0	0
<i>Total Assets</i>	<u>\$569,428</u>	<u>\$36,605</u>	<u>\$116,145</u>	<u>\$34,038</u>	<u>\$104,886</u>	<u>\$164,589</u>
Liabilities						
Accounts Payable	\$1,166	\$2,675	\$6,259	\$8,471	\$5,309	\$63,550
Accrued Salaries and Benefits Payable	118,212	0	11,526	0	0	40,525
Intergovernmental Payable	93,575	1,625	3,145	0	0	6,712
Interfund Payable	0	0	0	0	0	505
Deferred Revenue	0	0	0	0	0	0
<i>Total Liabilities</i>	<u>212,953</u>	<u>4,300</u>	<u>20,930</u>	<u>8,471</u>	<u>5,309</u>	<u>111,292</u>
Fund Balances:						
Reserved for Encumbrances	3,617	0	11,770	5,710	8,092	11,742
Unreserved:						
Undesignated (Deficits)	352,858	32,305	83,445	19,857	91,485	41,555
<i>Total Fund Balances (Deficits)</i>	<u>356,475</u>	<u>32,305</u>	<u>95,215</u>	<u>25,567</u>	<u>99,577</u>	<u>53,297</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$569,428</u>	<u>\$36,605</u>	<u>\$116,145</u>	<u>\$34,038</u>	<u>\$104,886</u>	<u>\$164,589</u>

Teacher Development	Educational Management Information Systems	Data Communications	SchoolNet Professional Development	Summer School Intervention	Entry Year Grant	Adult Basic Education
\$64	\$35,880	\$0	\$3,245	\$2,586	\$1,889	\$6,931
0	0	0	0	0	0	28
0	0	0	0	0	0	2,212
0	0	0	0	0	0	0
0	0	0	0	0	0	249
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>\$64</u>	<u>\$35,880</u>	<u>\$0</u>	<u>\$3,245</u>	<u>\$2,586</u>	<u>\$1,889</u>	<u>\$9,420</u>
\$0	\$0	\$2,800	\$392	\$0	\$0	\$2,841
0	0	0	0	0	0	0
0	0	0	0	0	0	2,107
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>2,800</u>	<u>392</u>	<u>0</u>	<u>0</u>	<u>4,948</u>
0	0	0	29	0	0	1,170
<u>64</u>	<u>35,880</u>	<u>(2,800)</u>	<u>2,824</u>	<u>2,586</u>	<u>1,889</u>	<u>3,302</u>
<u>64</u>	<u>35,880</u>	<u>(2,800)</u>	<u>2,853</u>	<u>2,586</u>	<u>1,889</u>	<u>4,472</u>
<u>\$64</u>	<u>\$35,880</u>	<u>\$0</u>	<u>\$3,245</u>	<u>\$2,586</u>	<u>\$1,889</u>	<u>\$9,420</u>

(Continued)

Lancaster City School District, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2006

	Title V	Drug Free Grant	Continuous Improvement	Reducing Class Size	Reading Improvement
Assets					
Cash and Cash Equivalents	\$0	\$2,748	\$45	\$23,305	\$25,052
Receivables:					
Accounts	0	0	0	0	0
Intergovernmental	5,377	0	54	61,239	3,749
Interfund	0	0	0	0	0
Prepays	0	0	14,175	0	0
Inventory Held for Resale	0	0	0	0	0
Materials and Supplies Inventory	0	0	0	0	0
<i>Total Assets</i>	<u>\$5,377</u>	<u>\$2,748</u>	<u>\$14,274</u>	<u>\$84,544</u>	<u>\$28,801</u>
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$120	\$11,395
Accrued Salaries and					
Benefits Payable	0	0	0	36,139	0
Intergovernmental Payable	0	4,019	0	4,928	0
Interfund Payable	3,445	0	53	182,734	6,394
Deferred Revenue	5,377	0	0	0	0
<i>Total Liabilities</i>	<u>8,822</u>	<u>4,019</u>	<u>53</u>	<u>223,921</u>	<u>17,789</u>
Fund Balances:					
Reserved for Encumbrances	0	0	0	2,043	4,732
Unreserved:					
Undesignated (Deficits)	(3,445)	(1,271)	14,221	(141,420)	6,280
<i>Total Fund Balances (Deficits)</i>	<u>(3,445)</u>	<u>(1,271)</u>	<u>14,221</u>	<u>(139,377)</u>	<u>11,012</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,377</u>	<u>\$2,748</u>	<u>\$14,274</u>	<u>\$84,544</u>	<u>\$28,801</u>

Special Education	Vocational Education	Preschool	Total Nonmajor Special Revenue Funds
\$309,289	\$46,599	\$22,079	\$1,297,165
30	0	0	10,321
148,006	5,539	103	352,580
0	0	0	1,722
0	910	0	32,851
0	0	0	39,455
0	0	0	12,980
<u>\$457,325</u>	<u>\$53,048</u>	<u>\$22,182</u>	<u>\$1,747,074</u>
\$1,655	\$26,005	\$0	\$132,638
268,246	5,737	16,396	496,781
106,877	277	3,106	226,371
0	5,545	0	198,676
16,094	0	103	21,574
<u>392,872</u>	<u>37,564</u>	<u>19,605</u>	<u>1,076,040</u>
100,466	14,020	1,723	165,114
(36,013)	1,464	854	505,920
<u>64,453</u>	<u>15,484</u>	<u>2,577</u>	<u>671,034</u>
<u>\$457,325</u>	<u>\$53,048</u>	<u>\$22,182</u>	<u>\$1,747,074</u>

Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances*
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	Food Service	Scholarship Memorial	Public School Support	Community Grants
Revenues				
Intergovernmental	\$1,193,895	\$0	\$0	\$20,845
Interest	14,820	1,211	0	0
Tuition and Fees	0	0	0	0
Charges for Services	980,965	0	0	0
Rent	0	0	580	0
Extracurricular Activities	0	0	80,221	99,816
Gifts and Donations	0	1,325	5,586	150
<i>Total Revenues</i>	<u>2,189,680</u>	<u>2,536</u>	<u>86,387</u>	<u>120,811</u>
Expenditures				
Current:				
Instruction:				
Regular	0	0	51,306	0
Special	0	0	0	800
Vocational	0	0	0	136,055
Adult/Continuing	0	0	0	0
Support Services:				
Pupils	0	0	721	1,363
Instructional Staff	0	0	10,089	0
Administration	0	0	20,532	0
Fiscal	0	0	0	0
Operation and Maintenance of Plant	0	0	1,000	0
Pupil Transportation	0	0	0	182
Central	0	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	2,102,741	0	21,779	1,583
Other Non-Instructional Services	0	5,672	0	0
Extracurricular Activities	0	0	0	0
Intergovernmental	0	0	0	0
<i>Total Expenditures</i>	<u>2,102,741</u>	<u>5,672</u>	<u>105,427</u>	<u>139,983</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	86,939	(3,136)	(19,040)	(19,172)
Other Financing Sources				
Transfer In	0	0	0	5,694
<i>Net Change in Fund Balance</i>	86,939	(3,136)	(19,040)	(13,478)
<i>Fund Balances (Deficits) at Beginning of Year</i>	<u>269,536</u>	<u>35,441</u>	<u>114,255</u>	<u>39,045</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u><u>\$356,475</u></u>	<u><u>\$32,305</u></u>	<u><u>\$95,215</u></u>	<u><u>\$25,567</u></u>

District Managed Student Activity	Auxiliary Services	Teacher Development	Educational Management Information Systems	Data Communications	SchoolNet Professional Development
\$0	\$943,413	\$0	\$20,388	\$36,000	\$3,925
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
289,788	0	0	0	0	0
0	0	0	0	0	0
<u>289,788</u>	<u>943,413</u>	<u>0</u>	<u>20,388</u>	<u>36,000</u>	<u>3,925</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	1,180
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
7,655	0	0	0	0	0
0	0	0	21,790	51,034	0
0	0	0	0	0	0
0	935,832	15,908	0	0	392
245,906	0	0	0	0	0
0	0	0	0	0	0
<u>253,561</u>	<u>935,832</u>	<u>15,908</u>	<u>21,790</u>	<u>51,034</u>	<u>1,572</u>
36,227	7,581	(15,908)	(1,402)	(15,034)	2,353
0	6,355	15,972	0	0	0
<u>36,227</u>	<u>13,936</u>	<u>64</u>	<u>(1,402)</u>	<u>(15,034)</u>	<u>2,353</u>
63,350	39,361	0	37,282	12,234	500
<u>\$99,577</u>	<u>\$53,297</u>	<u>\$64</u>	<u>\$35,880</u>	<u>(\$2,800)</u>	<u>\$2,853</u>

(Continued)

Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances*
Nonmajor Special Revenue Funds (Continued)
For the Fiscal Year Ended June 30, 2006

	Summer School Intervention	Entry Year Grant	Adult Basic Education	Title V
Revenues				
Intergovernmental	\$0	\$11,200	\$112,979	\$21,821
Interest	0	0	0	0
Tuition and Fees	0	0	0	0
Charges for Services	0	0	0	0
Rent	0	0	0	0
Extracurricular Activities	0	0	0	0
Gifts and Donations	0	0	0	0
<i>Total Revenues</i>	<u>0</u>	<u>11,200</u>	<u>112,979</u>	<u>21,821</u>
Expenditures				
Current:				
Instruction:				
Regular	60,075	12,204	0	28,241
Special	0	0	0	0
Vocational	0	0	0	0
Adult/Continuing	0	0	72,680	0
Support Services:				
Pupils	0	0	9,596	0
Instructional Staff	0	0	29,285	0
Administration	0	0	0	0
Fiscal	0	0	750	0
Operation and Maintenance of Plant	0	0	0	0
Pupil Transportation	2,811	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	0	0	0	0
Other Non-Instructional Services	0	0	0	3,157
Extracurricular Activities	0	0	0	0
Intergovernmental	0	0	0	0
<i>Total Expenditures</i>	<u>62,886</u>	<u>12,204</u>	<u>112,311</u>	<u>31,398</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(62,886)	(1,004)	668	(9,577)
Other Financing Sources				
Transfer In	2,586	0	0	0
<i>Net Change in Fund Balance</i>	(60,300)	(1,004)	668	(9,577)
<i>Fund Balances (Deficits) at Beginning of Year</i>				
	<u>62,886</u>	<u>2,893</u>	<u>3,804</u>	<u>6,132</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>\$2,586</u>	<u>\$1,889</u>	<u>\$4,472</u>	<u>(\$3,445)</u>

Drug Free Grant	Continuous Improvement	Reducing Class Size	21st Century Grant	Reading Improvement	Special Education
\$19,368	\$13,912	\$298,135	\$599,990	\$77,877	\$2,557,045
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
19,368	13,912	298,135	599,990	77,877	2,557,045
0	1,285	86,216	0	33,811	23,536
0	2,686	0	0	0	1,316,463
0	0	0	0	0	0
0	0	0	0	1,159	0
4,019	0	0	0	0	454,592
0	38,470	232,944	0	66,740	739,621
0	0	2,469	3,750	0	133,900
0	0	0	0	0	0
13,629	0	0	0	0	0
0	0	0	0	0	10,389
0	0	0	0	0	0
0	0	0	0	0	0
3,265	0	1,353	0	0	81,717
0	0	0	0	0	0
0	0	0	599,990	0	41,673
20,913	42,441	322,982	603,740	101,710	2,801,891
(1,545)	(28,529)	(24,847)	(3,750)	(23,833)	(244,846)
0	0	21	0	11,841	21,175
(1,545)	(28,529)	(24,826)	(3,750)	(11,992)	(223,671)
274	42,750	(114,551)	3,750	23,004	288,124
(\$1,271)	\$14,221	(\$139,377)	\$0	\$11,012	\$64,453

(Continued)

Lancaster City School District, Ohio
*Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances*
Nonmajor Special Revenue Funds (Continued)
For the Fiscal Year Ended June 30, 2006

	Vocational Education	Preschool	Total Nonmajor Special Revenue Funds
Revenues			
Intergovernmental	\$147,256	\$188,757	\$6,266,806
Interest	0	0	16,031
Tuition and Fees	0	20,045	20,045
Charges for Services	0	0	980,965
Rent	0	0	580
Extracurricular Activities	0	0	469,825
Gifts and Donations	0	0	7,061
<i>Total Revenues</i>	<u>147,256</u>	<u>208,802</u>	<u>7,761,313</u>
Expenditures			
Current:			
Instruction:			
Regular	0	101,513	398,187
Special	0	0	1,319,949
Vocational	79,912	0	215,967
Adult/Continuing	0	0	73,839
Support Services:			
Pupils	37,152	26,964	534,407
Instructional Staff	5,108	47,039	1,170,476
Administration	6,548	18,008	185,207
Fiscal	0	0	750
Operation and Maintenance of Plant	0	0	14,629
Pupil Transportation	5,501	0	26,538
Central	0	0	72,824
Operation of Non-Instructional Services:			
Food Service Operations	0	0	2,126,103
Other Non-Instructional Services	0	0	1,047,296
Extracurricular Activities	0	0	245,906
Intergovernmental	0	0	641,663
<i>Total Expenditures</i>	<u>134,221</u>	<u>193,524</u>	<u>8,073,741</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	13,035	15,278	(312,428)
Other Financing Sources			
Transfer In	2,103	882	66,629
<i>Net Change in Fund Balance</i>	15,138	16,160	(245,799)
<i>Fund Balances (Deficits) at Beginning of Year</i>	346	(13,583)	916,833
<i>Fund Balances (Deficits) at End of Year</i>	<u>\$15,484</u>	<u>\$2,577</u>	<u>\$671,034</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Food Service Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$913,736	\$1,076,866	\$163,130
Interest	4,000	14,004	10,004
Charges for Services	932,262	982,958	50,696
<i>Total Revenues</i>	<u>1,849,998</u>	<u>2,073,828</u>	<u>223,830</u>
Expenditures			
Current:			
Non-Instructional Services:			
Food Service Operations:			
Salaries and Wages	772,770	708,826	63,944
Fringe Benefits	317,475	296,270	21,205
Purchased Services	14,414	14,356	58
Materials and Supplies	937,610	873,305	64,305
Capital Outlay - New	31,119	31,119	0
Capital Outlay - Replacement	10,000	0	10,000
Other	81,769	81,570	199
<i>Total Expenditures</i>	<u>2,165,157</u>	<u>2,005,446</u>	<u>159,711</u>
<i>Net Change in Fund Balance</i>	(315,159)	68,382	383,541
<i>Fund Balance Beginning of Year</i>	297,727	297,727	0
<i>Prior Year Encumbrances Appropriated</i>	17,432	17,432	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$383,541</u>	<u>\$383,541</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Scholarship Memorial Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Interest	\$2,000	\$1,158	(\$842)
Gifts and Donations	0	1,325	1,325
<i>Total Revenues</i>	<u>2,000</u>	<u>2,483</u>	<u>483</u>
Expenditures			
Current:			
Support Services:			
Instructional Staff:			
Capital Outlay - New	6,042	0	6,042
Non-Instructional Services:			
Community Services:			
Other	31,326	1,372	29,954
<i>Total Expenditures</i>	<u>37,368</u>	<u>1,372</u>	<u>35,996</u>
<i>Net Change in Fund Balance</i>	(35,368)	1,111	36,479
<i>Fund Balance Beginning of Year</i>	<u>35,368</u>	<u>35,368</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$36,479</u>	<u>\$36,479</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Public School Support Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Rent	\$2,100	\$580	(\$1,520)
Extracurricular Activities	92,900	76,286	(16,614)
Gifts and Donations	12,822	5,586	(7,236)
<i>Total Revenues</i>	<u>107,822</u>	<u>82,452</u>	<u>(25,370)</u>
Expenditures			
Current:			
Instruction:			
Regular:			
Purchased Services	27,684	9,989	17,695
Materials and Supplies	84,755	34,720	50,035
Capital Outlay - New	6,045	4,378	1,667
Capital Outlay - Replacement	1,966	9	1,957
Other	400	400	0
Total Instruction	<u>120,850</u>	<u>49,496</u>	<u>71,354</u>
Support Services:			
Pupils:			
Purchased Services	2,500	937	1,563
Materials and Supplies	100	0	100
Total Pupils	<u>2,600</u>	<u>937</u>	<u>1,663</u>
Instructional Staff:			
Fringe Benefits	3,039	3,039	0
Purchased Services	3,473	905	2,568
Capital Outlay - New	1,800	0	1,800
Total Instructional Staff	<u>8,312</u>	<u>3,944</u>	<u>4,368</u>
Administration:			
Purchased Services	3,395	2,937	458
Materials and Supplies	8,747	1,780	6,967
Capital Outlay - New	650	150	500
Capital Outlay - Replacement	700	0	700
Other	33,507	11,830	21,677
Total Administration	<u>46,999</u>	<u>16,697</u>	<u>30,302</u>
Operation and Maintenance of Plant:			
Purchased Services	1,650	1,000	650
Pupil Transportation:			
Purchased Services	200	0	200
Total Support Services	<u>59,761</u>	<u>22,578</u>	<u>37,183</u>
Non-Instructional Services:			
Food Service Operations:			
Materials and Supplies	\$37,262	\$29,810	\$7,452

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Public School Support Fund (Continued)
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Extracurricular Activities:			
School and Public Service Co-Curricular Activities:			
Other	\$3,168	\$0	\$3,168
Capital Outlay:			
Other Facilities Acquisition and Construction:			
Materials and Supplies	2,150	0	2,150
<i>Total Expenditures</i>	<u>223,191</u>	<u>101,884</u>	<u>121,307</u>
<i>Net Change in Fund Balance</i>	(115,369)	(19,432)	95,937
<i>Fund Balance Beginning of Year</i>	95,187	95,187	0
<i>Prior Year Encumbrances Appropriated</i>	20,182	20,182	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$95,937</u>	<u>\$95,937</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Community Grants Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$25,850	\$20,845	(\$5,005)
Extracurricular Activities	103,000	105,073	2,073
Gifts and Donations	0	150	150
<i>Total Revenues</i>	<u>128,850</u>	<u>126,068</u>	<u>(2,782)</u>
Expenditures			
Current:			
Instruction:			
Special:			
Purchased Services	800	800	0
Vocational:			
Purchased Services	135,167	132,581	2,586
Materials and Supplies	13,796	10,268	3,528
Capital Outlay - New	1,921	1,921	0
Total Vocational	<u>150,884</u>	<u>144,770</u>	<u>6,114</u>
Total Instruction	<u>151,684</u>	<u>145,570</u>	<u>6,114</u>
Support Services:			
Pupils:			
Purchased Services	1,365	1,363	2
Capital Outlay - New	10,000	0	10,000
Total Pupils	<u>11,365</u>	<u>1,363</u>	<u>10,002</u>
Pupil Transportation:			
Purchased Services	550	182	368
Total Support Services	<u>11,915</u>	<u>1,545</u>	<u>10,370</u>
Non-Instructional Services:			
Food Service Operations:			
Materials and Supplies	2,904	2,834	70
<i>Total Expenditures</i>	<u>166,503</u>	<u>149,949</u>	<u>16,554</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(37,653)</u>	<u>(23,881)</u>	<u>13,772</u>
Other Financing Sources			
Operating Transfers In	5,694	5,694	0
<i>Net Change in Fund Balance</i>	<u>(31,959)</u>	<u>(18,187)</u>	<u>13,772</u>
<i>Fund Balance Beginning of Year</i>	28,767	28,767	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,192</u>	<u>3,192</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$13,772</u>	<u>\$13,772</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
District Managed Student Activity Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Extracurricular Activities	\$289,652	\$290,767	\$1,115
Expenditures			
Current:			
Support Services:			
Pupil Transportation:			
Purchased Services	7,655	7,655	0
Extracurricular Activities:			
Academic and Subject Oriented Activities:			
Purchased Services	38,568	5,947	32,621
Materials and Supplies	29,343	16,691	12,652
Capital Outlay - New	8,895	4,529	4,366
Other	16,400	4,392	12,008
Total Academic and Subject Oriented Activities	93,206	31,559	61,647
Sport Oriented Activities:			
Salaries and Wages	21,183	21,183	0
Purchased Services	86,637	86,603	34
Materials and Supplies	107,389	94,194	13,195
Capital Outlay - New	2,370	1,095	1,275
Other	23,848	19,967	3,881
Total Sport Oriented Activities	241,427	223,042	18,385
School and Public Service Co-Curricular Activities:			
Salaries and Wages	1,500	100	1,400
Purchased Services	9,719	6,911	2,808
Materials and Supplies	10,219	8,595	1,624
Capital Outlay - New	3,000	2,463	537
Other	4,000	2,329	1,671
Total School and Public Service Co-Curricular Activities	28,438	20,398	8,040
Total Extracurricular Activities	363,071	274,999	88,072
<i>Total Expenditures</i>	370,726	282,654	88,072
<i>Net Change in Fund Balance</i>	(81,074)	8,113	89,187
<i>Fund Balance Beginning of Year</i>	52,554	52,554	0
<i>Prior Year Encumbrances Appropriated</i>	28,955	28,955	0
<i>Fund Balance at End of Year</i>	\$435	\$89,622	\$89,187

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Auxiliary Services Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$933,417	\$943,413	\$9,996
Expenditures			
Current:			
Non-Instructional Services:			
Community Services:			
Salaries and Wages	271,815	235,013	36,802
Fringe Benefits	88,273	76,082	12,191
Purchased Services	233,359	232,995	364
Materials and Supplies	292,814	280,981	11,833
Capital Outlay - New	125,360	116,623	8,737
Capital Outlay - Replacement	74	74	0
Other	51,347	51,347	0
<i>Total Expenditures</i>	<u>1,063,042</u>	<u>993,115</u>	<u>69,927</u>
<i>Excess of Revenues Under Expenditures</i>	(129,625)	(49,702)	79,923
Other Financing Sources			
Operating Transfers In	6,355	6,355	0
<i>Net Change in Fund Balance</i>	(123,270)	(43,347)	79,923
<i>Fund Balance Beginning of Year</i>	54,563	54,563	0
<i>Prior Year Encumbrances Appropriated</i>	68,707	68,707	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$79,923</u>	<u>\$79,923</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Teacher Development Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
<i>Total Revenues</i>	\$0	\$0	\$0
Expenditures			
Current:			
Operation of Non-Instructional Services:			
Community Services:			
Purchased Services	15,908	15,908	0
<i>Excess of Revenues Under Expenditures</i>	(15,908)	(15,908)	0
Other Financing Sources			
Operating Transfers In	15,908	15,972	64
<i>Net Change in Fund Balance</i>	0	64	64
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$0	\$64	\$64

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Educational Management Information Systems Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$0	\$20,388	\$20,388
Expenditures			
Current:			
Support Services:			
Central:			
Salaries and Wages	25,143	21,790	3,353
<i>Net Change in Fund Balance</i>	(25,143)	(1,402)	23,741
<i>Fund Balance Beginning of Year</i>	37,282	37,282	0
<i>Fund Balance at End of Year</i>	\$12,139	\$35,880	\$23,741

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Data Communications Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$36,000	\$36,000	\$0
Expenditures			
Current:			
Support Services:			
Central:			
Purchased Services	48,877	48,877	0
<i>Net Change in Fund Balance</i>	(12,877)	(12,877)	0
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	12,877	12,877	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
SchoolNet Professional Development Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$3,925	\$3,925	\$0
Expenditures			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	3,925	1,101	2,824
<i>Net Change in Fund Balance</i>	0	2,824	2,824
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$0	\$2,824	\$2,824

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Summer School Intervention Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$92,541	\$92,541	\$0
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	22,656	22,656	0
Fringe Benefits	3,674	3,674	0
Purchased Services	38,331	38,331	0
Materials and Supplies	30,542	30,542	0
Total Instructional	95,203	95,203	0
Support Services:			
Pupil Transportation:			
Salaries and Wages	2,811	2,811	0
Total Expenditures	98,014	98,014	0
Excess of Revenues Under Expenditures	(5,473)	(5,473)	0
Other Financing Sources (Uses)			
Advances Out	(68,248)	(68,248)	0
Operating Transfers In	0	2,586	2,586
Total Other Financing Sources (Uses)	(68,248)	(65,662)	2,586
Net Change in Fund Balance	(73,721)	(71,135)	2,586
Fund Balance Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	73,721	73,721	0
Fund Balance at End of Year	\$0	\$2,586	\$2,586

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Entry Year Grant Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$11,200	\$11,200	\$0
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	11,200	11,200	0
Purchased Services	2,893	1,004	1,889
<i>Total Expenditures</i>	14,093	12,204	1,889
<i>Net Change in Fund Balance</i>	(2,893)	(1,004)	1,889
<i>Fund Balance Beginning of Year</i>	2,893	2,893	0
<i>Fund Balance at End of Year</i>	\$0	\$1,889	\$1,889

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Adult Basic Education Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$125,653	\$112,979	(\$12,674)
Expenditures			
Current:			
Instruction:			
Adult/Continuing:			
Salaries and Wages	64,832	61,139	3,693
Fringe Benefits	9,735	7,638	2,097
Materials and Supplies	7,931	4,858	3,073
Total Instruction	82,498	73,635	8,863
Support Services:			
Pupils:			
Salaries and Wages	8,705	8,554	151
Fringe Benefits	1,350	1,327	23
Purchased Services	300	13	287
Total Pupils	10,355	9,894	461
Instructional Staff:			
Salaries and Wages	26,193	21,301	4,892
Fringe Benefits	4,301	3,151	1,150
Purchased Services	7,708	7,708	0
Other	150	0	150
Total Instructional Staff	38,352	32,160	6,192
Fiscal:			
Other	750	750	0
Total Support Services	49,457	42,804	6,653
<i>Total Expenditures</i>	131,955	116,439	15,516
<i>Excess of Revenues Under Expenditures</i>	(6,302)	(3,460)	2,842
Other Financing Sources (Uses)			
Advances In	23,158	23,158	0
Operating Transfers Out	(23,158)	(23,158)	0
<i>Total Other Financing Sources (Uses)</i>	0	0	0
<i>Net Change in Fund Balance</i>	(6,302)	(3,460)	2,842
<i>Fund Balance Beginning of Year</i>	5,182	5,182	0
<i>Prior Year Encumbrances Appropriated</i>	1,120	1,120	0
<i>Fund Balance at End of Year</i>	\$0	\$2,842	\$2,842

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Title V Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$42,288	\$36,207	(\$6,081)
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	11,500	11,196	304
Fringe Benefits	1,777	1,688	89
Purchased Services	13,663	12,677	986
Materials and Supplies	3,000	2,680	320
Total Instruction	29,940	28,241	1,699
Non-Instructional Services:			
Community Services:			
Purchased Services	4,094	3,157	937
Materials and Supplies	1,738	1,738	0
Total Non-Instructional Services	5,832	4,895	937
<i>Total Expenditures</i>	35,772	33,136	2,636
<i>Excess of Revenues Over Expenditures</i>	6,516	3,071	(3,445)
Other Financing Sources (Uses)			
Advances In	13,006	16,451	3,445
Advances Out	(21,368)	(21,368)	0
<i>Total Other Financing Sources (Uses)</i>	(8,362)	(4,917)	3,445
<i>Net Change in Fund Balance</i>	(1,846)	(1,846)	0
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	1,846	1,846	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$0

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Drug Free Grant Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$34,071	\$19,368	(\$14,703)
Expenditures			
Current:			
Support Services:			
Pupils:			
Purchased Services	17,451	0	17,451
Operation and Maintenance of Plant:			
Purchased Services	13,629	13,629	0
Total Support Services	31,080	13,629	17,451
Non-Instructional Services:			
Community Services:			
Purchased Services	3,265	3,265	0
<i>Total Expenditures</i>	34,345	16,894	17,451
<i>Excess of Revenues Over (Under) Expenditures</i>	(274)	2,474	2,748
Other Financing Sources (Uses)			
Advances In	12,999	12,999	0
Advances Out	(12,999)	(12,999)	0
<i>Total Other Financing Sources (Uses)</i>	0	0	0
<i>Net Change in Fund Balance</i>	(274)	2,474	2,748
<i>Fund Balance Beginning of Year</i>	274	274	0
<i>Fund Balance at End of Year</i>	\$0	\$2,748	\$2,748

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Continuous Improvement Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$27,632	\$19,770	(\$7,862)
Expenditures			
Current:			
Instruction:			
Regular:			
Purchased Services	19,295	19,240	55
Special:			
Salaries and Wages	2,304	2,304	0
Fringe Benefits	382	382	0
Total Special	2,686	2,686	0
Total Instruction	21,981	21,926	55
Support Services:			
Instructional Staff:			
Salaries and Wages	6,400	4,864	1,536
Fringe Benefits	1,056	736	320
Purchased Services	11,497	11,246	251
Materials and Supplies	600	282	318
Capital Outlay - Replacement	3,000	0	3,000
Total Support Services	22,553	17,128	5,425
Non-Instructional Services:			
Community Services:			
Materials and Supplies	2,374	0	2,374
<i>Total Expenditures</i>	46,908	39,054	7,854
<i>Excess of Revenues Under Expenditures</i>	(19,276)	(19,284)	(8)
Other Financing Sources (Uses)			
Advances In	11,350	11,403	53
Advances Out	(11,350)	(11,350)	0
<i>Total Other Financing Sources (Uses)</i>	0	53	53
<i>Net Change in Fund Balance</i>	(19,276)	(19,231)	45
<i>Fund Balance Beginning of Year</i>	7,560	7,560	0
<i>Prior Year Encumbrances Appropriated</i>	11,716	11,716	0
<i>Fund Balance at End of Year</i>	\$0	\$45	\$45

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Reducing Class Size Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$437,046	\$325,830	(\$111,216)
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	129,081	76,488	52,593
Fringe Benefits	36,308	18,950	17,358
Total Instruction	165,389	95,438	69,951
Support Services:			
Instructional Staff:			
Salaries and Wages	193,224	159,172	34,052
Fringe Benefits	52,477	44,928	7,549
Purchased Services	33,050	33,011	39
Materials and Supplies	7,352	4,446	2,906
Total Instructional Staff	286,103	241,557	44,546
Administration:			
Salaries and Wages	1,709	1,709	0
Fringe Benefits	760	760	0
Total Administration	2,469	2,469	0
Total Support Services	288,572	244,026	44,546
Non-Instructional Services:			
Community Services:			
Purchased Services	1,353	1,353	0
<i>Total Expenditures</i>	455,314	340,817	114,497
<i>Excess of Revenues Under Expenditures</i>	(18,268)	(14,987)	3,281
Other Financing Sources (Uses)			
Advances In	32,508	50,369	17,861
Advances Out	(42,843)	(42,843)	0
Operating Transfers In	21	21	0
<i>Total Other Financing Sources (Uses)</i>	(10,314)	7,547	17,861
<i>Net Change in Fund Balance</i>	(28,582)	(7,440)	21,142
<i>Fund Balance Beginning of Year</i>	21,120	21,120	0
<i>Prior Year Encumbrances Appropriated</i>	7,462	7,462	0
<i>Fund Balance at End of Year</i>	\$0	\$21,142	\$21,142

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
21st Century Grant Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$599,990	\$599,990	\$0
Expenditures			
Current:			
Support Services:			
Administration:			
Purchased Services	3,750	3,750	0
Intergovernmental:			
Other	599,990	599,990	0
<i>Total Expenditures</i>	<u>603,740</u>	<u>603,740</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(3,750)	(3,750)	0
<i>Fund Balance Beginning of Year</i>	<u>3,750</u>	<u>3,750</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Ohio Reads Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$90,000	\$74,128	(\$15,872)
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	11,400	9,212	2,188
Fringe Benefits	1,300	0	1,300
Purchased Services	13,800	12,900	900
Materials and Supplies	9,247	8,204	1,043
Total Instruction	35,747	30,316	5,431
Support Services:			
Instructional Staff:			
Salaries and Wages	6,240	6,032	208
Fringe Benefits	811	0	811
Purchased Services	47,419	42,419	5,000
Materials and Supplies	13,710	13,142	568
Total Support Services	68,180	61,593	6,587
<i>Total Expenditures</i>	103,927	91,909	12,018
<i>Excess of Revenues Under Expenditures</i>	(13,927)	(17,781)	(3,854)
Other Financing Sources (Uses)			
Advances In	29,846	36,240	6,394
Advances Out	(29,846)	(29,846)	0
Operating Transfers In	5,421	5,421	0
<i>Total Other Financing Sources (Uses)</i>	5,421	11,815	6,394
<i>Net Change in Fund Balance</i>	(8,506)	(5,966)	2,540
<i>Fund Balance Beginning of Year</i>	3,474	3,474	0
<i>Prior Year Encumbrances Appropriated</i>	5,032	5,032	0
<i>Fund Balance at End of Year</i>	\$0	\$2,540	\$2,540

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Extended Learning Opportunities Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<i>Total Revenues</i>	\$0	\$0	\$0
<i>Total Expenditures</i>	0	0	0
<i>Excess of Revenues Over Expenditures</i>	0	0	0
Other Financing Sources			
Operating Transfers In	0	6,216	6,216
<i>Net Change in Fund Balance</i>	0	6,216	6,216
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$0	\$6,216	\$6,216

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Reading Improvement Grant Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
<i>Total Revenues</i>	\$0	\$0	\$0
Expenditures			
Current:			
Instruction:			
Regular:			
Materials and Supplies	366	302	64
<i>Net Change in Fund Balance</i>	(366)	(302)	64
<i>Fund Balance Beginning of Year</i>	1	1	0
<i>Prior Year Encumbrances Appropriated</i>	366	366	0
<i>Fund Balance at End of Year</i>	\$1	\$65	\$64

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Even Start Grant Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
<i>Total Revenues</i>	\$0	\$0	\$0
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	6,864	6,864	0
Fringe Benefits	2,398	2,398	0
Purchased Services	4,414	4,414	0
Materials and Supplies	237	237	0
Total Regular	13,913	13,913	0
Adult/Continuing:			
Salaries and Wages	648	648	0
Fringe Benefits	105	105	0
Purchased Services	600	600	0
Total Adult/Continuing	1,353	1,353	0
Total Instruction	15,266	15,266	0
Support Services:			
Instructional Staff:			
Salaries and Wages	1,940	1,940	0
Fringe Benefits	328	328	0
Purchased Services	8,008	8,008	0
Materials and Supplies	48	48	0
Other	541	541	0
Total Support Services	10,865	10,865	0
<i>Total Expenditures</i>	26,131	26,131	0
<i>Net Change in Fund Balance</i>	(26,131)	(26,131)	0
<i>Fund Balance Beginning of Year</i>	23,213	23,213	0
<i>Prior Year Encumbrances Appropriated</i>	2,918	2,918	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$0

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Reading Excellence Grant Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
<i>Total Revenues</i>	\$0	\$0	\$0
Expenditures			
<i>Total Expenditures</i>	0	0	0
<i>Excess of Revenues Over Expenditures</i>	0	0	0
Other Financing Sources			
Operating Transfers In	204	204	0
<i>Net Change in Fund Balance</i>	204	204	0
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$204	\$204	\$0

Lancaster City School District, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Idea B Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$1,688,260	\$1,372,863	(\$315,397)
Expenditures			
Current:			
Instruction:			
Special:			
Salaries and Wages	109,373	83,979	25,394
Fringe Benefits	32,750	25,847	6,903
Materials and Supplies	15,996	15,767	229
Capital Outlay - New	4,351	3,376	975
Total Instruction	162,470	128,969	33,501
Support Services:			
Pupils:			
Salaries and Wages	63,406	54,783	8,623
Fringe Benefits	18,623	17,562	1,061
Purchased Services	486,822	321,134	165,688
Materials and Supplies	6,220	6,210	10
Capital Outlay - New	9,658	5,211	4,447
Total Pupils	584,729	404,900	179,829
Instructional Staff:			
Salaries and Wages	466,805	363,885	102,920
Fringe Benefits	279,691	228,950	50,741
Purchased Services	26,978	22,856	4,122
Total Instructional Staff	773,474	615,691	157,783
Administration:			
Salaries and Wages	115,480	98,012	17,468
Fringe Benefits	40,782	34,385	6,397
Total Administration	156,262	132,397	23,865
Pupil Transportation:			
Salaries and Wages	18,707	6,757	11,950
Fringe Benefits	6,713	1,632	5,081
Purchased Services	2,000	2,000	0
Total Pupil Transportation	27,420	10,389	17,031
Total Support Services	1,541,885	1,163,377	378,508
Non-Instructional Services:			
Community Services:			
Salaries and Wages	68,857	59,001	9,856
Fringe Benefits	14,737	13,268	1,469
Total Non-Instructional Services	83,594	72,269	11,325
Total Expenditures	1,787,949	1,364,615	423,334
<i>Excess of Revenues Over (Under) Expenditures</i>	(\$99,689)	\$8,248	\$107,937

(Continued)

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Idea B Fund (Continued)
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)			
Advances In	\$415,734	\$415,734	\$0
Advances Out	(415,734)	(415,734)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(99,689)	8,248	107,937
<i>Fund Balance Beginning of Year</i>	77,989	77,989	0
<i>Prior Year Encumbrances Appropriated</i>	<u>21,700</u>	<u>21,700</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$107,937</u></u>	<u><u>\$107,937</u></u>

Lancaster City School District, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Title I Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$1,387,783	\$1,242,864	(\$144,919)
Expenditures			
Current:			
Instruction:			
Special:			
Salaries and Wages	903,759	766,387	137,372
Fringe Benefits	278,080	236,506	41,574
Materials and Supplies	10,724	5,879	4,845
Total Instruction	1,192,563	1,008,772	183,791
Support Services:			
Pupils:			
Salaries and Wages	38,126	33,257	4,869
Fringe Benefits	15,008	12,878	2,130
Purchased Services	2,000	0	2,000
Materials and Supplies	3,951	750	3,201
Total Pupils	59,085	46,885	12,200
Instructional Staff:			
Salaries and Wages	61,683	52,640	9,043
Fringe Benefits	17,946	14,777	3,169
Purchased Services	13,386	9,809	3,577
Materials and Supplies	7,083	2,166	4,917
Total Instructional Staff	100,098	79,392	20,706
Total Support Services	159,183	126,277	32,906
Non-Instructional Services:			
Community Services:			
Salaries and Wages	4,661	4,149	512
Fringe Benefits	1,370	1,213	157
Purchased Services	70	0	70
Materials and Supplies	217	0	217
Total Non-Instructional Services	6,318	5,362	956
Intergovernmental:			
Other	43,480	41,673	1,807
<i>Total Expenditures</i>	1,401,544	1,182,084	219,460
<i>Excess of Revenues Over (Under) Expenditures</i>	(13,761)	60,780	74,541
Other Financing Sources (Uses)			
Advances In	89,218	89,218	0
Advances Out	(89,218)	(89,218)	0
<i>Total Other Financing Sources (Uses)</i>	0	0	0
<i>Net Change in Fund Balance</i>	(13,761)	60,780	74,541
<i>Fund Balance Beginning of Year</i>	25,477	25,477	0
<i>Fund Balance at End of Year</i>	\$11,716	\$86,257	\$74,541

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Poverty Based Assistance Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$234,825	\$234,643	(\$182)
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	19,320	19,320	0
Fringe Benefits	4,216	4,216	0
Total Regular	23,536	23,536	0
Special:			
Salaries and Wages	171,140	166,321	4,819
Fringe Benefits	51,164	48,621	2,543
Purchased Services	52,061	52,061	0
Total Special	274,365	267,003	7,362
Total Instruction	297,901	290,539	7,362
Support Services:			
Pupils:			
Salaries and Wages	26,313	22,549	3,764
Fringe Benefits	9,473	8,736	737
Total Pupils	35,786	31,285	4,501
Instructional Staff:			
Salaries and Wages	1,446	1,446	0
Fringe Benefits	660	660	0
Total Instructional Staff	2,106	2,106	0
Administration:			
Salaries and Wages	632	632	0
Total Support Services	38,524	34,023	4,501
<i>Total Expenditures</i>	336,425	324,562	11,863
<i>Excess of Revenues Under Expenditures</i>	(101,600)	(89,919)	11,681
Other Financing Sources			
Operating Transfers In	21,175	21,175	0
<i>Net Change in Fund Balance</i>	(80,425)	(68,744)	11,681
<i>Fund Balance Beginning of Year</i>	80,425	80,425	0
<i>Fund Balance at End of Year</i>	\$0	\$11,681	\$11,681

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Vocational Education Career Development Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$2,000	\$2,000	\$0
Expenditures			
Current:			
Instruction:			
Vocational:			
Salaries and Wages	1,754	1,754	0
Fringe Benefits	246	246	0
Purchased Services	64	64	0
Materials and Supplies	120	120	0
<i>Total Expenditures</i>	2,184	2,184	0
<i>Excess of Revenues Under Expenditures</i>	(184)	(184)	0
Other Financing Sources (Uses)			
Advances In	1,800	1,800	0
Advances Out	(1,800)	(1,800)	0
<i>Total Other Financing Sources (Uses)</i>	0	0	0
<i>Net Change in Fund Balance</i>	(184)	(184)	0
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	184	184	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$0

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
ACRN Interventions Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$10,000	\$4,259	(\$5,741)
Expenditures			
Current:			
Instruction:			
Vocational:			
Materials and Supplies	8,304	8,304	0
Support Services:			
Instructional Staff:			
Purchased Services	1,500	1,500	0
Pupil Transportation:			
Purchased Services	196	0	196
Total Support Services	1,696	1,500	196
<i>Total Expenditures</i>	10,000	9,804	196
<i>Excess of Revenues Under Expenditures</i>	0	(5,545)	(5,545)
Other Financing Sources (Uses)			
Advances In	7,798	13,343	5,545
Advances Out	(7,798)	(7,798)	0
<i>Total Other Financing Sources (Uses)</i>	0	5,545	5,545
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$0

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Vocational Education Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$139,643	\$139,643	\$0
Expenditures			
Current:			
Instruction:			
Vocational:			
Purchased Services	14,299	14,299	0
Materials and Supplies	11,887	11,798	89
Capital Outlay - New	58,404	58,350	54
Total Instruction	84,590	84,447	143
Support Services:			
Pupils:			
Salaries and Wages	41,068	36,883	4,185
Purchased Services	420	360	60
Total Pupils	41,488	37,243	4,245
Instructional Staff:			
Salaries and Wages	1,350	1,350	0
Purchased Services	3,331	3,144	187
Total Instructional Staff	4,681	4,494	187
Administration:			
Purchased Services	6,548	6,548	0
Pupil Transportation:			
Purchased Services	5,501	5,501	0
Total Support Services	58,218	53,786	4,432
<i>Total Expenditures</i>	142,808	138,233	4,575
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,165)	1,410	4,575
Other Financing Sources (Uses)			
Advances In	132,511	132,511	0
Advances Out	(132,511)	(132,511)	0
Operating Transfers In	0	2,103	2,103
<i>Total Other Financing Sources (Uses)</i>	0	2,103	2,103
<i>Net Change in Fund Balance</i>	(3,165)	3,513	6,678
<i>Fund Balance Beginning of Year</i>	1,146	1,146	0
<i>Prior Year Encumbrances Appropriated</i>	2,019	2,019	0
<i>Fund Balance at End of Year</i>	\$0	\$6,678	\$6,678

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Public School Preschool Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$174,825	\$174,825	\$0
Tuition and Fees	21,072	20,192	(880)
<i>Total Revenues</i>	<u>195,897</u>	<u>195,017</u>	<u>(880)</u>
Expenditures			
Current:			
Instruction:			
Regular:			
Salaries and Wages	96,779	84,290	12,489
Fringe Benefits	31,227	31,227	0
Materials and Supplies	842	135	707
Total Instruction	<u>128,848</u>	<u>115,652</u>	<u>13,196</u>
Support Services:			
Pupils:			
Purchased Services	3,337	3,072	265
Instructional Staff:			
Salaries and Wages	33,215	29,995	3,220
Fringe Benefits	18,731	18,731	0
Purchased Services	23	0	23
Total Instructional Staff	<u>51,969</u>	<u>48,726</u>	<u>3,243</u>
Administration:			
Salaries and Wages	15,615	13,449	2,166
Fringe Benefits	5,151	4,734	417
Total Administration	<u>20,766</u>	<u>18,183</u>	<u>2,583</u>
Total Support Services	<u>76,072</u>	<u>69,981</u>	<u>6,091</u>
<i>Total Expenditures</i>	<u>204,920</u>	<u>185,633</u>	<u>19,287</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(9,023)</u>	<u>9,384</u>	<u>18,407</u>
Other Financing Sources (Uses)			
Advances In	26,060	26,060	0
Advances Out	(26,060)	(26,060)	0
Operating Transfers In	882	882	0
<i>Total Other Financing Sources (Uses)</i>	<u>882</u>	<u>882</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(8,141)</u>	<u>10,266</u>	<u>18,407</u>
<i>Fund Balance Beginning of Year</i>	<u>7,938</u>	<u>7,938</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>203</u>	<u>203</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$18,407</u>	<u>\$18,407</u>

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Preschool Handicapped Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$28,913	\$23,770	(\$5,143)
Expenditures			
Current:			
Instruction:			
Special:			
Materials and Supplies	500	500	0
Capital Outlay - New	500	0	500
Total Instruction	1,000	500	500
Support Services:			
Pupils:			
Salaries and Wages	15,916	11,627	4,289
Fringe Benefits	3,197	1,628	1,569
Purchased Services	10,572	10,572	0
Materials and Supplies	500	266	234
Capital Outlay - New	500	0	500
Total Support Services	30,685	24,093	6,592
<i>Total Expenditures</i>	31,685	24,593	7,092
<i>Net Change in Fund Balance</i>	(2,772)	(823)	1,949
<i>Fund Balance Beginning of Year</i>	2,772	2,772	0
<i>Fund Balance at End of Year</i>	\$0	\$1,949	\$1,949

Lancaster City School District, Ohio

Nonmajor Capital Projects Fund

The capital projects fund accounts for the acquisitions, construction, or improvement of capital facilities.

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

Lancaster City School District, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Permanent Improvement Fund
For the Fiscal Year Ended June 30, 2006*

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Intergovernmental	\$0	\$2,313	\$2,313
Rent	16,133	101,933	85,800
Extracurricular Activities	1,625	5,007	3,382
Gifts and Donations	0	1,900	1,900
Miscellaneous	0	1,614	1,614
<i>Total Revenues</i>	<u>17,758</u>	<u>112,767</u>	<u>95,009</u>
Expenditures			
Current:			
Support Services:			
Administration:			
Purchased Services	500	403	97
Capital Outlay - New	19,000	18,598	402
Total Administration	19,500	19,001	499
Fiscal:			
Principal Retirement	61,035	61,035	0
<i>Total Expenditures</i>	<u>80,535</u>	<u>80,036</u>	<u>499</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(62,777)	32,731	95,508
Other Financing Sources			
Proceeds from Sale of Capital Assets	0	4,400	4,400
<i>Net Change in Fund Balance</i>	(62,777)	37,131	99,908
<i>Fund Balance Beginning of Year</i>	62,777	62,777	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$99,908</u>	<u>\$99,908</u>

Lancaster City School District, Ohio

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis.

The Employee Benefits Self Insurance Fund – This fund accounts for the operation of the School District’s self-insurance program for employee medical, surgical, prescription drug, and dental claims.

Lancaster City School District, Ohio
Schedule of Revenues, Expenses, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Employee Benefits Self Insurance Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Charges for Services	\$6,563,323	\$7,200,661	\$637,338
Expenses			
Current:			
Support Services:			
Central:			
Purchased Services	430,000	423,515	6,485
Claims	6,494,938	6,077,763	417,175
<i>Total Expenses</i>	6,924,938	6,501,278	423,660
<i>Net Change in Fund Balance</i>	(361,615)	699,383	1,060,998
<i>Fund Balance Beginning of Year</i>	361,615	361,615	0
<i>Fund Balance at End of Year</i>	\$0	\$1,060,998	\$1,060,998

Lancaster City School District, Ohio

Fiduciary Funds

Private Purpose Trust Fund

Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments are therefore not available to support the School District's own programs.

Endowment Fund - To account for a college scholarship program for students.

Agency Fund

Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds.

Student Managed Activity Fund – To account for those student activity programs which have student participation in the activity and have student involvement in the management of the program.

Lancaster City School District, Ohio
Schedule of Revenues, Expenses, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Endowment Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Interest	\$2,000	\$1,576	(\$424)
Expenses			
Current:			
Non-Instructional Services:			
Community Services:			
Other	41,632	0	41,632
<i>Net Change in Fund Balance</i>	(39,632)	1,576	41,208
<i>Fund Balance Beginning of Year</i>	39,632	39,632	0
<i>Fund Balance at End of Year</i>	\$0	\$41,208	\$41,208

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Statistical Section



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Statistical Section

This part of the School District'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 School District's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District's financial position has changed over time.	S2-S9
Revenue Capacity These schedules contain information to help the reader understand and assess the factors affecting the School District's ability to generate its most significant local revenue source, property tax.	S10-S19
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	S20-S25
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	S26-S27
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	S28-S44

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School District implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that fiscal year.

TABLE 1

Lancaster City School District, Ohio
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006
Invested in Capital Assets, Net of Related Debt	\$7,107,841	\$6,821,223	\$6,645,029	\$6,433,483
Restricted for:				
Capital Projects	27,811	15,374	157,992	195,158
Bus Purchase	0	19,290	0	0
Public School Support	88,801	108,688	114,255	95,215
District Managed Activities	67,691	54,400	63,350	99,577
Auxiliary Services	42,225	150,735	39,361	53,297
Special Education	372,288	114,351	288,124	80,547
Other Purposes	551,714	140,988	159,094	55,730
Unrestricted (Deficit)	(2,267,929)	(2,394,767)	(3,750,980)	(2,474,439)
Total Net Assets	\$5,990,442	\$5,030,282	\$3,716,225	\$4,538,568

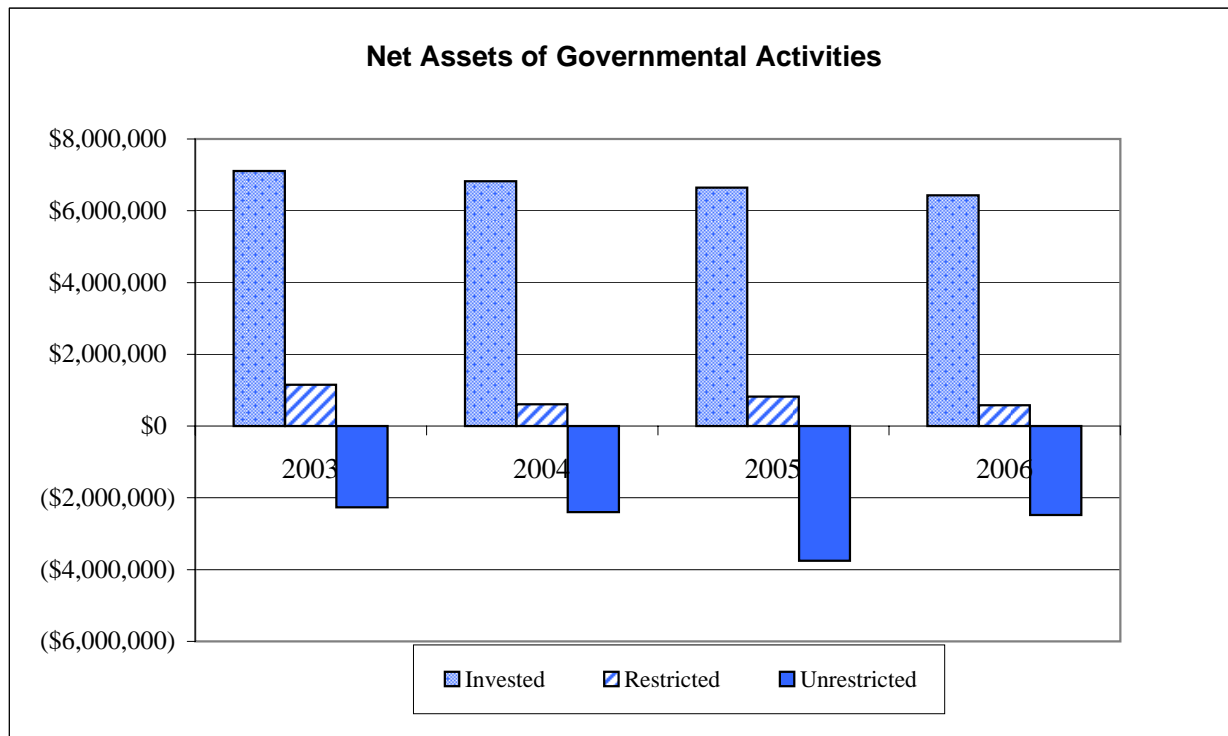


TABLE 2

Lancaster City School District, Ohio
Changes in Net Assets of Governmental Activities
Last Four Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006
Expenses				
Regular Instruction	\$20,367,452	\$22,052,347	\$23,028,446	\$22,550,491
Special Instruction	6,656,191	7,025,886	6,499,927	5,993,895
Vocational Instruction	2,595,702	2,531,200	2,555,949	2,533,090
Adult/Continuing Instruction	159,410	173,621	164,390	102,241
Pupil Support Services	2,898,958	2,904,142	3,019,821	2,655,701
Instructional Staff Support Services	3,579,711	3,641,341	3,501,558	3,312,136
Board of Education Support Services	65,509	91,367	212,283	103,737
Administration Support Services	4,466,070	4,420,010	4,391,395	4,235,498
Fiscal Support Services	1,059,217	1,213,261	1,089,018	1,249,249
Business Support Services	414,309	354,735	426,089	422,329
Operation and Maintenance of Plant Support Services	4,330,316	4,715,175	4,656,265	4,184,164
Pupil Transportation Support Services	1,637,916	1,653,057	1,761,350	1,760,638
Central Support Services	319,329	330,620	267,753	219,509
Food Service Operations	1,832,795	2,096,921	2,077,895	2,138,195
Other Operation of Non-Instructional Services	890,972	816,371	1,077,936	1,045,611
Extracurricular Activities	909,644	846,956	891,207	826,654
Intergovernmental	0	0	596,240	641,663
Interest and Fiscal Charges	17,479	2,548	29,935	24,482
<i>Total Expenses</i>	<u>52,200,980</u>	<u>54,869,558</u>	<u>56,247,457</u>	<u>53,999,283</u>
Program Revenues				
Charges for Services				
Regular Instruction	291,527	912,958	860,644	752,303
Special Instruction	148,251	151,759	123,488	157,139
Vocational Instruction	38,652	24,241	125,992	166,838
Adult/Continuing Instruction	5,812	77,251	64,167	34,471
Pupil Support Services	4,328	1,659	45,224	9,593
Instructional Staff Support Services	6,612	2,245	0	20,708
Administration Support Services	17,617	26,760	18,464	92,514
Fiscal Support Services	34	56,137	18,834	146,783
Business Support Services	6	60	0	0
Operation and Maintenance of Plant Support Services	48,097	61,286	64,789	22,500
Pupil Transportation Support Services	60,302	10,574	17,858	44,342
Central Support Services	14	58,000	0	0
Food Service Operations	981,339	1,043,715	1,038,083	1,000,143
Other Operation of Non-Instructional Services	21,187	880	339	0
Extracurricular Activities	\$250,059	\$361,007	\$394,807	382,453

(Continued)

TABLE 2 (Continued)

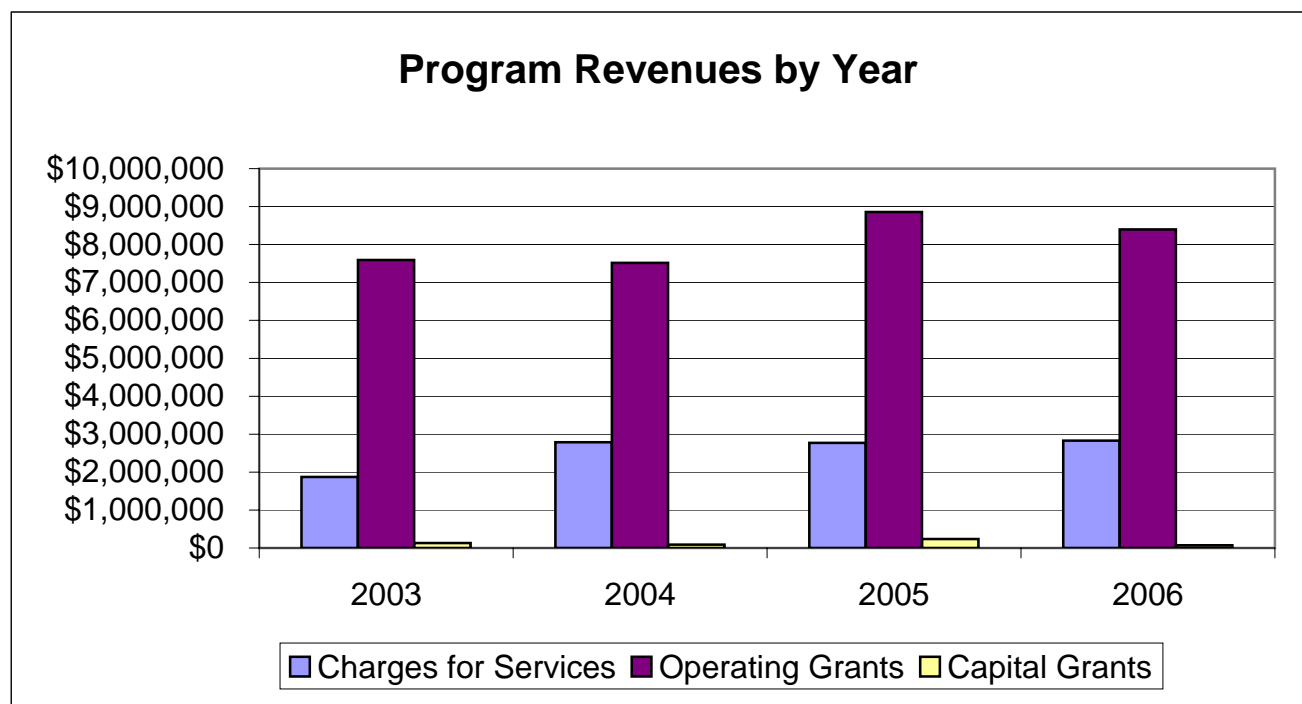
Lancaster City School District, Ohio
Changes in Net Assets of Governmental Activities
Last Four Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006
Operating Grants, Contributions, and Interest				
Regular Instruction	\$767,732	\$568,428	\$609,498	345,357
Special Instruction	2,705,478	2,377,886	2,680,419	2,522,583
Vocational Instruction	549,981	546,790	482,750	460,027
Adult/Continuing Instruction	179,238	102,782	97,979	146,586
Pupil Support Services	573,246	487,360	602,591	523,847
Instructional Staff Support Services	746,006	959,421	1,213,813	1,087,105
Administration Support Services	182,758	296,331	285,810	252,449
Fiscal Support Services	21,894	11,015	0	754
Operation and Maintenance of Plant Support Services	4,892	0	0	12,622
Pupil Transportation Support Services	38,474	111,606	118,576	116,295
Central Support Services	72,780	68,581	60,771	56,388
Food Service Operations	935,332	1,054,921	1,130,831	1,208,715
Other Operation of Non-Instructional Services	809,418	922,316	974,976	1,027,770
Extracurricular Activities	6,119	7,784	0	0
Intergovernmental	0	0	599,990	638,261
Capital Grants and Contributions				
Regular Instruction	13,080	14,758	68,925	0
Special Instruction	0	10,952	0	0
Vocational Instruction	14,852	28,076	43,620	2,307
Pupil Support Services	0	944	0	0
Instructional Staff Support Services	0	3,627	0	0
Administration Support Services	0	2,037	0	4,213
Operation and Maintenance of Plant Support Services	0	2,832	0	0
Pupil Transportation Support Services	102,235	19,290	122,375	63,966
Central Support Services	0	99	0	0
Food Service Operations	0	2,683	0	0
Other Operation of Non-Instructional Services	0	99	0	0
Extracurricular Activities	0	1,565	2,452	0
<i>Total Program Revenues</i>	<u>9,597,352</u>	<u>10,390,715</u>	<u>11,868,065</u>	<u>11,299,032</u>
Net Expense	<u>(42,603,628)</u>	<u>(44,478,843)</u>	<u>(44,379,392)</u>	<u>(42,700,251)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes	22,443,608	25,445,572	25,245,138	25,211,639
Debt Service	337,107	348,086	0	0
Grants and Entitlements not				
Restricted to Specific Programs	17,575,519	17,426,697	17,400,697	18,000,132
Gain on Sale of Capital Assets	0	4,610	192,757	0
Payment in Lieu of Taxes	0	251,920	125,960	125,960
Unrestricted Contributions	0	1,193	0	0
Investment Earnings	136,182	36,063	96,361	181,572
Miscellaneous	59,048	4,542	4,422	3,291
<i>Total General Revenues</i>	<u>40,551,464</u>	<u>43,518,683</u>	<u>43,065,335</u>	<u>43,522,594</u>
<i>Change in Net Assets</i>	<u>(\$2,052,164)</u>	<u>(\$960,160)</u>	<u>(\$1,314,057)</u>	<u>\$822,343</u>

TABLE 3

Lancaster City School District, Ohio
Program Revenues by Function
Last Four Fiscal Years
(accrual basis of accounting)

<i>Function</i>	2003	2004	2005	2006
Regular Instruction	\$1,072,339	\$1,496,144	\$1,539,067	\$1,097,660
Special Instruction	2,853,729	2,540,597	2,803,907	2,679,722
Vocational Instruction	603,485	599,107	652,362	629,172
Adult/Continuing Instruction	185,050	180,033	162,146	181,057
Pupil Support Services	577,574	489,963	647,815	533,440
Instructional Staff Support Services	752,618	965,293	1,213,813	1,107,813
Administration Support Services	200,375	325,128	304,274	349,176
Fiscal Support Services	21,928	67,152	18,834	147,537
Business Support Services	6	60		0
Operation and Maintenance of Plant Support Services	52,989	64,118	64,789	35,122
Pupil Transportation Support Services	201,011	141,470	258,809	224,603
Central Support Services	72,794	126,680	60,771	56,388
Food Service Operations	1,916,671	2,101,319	2,168,914	2,208,858
Other Operation of Non-Instructional Services	830,605	923,295	975,315	1,027,770
Extracurricular Activities	256,178	370,356	397,259	382,453
Intergovernmental	0	0	599,990	638,261
Total Program Revenues	\$9,597,352	\$10,390,715	\$11,868,065	\$11,299,032



Lancaster City School District, Ohio
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1997	1998	1999	2000
General Fund				
Reserved	\$1,151,647	\$1,608,774	\$1,986,117	\$2,511,782
Unreserved	(386,612)	2,009,234	3,921,526	5,711,687
<i>Total General Fund</i>	<u>765,035</u>	<u>3,618,008</u>	<u>5,907,643</u>	<u>8,223,469</u>
All Other Governmental Funds				
Reserved	775,320	206,381	138,808	133,056
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	700,054	363,722	437,813	827,745
Debt Service Funds	313,385	109	109	109
Capital Projects Funds	(148,276)	140,777	106,902	57,737
<i>Total All Other Governmental Funds</i>	<u>1,640,483</u>	<u>710,989</u>	<u>683,632</u>	<u>1,018,647</u>
<i>Total Governmental Funds</i>	<u><u>\$2,405,518</u></u>	<u><u>\$4,328,997</u></u>	<u><u>\$6,591,275</u></u>	<u><u>\$9,242,116</u></u>

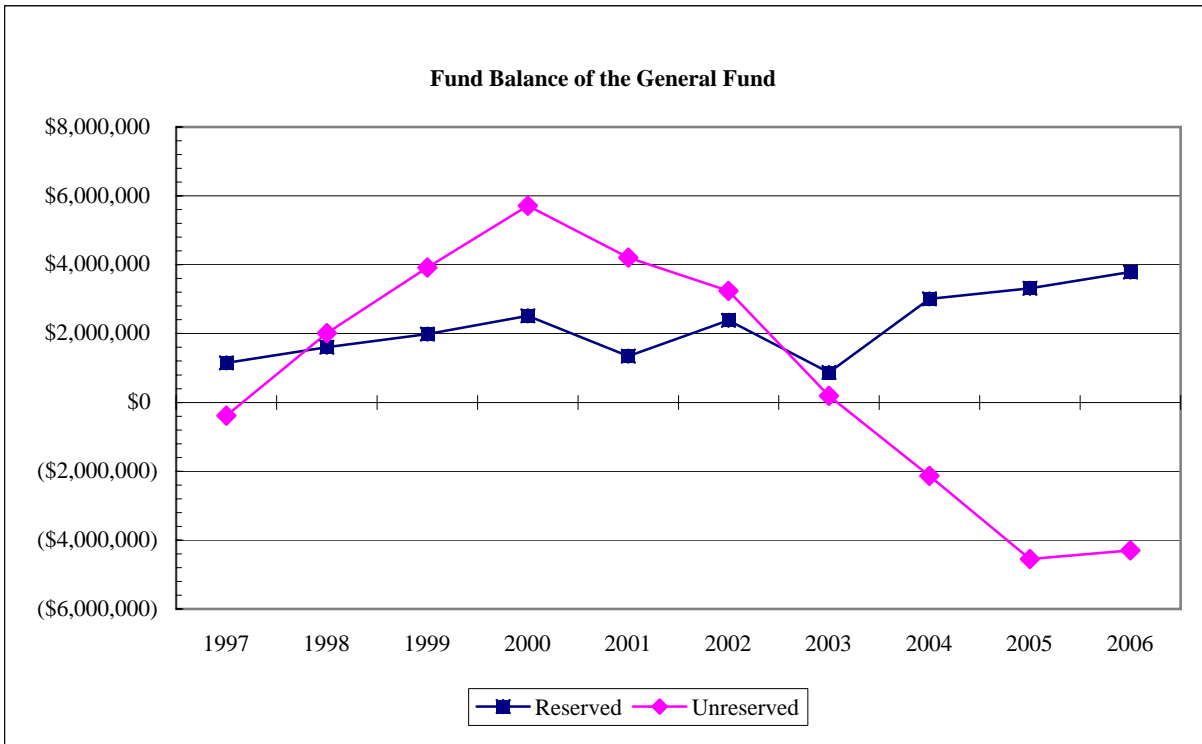


TABLE 4

2001	2002	2003	2004	2005	2006
\$1,340,150	\$2,381,532	\$867,525	\$3,007,298	\$3,313,699	\$3,786,420
4,208,126	3,241,026	193,904	(2,128,740)	(4,551,424)	(4,300,295)
5,548,276	5,622,558	1,061,429	878,558	(1,237,725)	(513,875)
236,858	130,972	164,067	779,040	155,045	166,614
821,278	985,551	1,092,823	537,412	761,788	505,920
109	0	0	0	0	0
62,143	113,268	27,701	70,565	62,777	99,908
1,120,388	1,229,791	1,284,591	1,387,017	979,610	772,442
\$6,668,664	\$6,852,349	\$2,346,020	\$2,265,575	(\$258,115)	\$258,567

Lancaster City School District, Ohio
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1997	1998	1999	2000
Revenues				
Property and Other Local Taxes	\$17,368,706	\$19,404,554	\$22,309,953	\$22,880,448
Payment in Lieu of Taxes	0	0	0	0
Intergovernmental	17,903,595	17,647,419	19,363,558	20,737,568
Interest	399,095	525,927	597,386	744,711
Tuition and Fees	508,337	315,511	94,826	156,786
Charges for Services	905,049	895,591	879,953	938,908
Rent	53,954	40,657	53,716	59,729
Extracurricular Activities	241,730	327,002	361,600	481,944
Collection of a Capital Lease	0	0	0	0
Gifts and Donations	110,942	49,593	83,883	59,058
Compensation for Fire Loss	960,499	145,002	0	0
Miscellaneous	26,510	289,932	31,383	40,165
<i>Total Revenues</i>	<u>38,478,417</u>	<u>39,641,188</u>	<u>43,776,258</u>	<u>46,099,317</u>
Expenditures				
Current:				
Instruction:				
Regular	13,639,805	14,718,223	16,122,296	16,704,731
Special	4,057,369	4,276,720	4,673,335	5,115,493
Vocational	2,125,634	2,192,273	2,389,367	2,381,502
Adult/Continuing	111,343	117,502	102,012	121,124
Support Services:				
Pupil	1,682,090	1,701,558	1,993,378	2,161,050
Instructional Staff	2,032,792	2,130,827	2,777,247	3,064,786
Board of Education	30,943	36,180	38,986	41,759
Administration	2,787,747	2,923,080	3,100,613	3,610,832
Fiscal	705,881	848,768	916,556	865,504
Business	298,072	363,777	343,396	381,145
Operation and Maintenance of Plant	2,970,246	2,988,666	3,160,482	3,637,326
Pupil Transportation	1,034,806	1,337,189	1,379,784	1,669,853
Central	96,620	330,197	292,154	293,533
Food Service Operations	1,484,791	1,501,875	1,476,904	1,548,348
Other Operation of Non-Instructional Services	672,287	420,690	527,037	558,337
Extracurricular Activities	235,009	541,562	585,234	720,111
Refund of Property Taxes	57,856	97,399	97,398	0
Capital Outlay	1,062,591	1,021,665	1,086,743	267,213
Intergovernmental	0	0	0	0
Debt Service:				
Principal Retirement	1,653,324	347,395	371,923	474,945
Interest and Fiscal Charges	191,204	113,563	85,836	88,111
<i>Total Expenditures</i>	<u>36,930,410</u>	<u>38,009,109</u>	<u>41,520,681</u>	<u>43,705,703</u>
<i>Excess of Revenues Over</i> <i>(Under) Expenditures</i>	<u>1,548,007</u>	<u>1,632,079</u>	<u>2,255,577</u>	<u>2,393,614</u>
Other Financing Sources (Uses)				
Proceeds from Capital Lease	0	0	0	0
Inception of Capital Lease	0	291,400	0	253,933
Proceeds from Sale of Capital Assets	0	0	6,701	3,294
Transfers In	64,735	398,691	18,749	0
Transfers Out	(64,735)	(398,691)	(18,749)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>291,400</u>	<u>6,701</u>	<u>257,227</u>
<i>Net Change in Fund Balances</i>	<u>\$1,548,007</u>	<u>\$1,923,479</u>	<u>\$2,262,278</u>	<u>\$2,650,841</u>
Debt Service as a Percentage of Noncapital Expenditures	5.1%	1.3%	1.1%	1.3%

(1) Includes, General, Special Revenue, Capital Projects and Debt Service Funds.

TABLE 5

2001	2002	2003	2004	2005	2006
\$21,420,399	\$24,097,570	\$22,004,173	\$26,193,494	\$24,761,939	\$25,313,325
0	0	0	0	125,960	125,960
22,674,205	24,288,530	25,231,059	24,869,090	26,657,356	26,424,022
731,221	286,234	136,860	34,362	107,287	196,327
425,557	193,992	416,691	1,247,066	1,137,971	1,226,418
984,127	1,006,774	981,339	1,035,095	1,019,233	980,965
57,572	47,174	41,065	46,021	45,133	74,120
452,737	485,505	347,088	441,474	593,050	563,292
0	0	0	0	75,000	31,250
33,088	42,824	22,624	60,215	15,483	8,961
0	0	0	0	0	0
133,909	11,927	59,048	2,463	6,501	3,291
46,912,815	50,460,530	49,239,947	53,929,280	54,544,913	54,947,931
19,339,434	20,009,626	20,406,948	21,702,565	22,884,399	22,658,842
5,862,557	6,112,948	6,739,309	6,912,976	6,592,407	6,157,372
2,440,213	2,397,521	2,619,656	2,509,676	2,623,904	2,536,614
124,947	120,258	159,410	173,621	164,390	102,241
2,523,983	2,523,150	2,923,946	2,885,720	2,989,764	2,706,996
3,447,949	3,505,426	3,674,010	3,715,540	3,544,051	3,301,758
47,894	47,721	65,570	91,626	212,283	103,737
3,916,432	4,054,941	4,510,229	4,423,127	4,407,639	4,207,039
1,034,096	1,054,799	1,091,579	1,208,117	1,096,604	1,267,801
429,996	440,253	417,660	358,663	423,449	425,682
4,461,306	4,571,066	4,899,378	4,720,221	4,576,132	4,198,430
1,911,574	1,399,292	1,874,916	1,551,434	1,815,791	1,785,624
287,831	341,556	311,849	333,707	255,997	210,151
1,629,986	1,674,285	1,836,175	2,160,999	2,129,614	2,126,103
683,626	755,609	891,124	826,751	1,080,378	1,052,134
724,430	777,279	861,546	792,984	828,721	793,025
0	0	0	0	0	0
177,941	41,883	95,620	66,363	700,601	8,159
0	0	0	0	596,240	641,663
397,014	403,789	343,687	345,000	128,450	133,894
64,298	46,218	23,664	7,849	30,163	24,719
49,505,507	50,277,620	53,746,276	54,786,939	57,080,977	54,441,984
(2,592,692)	182,910	(4,506,329)	(857,659)	(2,536,064)	505,947
0	0	0	700,000	0	0
13,420	0	0	0	0	0
3,084	775	0	77,214	12,374	10,735
2,736	21,678	0	0	90,787	66,629
0	(21,678)	0	0	(90,787)	(66,629)
19,240	775	0	777,214	12,374	10,735
(\$2,573,452)	\$183,685	(\$4,506,329)	(\$80,445)	(\$2,523,690)	\$516,682
0.9%	0.9%	0.7%	0.6%	0.3%	0.3%

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

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial/ Industrial/PU		Assessed Value	Estimated Actual Value
1997	\$339,256,280	\$138,923,910	\$1,366,229,114	\$30,762,500	\$87,892,857
1998	348,614,120	140,710,820	1,398,071,257	30,055,150	85,871,857
1999	389,370,460	162,703,480	1,577,354,114	30,244,060	86,411,600
2000	397,969,660	167,714,870	1,616,241,514	27,709,700	79,170,571
2001	408,222,240	166,950,970	1,643,352,029	27,104,620	77,441,771
2002	477,525,090	200,543,840	1,937,339,800	23,959,830	95,839,320
2003	483,836,230	203,831,780	1,964,765,743	24,737,880	98,951,520
2004	493,495,330	207,018,380	2,001,467,743	24,990,810	99,963,240
2005	547,089,300	225,661,990	2,207,860,829	25,676,090	102,704,360
2006	561,512,210	222,642,280	2,240,441,400	25,354,560	101,418,240

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. The general business tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

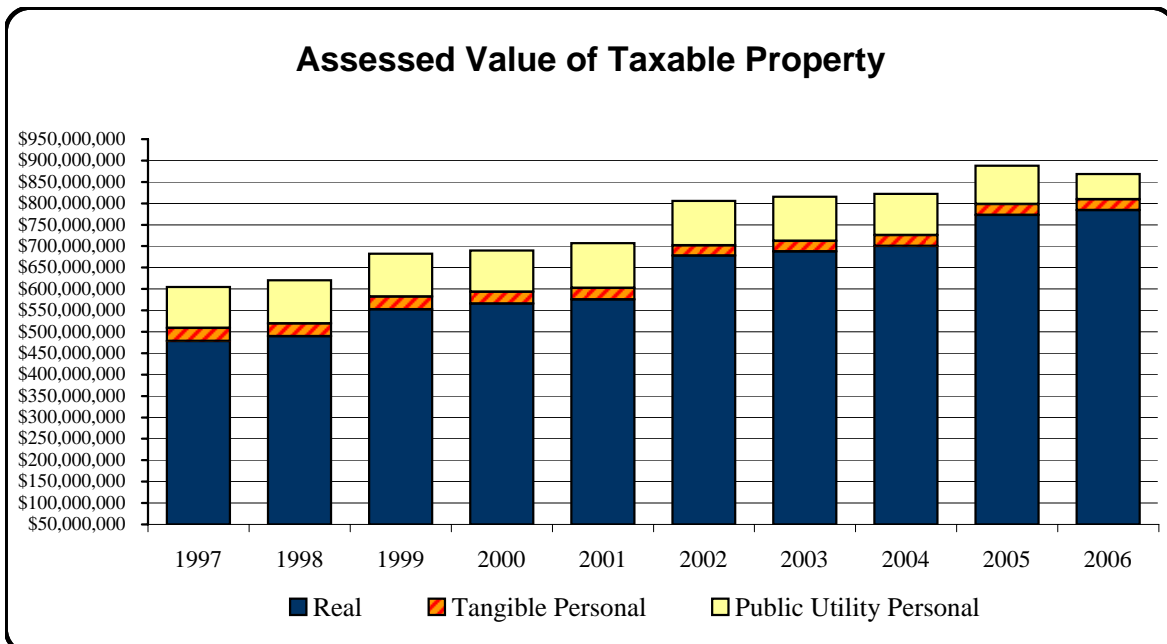
The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10 percent, 2 1/2 percent and homestead exemptions before being billed.

Values are shown net of exempt property.

Source: Fairfield County Auditor

TABLE 6

Tangible Personal Property					Weighted Average Tax Rate
General Business		Total			
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Ratio	
\$95,374,490	\$381,497,960	\$604,317,180	\$1,835,619,931	33%	\$31
101,329,802	405,319,208	620,709,892	1,889,262,322	33%	39
100,399,698	401,598,792	682,717,698	2,065,364,506	33%	36
96,227,521	384,910,084	689,621,751	2,080,322,170	33%	36
104,448,658	417,794,632	706,726,488	2,138,588,432	33%	36
103,443,261	413,773,044	805,472,021	2,446,952,164	33%	32
103,361,862	413,447,448	815,767,752	2,477,164,711	33%	32
96,326,426	385,305,704	821,830,946	2,486,736,687	33%	31
89,705,089	358,820,356	888,132,469	2,669,385,545	33%	33
59,005,601	236,022,404	868,514,651	2,577,882,044	34%	32



Lancaster City School District, Ohio

Property Tax Rates

(per \$1,000 of assessed value)

Last Ten Years

	Collection Year				
	1997	1998	1999	2000	2001
Unvoted Millage					
Operating	\$4.0000	\$4.0000	\$4.0000	\$4.0000	\$4.0000
Voted Millage - by levy					
1976 Operating - continuing					
Effective Millage Rates					
Residential/Agricultural Real	8.4300	8.3708	7.6147	7.5851	7.5711
Commercial/Industrial and Public Utility Real	11.6896	11.5648	10.5238	10.4584	10.5783
General Business and Public Utility Personal	31.7000	31.7000	31.7000	31.7000	31.7000
1976 Operating - continuing					
Effective Millage Rates					
Residential/Agricultural Real	0.2659	0.2641	0.2402	0.2393	0.2388
Commercial/Industrial and Public Utility Real	0.3688	0.3648	0.3320	0.3299	0.3337
General Business and Public Utility Personal	1.0000	1.0000	1.0000	1.0000	1.0000
1977 Operating - continuing					
Effective Millage Rates					
Residential/Agricultural Real	2.6593	2.6406	2.4021	2.3928	2.3884
Commercial/Industrial and Public Utility Real	3.6876	3.6482	3.3198	3.2992	3.3370
General Business and Public Utility Personal	10.0000	10.0000	10.0000	10.0000	10.0000
1990 Operating - continuing					
Effective Millage Rates					
Residential/Agricultural Real	7.0970	7.0471	6.4106	6.3857	6.3739
Commercial/Industrial and Public Utility Real	8.4236	8.3337	7.5835	7.5363	7.6227
General Business and Public Utility Personal	10.0000	10.0000	10.0000	10.0000	10.0000
1997 Operating - continuing					
Effective Millage Rates					
Residential/Agricultural Real	0.0000	7.8445	7.1360	7.1083	7.0951
Commercial/Industrial and Public Utility Real	0.0000	7.8157	7.1121	7.0679	7.1489
General Business and Public Utility Personal	0.0000	7.9000	7.9000	7.9000	7.9000
2004 Emergency (\$3,200,000) - three years					
Effective Millage Rates					
Residential/Agricultural Real	0.0000	0.0000	0.0000	0.0000	0.0000
Commercial/Industrial and Public Utility Real	0.0000	0.0000	0.0000	0.0000	0.0000
General Business and Public Utility Personal	0.0000	0.0000	0.0000	0.0000	0.0000
Total voted millage by type of property					
Residential/Agricultural Real	18.4522	26.1671	23.8036	23.7112	23.6673
Commercial/Industrial and Public Utility Real	24.1696	31.7272	28.8712	28.6917	29.0206
General Business and Public Utility Personal	52.7000	60.6000	60.6000	60.6000	60.6000
Total millage by type of property					
Residential/Agricultural Real	22.4522	30.1671	27.8036	27.7112	27.6673
Commercial/Industrial and Public Utility Real	28.1696	35.7272	32.8712	32.6917	33.0206
General Business and Public Utility Personal	56.7000	64.6000	64.6000	64.6000	64.6000

TABLE 7

Collection Year				
2002	2003	2004	2005	2006
\$4.0000	\$4.0000	\$4.0000	\$4.0000	\$4.0000
6.5600	6.5430	6.5132	5.9843	5.9493
8.9015	8.9311	8.8796	8.1846	8.2710
31.7000	31.7000	31.7000	31.7000	31.7000
0.2069	0.2064	0.2055	0.1888	0.1877
0.2808	0.2817	0.2801	0.2582	0.2609
1.0000	1.0000	1.0000	1.0000	1.0000
2.0694	2.0640	2.0546	1.8878	1.8768
2.8080	2.8174	2.8012	2.5819	2.6092
10.0000	10.0000	10.0000	10.0000	10.0000
5.5227	5.5083	5.4832	5.0380	5.0085
6.4144	6.4357	6.3987	5.8978	5.9601
10.0000	10.0000	10.0000	10.0000	10.0000
6.1475	6.1316	6.1036	5.6080	5.5752
6.0157	6.0357	6.0010	5.5312	5.5896
7.9000	7.9000	7.9000	7.9000	7.9000
0.0000	0.0000	0.0000	3.8000	3.8000
0.0000	0.0000	0.0000	3.8000	3.8000
0.0000	0.0000	0.0000	3.8000	3.8000
20.5065	20.4533	20.3601	22.5069	22.3975
24.4204	24.5016	24.3606	26.2537	26.4908
60.6000	60.6000	60.6000	64.4000	64.4000
24.5065	24.4533	24.3601	26.5069	26.3975
28.4204	28.5016	28.3606	30.2537	30.4908
64.6000	64.6000	64.6000	68.4000	68.4000

(Continued)

Lancaster City School District, Ohio

Property Tax Rates

(per \$1,000 of assessed value)

Last Ten Years

	Collection Year				
	1997	1998	1999	2000	2001
Overlapping Rates by Taxing District					
Berne Township Millage					
Effective Millage Rates					
Residential/Agricultural Real	5.3560	6.1290	5.7072	5.7025	5.6904
Commercial/Industrial and Public Utility Real	5.7653	6.5179	5.9397	5.9353	5.9373
General Business and Public Utility Personal	7.7000	7.7000	7.7000	7.7000	7.7000
Greenfield Township Millage					
Effective Millage Rates					
Residential/Agricultural Real	5.5911	5.5728	5.3029	5.2658	9.2184
Commercial/Industrial and Public Utility Real	6.1525	6.0680	5.9892	5.9702	9.2548
General Business and Public Utility Personal	8.2000	8.2000	8.2000	8.2000	12.2000
Hocking Township Millage					
Effective Millage Rates					
Residential/Agricultural Real	3.6181	3.6138	3.5134	3.5121	3.5102
Commercial/Industrial and Public Utility Real	3.7308	3.7024	3.6884	3.6802	3.6802
General Business and Public Utility Personal	4.2000	4.2000	4.2000	4.2000	4.2000
Pleasant Township Millage					
Effective Millage Rates					
Residential/Agricultural Real	5.6244	5.6183	5.2911	5.2829	8.2498
Commercial/Industrial and Public Utility Real	6.0573	6.0573	6.0477	6.0421	8.7006
General Business and Public Utility Personal	6.6000	6.6000	6.6000	6.6000	9.1000
Lancaster City Millage					
Effective Millage Rates					
Residential/Agricultural Real	3.4000	3.4000	3.4000	3.4000	3.4000
Commercial/Industrial and Public Utility Real	3.4000	3.4000	3.4000	3.4000	3.4000
General Business and Public Utility Personal	3.4000	3.4000	3.4000	3.4000	3.4000
Fairfield County Library Millage					
Effective Millage Rates					
Residential/Agricultural Real	0.0000	0.0000	0.0000	0.0000	0.0000
Commercial/Industrial and Public Utility Real	0.0000	0.0000	0.0000	0.0000	0.0000
General Business and Public Utility Personal	0.0000	0.0000	0.0000	0.0000	0.0000
Fairfield County Millage					
Effective Millage Rates					
Residential/Agricultural Real	4.5635	4.5522	5.2020	5.3466	5.3354
Commercial/Industrial and Public Utility Real	4.9634	4.9395	5.4911	5.5759	5.5517
General Business and Public Utility Personal	7.0500	7.0500	7.0500	7.0500	7.0500

The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

Source: Ohio Department of Taxation

TABLE 7 (Continued)

Collection Year				
2002	2003	2004	2005	2006
5.1292	5.4038	5.3902	5.2176	5.2176
4.7059	5.1891	5.1941	4.9583	4.9907
7.7000	7.7000	7.7000	7.7000	7.7000
9.1032	9.0687	9.0381	10.2747	9.3594
7.8438	7.9794	7.9976	9.2526	8.5508
12.2000	12.2000	12.2000	13.1000	11.1000
4.4673	4.4631	4.4520	4.3241	4.3183
3.8811	3.9576	3.9462	3.8530	3.8556
4.7000	4.7000	4.7000	4.7000	4.7000
7.5868	7.5717	8.5851	8.1348	6.4962
7.0945	7.1662	8.0535	7.7194	6.3259
9.1000	9.1000	9.1000	9.1000	7.1000
3.4000	3.4000	3.4000	3.4000	3.4000
3.4000	3.4000	3.4000	3.4000	3.4000
3.4000	3.4000	3.4000	3.4000	3.4000
0.0000	0.0000	0.0000	0.4609	0.4574
0.0000	0.0000	0.0000	0.4630	0.4671
0.0000	0.0000	0.0000	0.5000	0.5000
4.9725	4.9563	4.9365	5.2683	7.0775
4.9942	5.0232	5.0446	5.4259	7.1446
7.0500	7.0500	7.0500	7.5500	7.5500

Lancaster City School District, Ohio
Property Tax Levies and Collections (1)
Last Ten Years

Calendar Collection Year (2)	Current Tax Levy	Current Tax Collections	Percent of Current Tax Collections to Current Tax Levy	Delinquent Tax Collections (3)	Total Tax Collections	Percent of Total Tax Collections to Current Tax Levy
1996	\$19,260,498	\$17,428,978	90.49%	\$278,334	\$17,707,312	91.94%
1997	18,706,764	18,148,824	97.02	999,161	19,147,985	102.36
1998	23,879,652	22,766,628	95.34	297,118	23,063,746	96.58
1999	24,589,901	23,523,365	95.66	574,441	24,097,806	98.00
2000	25,180,426	23,879,211	94.83	757,932	24,637,143	97.84
2001	25,547,953	23,792,001	93.13	602,742	24,394,743	95.49
2002	25,920,162	24,469,225	94.40	940,567	25,409,792	98.03
2003	26,069,511	23,956,609	91.90	688,650	24,645,259	94.54
2004	26,371,259	23,169,853	87.86	713,597	23,883,450	90.57
2005	28,377,780	25,871,050	91.17	646,429	26,517,479	93.44

Source: Fairfield County Auditor's Office

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental revenue.
- (2) The 2006 information cannot be presented because all collections have not been made by June 30, 2006.
- (3) The County does not identify delinquent tax collections by tax year.

TABLE 9

Lancaster City School District, Ohio
Principal Taxpayers
Real Estate Tax
2006 and 1997 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Real Property Assessed Value
Glimcher River Valley Mall LLC	\$20,792,840	2.65%
Anchor Hocking Glass Corporation	5,310,700	0.68
Lancaster Phase One Group PLL	4,381,100	0.56
Plaza SC Investors LLC	3,607,780	0.46
Lowe's Home Centers Incorporated	3,000,980	0.38
RP River Valley LLC	2,859,850	0.36
Riverview Medical Office	2,781,950	0.35
BP Lancaster LLC	2,590,000	0.33
Spires Group Incorporated	2,406,430	0.31
William R Roth Lancaster LLC	2,294,570	0.29
Totals	<u>\$50,026,200</u>	<u>6.38%</u>
Total Assessed Valuation	<u>\$784,154,490</u>	
Name of Taxpayer	1997	
	Assessed Value	Percent of Real Property Assessed Value
Glimcher River Valley Mall LLC	\$21,641,520	4.53%
Anchor Hocking Glass Corporation	5,812,170	1.22
Lancaster Phase One Group PLL	3,048,200	0.64
Ralston Foods, Incorporated	2,586,950	0.54
Glimcher Centers LTD Partnership	2,277,180	0.48
T & R River Valley LTD Partnership	2,012,620	0.42
Babcock	1,959,820	0.41
Sitterley Brooks H ET AL	1,588,220	0.33
Jordan Floyd	1,535,370	0.32
Spires Group Incorporated	1,458,180	0.30
Totals	<u>\$43,920,230</u>	<u>9.18%</u>
Total Assessed Valuation	<u>\$478,180,190</u>	

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

Source: Fairfield County Auditor's Office

TABLE 10

Lancaster City School District, Ohio
Principal Taxpayers
Tangible Personal Property Tax
2006 and 1997 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
Anchor Hocking Glass Corporation	\$5,614,440	9.52%
RalCorp Holdings Incorporated (Ralston)	5,082,420	8.61
Cyril Scott Company	3,300,880	5.59
Crown Cork & Seal Company (USA)	2,800,090	4.75
McDermott, Incorporated	1,956,580	3.32
Lancaster Glass Corporation	1,905,770	3.23
Thilmany LLC	1,638,770	2.78
Mondi Packaging Akrosil LLC	1,459,310	2.47
Bob Boyd Ford Incorporated	1,356,130	2.30
Taylor Chevrolet Incorporated	1,263,610	2.14
Total	\$26,378,000	44.70%
Total Assessed Valuation	\$59,005,601	

Name of Taxpayer	1997	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
Anchor Hocking Glass Corporation	\$18,537,400	19.44%
Ralston Foods, Inc.	7,969,920	8.36
McDermott, Inc.	5,139,770	5.39
Anchor Hocking Packaging	4,281,880	4.49
Cyril Scott Company	3,289,280	3.45
International Paper Company	3,084,880	3.23
Lancaster Glass Corporation	1,933,460	2.03
Bailey Corporation	1,911,080	2.00
Drew Shoe Company	1,410,510	1.48
Sonoco Products Company	1,377,520	1.44
Total	\$48,935,700	51.31%
Total Assessed Valuation	\$95,374,490	

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

Source: Fairfield County Auditor's Office

Lancaster City School District, Ohio
Principal Taxpayers
Public Utilities Tax
2006 and 1997 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Public Utility Assessed Value
Ohio Power Company	\$14,092,920	55.58%
Ohio Bell Telephone Company	3,976,220	15.68
Total	<u>\$18,069,140</u>	<u>71.27%</u>
Total Assessed Valuation	<u>\$25,354,560</u>	

Name of Taxpayer	1997	
	Assessed Value	Percent of Public Utility Assessed Value
Ohio Power Company	\$11,438,600	37.18%
Ohio Bell Telephone Company	7,786,860	25.31
Total	<u>\$19,225,460</u>	<u>62.50%</u>
Total Assessed Valuation	<u>\$30,762,500</u>	

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

Source: Fairfield County Auditor's Office

Lancaster City School District, Ohio

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Personal Income (3)</u>	<u>Energy Conservation Notes</u>	<u>Capital Leases</u>
1997 (b)	36,535	\$15,125	\$552,591,875	\$2,125,000	\$0
1998	37,826	15,125	572,118,250	1,860,000	209,005
1999	38,254	15,125	578,591,750	1,585,000	112,082
2000	38,983	17,648	687,971,984	1,295,000	181,070
2001 (a)	35,335	17,648	623,592,080	990,000	102,476
2002	35,600	17,648	628,268,800	675,000	13,687
2003	35,860	17,648	632,857,280	345,000	0
2004	36,120	17,648	637,445,760	0	700,000
2005	36,380	17,648	642,034,240	0	571,550
2006	36,640	17,648	646,622,720	0	437,656

Source:

(1) Lancaster City Community Development Department estimates. The fiscal year 2001 population is from the 2000 Federal Census.

(2) U.S. Census Bureau

(a) Fiscal Years 2000 through 2006, 2000 Federal Census

(b) Fiscal Years 1997 through 1999, 1990 Federal Census

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

TABLE 12

<u>Total Debt Outstanding</u>	<u>Ratio of Total Debt to Personal Income</u>	<u>Total Debt Per Capita</u>
\$2,125,000	0.38%	\$58
2,069,005	0.36	55
1,697,082	0.29	44
1,476,070	0.21	38
1,092,476	0.18	31
688,687	0.11	19
345,000	0.05	10
700,000	0.11	19
571,550	0.09	16
437,656	0.07	12

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Lancaster City School District, Ohio
*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
June 30, 2006*

	Debt Attributable to Governmental Activities	Percentage Applicable to School District (1)	Amount of Direct and Overlapping Debt
Direct Debt			
Lancaster City School District as of June 30, 2006			
Capital Leases	\$437,656	100.00%	\$437,656
Overlapping Debt:			
Payable from Property Taxes as of December 31, 2005:			
Greenfield Township General Obligation Bonds	1,780,000	24.55%	436,990
Pleasant Township General Obligation Installment Loan	80,000	24.53%	19,624
Pleasant Township General Obligation Notes	90,000	24.53%	22,077
Fairfield County General Obligation Bonds	12,939,548	25.16%	3,255,590
Fairfield County Capital Leases	190,647	25.16%	47,967
City of Lancaster General Obligation			
Bond Anticipation Notes	1,151,500	100.00%	1,151,500
City of Lancaster General Obligation Bonds	3,965,000	100.00%	3,965,000
City of Lancaster Housing and Urban			
Development Loan	1,030,000	100.00%	1,030,000
City of Lancaster OPWC Loan	94,334	100.00%	94,334
City of Lancaster Capital Leases	849,076	100.00%	849,076
Payable from Other Sources as of December 31, 2005:			
Fairfield County Special Assessment Bonds	2,908,182	25.16%	731,699
Fairfield County General Obligation Bonds	7,754,233	25.16%	1,950,965
Fairfield County Long-Term Loan	104,816	25.16%	26,372
Fairfield County Capital Leases	432,617	25.16%	108,846
City of Lancaster Special Assessment Bonds	319,500	100.00%	319,500
Total Overlapping Debt	33,689,453		14,009,540
Total Direct and Overlapping Debt	\$34,127,109		\$14,447,196

Source: Fairfield County Auditor, School District records, City of Lancaster, and the townships of Greenfield, Pleasant and Hocking. Hocking and Berne Townships had no debt outstanding as of December 31, 2005.

- (1) Percentages were determined by dividing the assessed valuation of the overlapping government located within the boundaries of the School District by the total assessed valuation of the government. The valuations used were for the 2006 collection year.

Lancaster City School District, Ohio
Computation of Legal Debt Margin
Last Ten Fiscal Years

	1997	1998	1999	2000
Assessed Valuation	<u>\$604,317,180</u>	<u>\$620,709,892</u>	<u>\$682,717,698</u>	<u>\$689,621,751</u>
Debt Limit - 9% of Assessed Value (1)	<u>\$54,388,546</u>	<u>\$55,863,890</u>	<u>\$61,444,593</u>	<u>\$62,065,958</u>
Amount of Debt Applicable to Debt Limit				
Energy Conservation Notes	0	1,860,000	1,585,000	1,295,000
Less Amount Available in Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>0</u>	<u>1,860,000</u>	<u>1,585,000</u>	<u>1,295,000</u>
Exemptions:				
Energy Conservation Notes	<u>0</u>	<u>(1,860,000)</u>	<u>(1,585,000)</u>	<u>(1,295,000)</u>
Totals	<u>0</u>	<u>(1,860,000)</u>	<u>(1,585,000)</u>	<u>(1,295,000)</u>
Amount of Debt Subject to Limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal Debt Margin	<u>\$54,388,546</u>	<u>\$55,863,890</u>	<u>\$61,444,593</u>	<u>\$62,065,958</u>
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%
Unvoted Debt Limit - .10% of Assessed Value (1)	\$604,317	\$620,710	\$682,718	\$689,622
Amount of Debt Subject to Limit				
One year renewable note issued to partially fund the purchase of an office building	<u>300,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unvoted Legal Debt Margin	<u>\$304,317</u>	<u>\$620,710</u>	<u>\$682,718</u>	<u>\$689,622</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	50.36%	100.00%	100.00%	100.00%

Source: Fairfield County Auditor and School District Financial Records

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

TABLE 14

2001	2002	2003	2004	2005	2006
<u>\$706,726,488</u>	<u>\$805,472,021</u>	<u>\$815,767,752</u>	<u>\$821,830,946</u>	<u>\$888,132,469</u>	<u>\$804,825,190</u>
<u>\$63,605,384</u>	<u>\$72,492,482</u>	<u>\$73,419,098</u>	<u>\$73,964,785</u>	<u>\$79,931,922</u>	<u>\$72,434,267</u>
990,000	675,000	345,000	0	0	0
0	0	0	0	0	0
<u>990,000</u>	<u>675,000</u>	<u>345,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(990,000)</u>	<u>(675,000)</u>	<u>(345,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(990,000)</u>	<u>(675,000)</u>	<u>(345,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$63,605,384</u>	<u>\$72,492,482</u>	<u>\$73,419,098</u>	<u>\$73,964,785</u>	<u>\$79,931,922</u>	<u>\$72,434,267</u>
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
\$706,726	\$805,472	\$815,768	\$821,831	\$888,132	\$804,825
0	0	0	0	0	0
<u>\$706,726</u>	<u>\$805,472</u>	<u>\$815,768</u>	<u>\$821,831</u>	<u>\$888,132</u>	<u>\$804,825</u>
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Lancaster City School District, Ohio
Demographic and Economic Statistics
Last Ten Years

Fiscal Year	Population Lancaster City		Personal Income (2) (in thousands)	Per Capita Personal Income	Unemployment Rate Fairfield County %
1997	36,535	(1)	\$552,591,875	\$15,125	3.60%
1998	37,826	(1)	572,118,250	15,125	3.20
1999	38,254	(1)	\$578,591,750	15,125	3.00
2000	38,983	(1)	687,971,984	17,648	3.00
2001	35,335	(2)	623,592,080	17,648	2.30
2002	35,600	(1)	628,268,800	17,648	3.00
2003	35,860	(1)	632,857,280	17,648	4.20
2004	36,120	(1)	637,445,760	17,648	4.50
2005	36,380	(1)	642,034,240	17,648	4.60
2006	36,640	(1)	646,622,720	17,648	4.70

Sources: Ohio Bureau of Employment Services
U.S. Census Bureau
City of Lancaster Community Development Department

(1) Population from 1996-1999 and 2001-2005 is estimated by the City of Lancaster Community Development Department.

(2) U.S. Bureau of Census, Federal 2000 Census

Lancaster City School District, Ohio*Principal Employers**Current Year and Two Years Ago*

		2005
Employer	Nature of Business	Number of Employees
Fairfield Medical Center	Medical-Hospital	2,300
Anchor Hocking Corporation	Manufacturing-Glass	974
Fairfield County	County Government	782
Lancaster City School District	Education	714
Kroger	Sales-Groceries	502
City of Lancaster	City Government	446
Diamond Power	Manufacturing-Boiler Cleaning Equipment	410
Ralston Foods, Incorporated	Manufacturing-Food Products	350
Crestview Manor Nursing Home	Medical-Nursing Facility	285
Cyril-Scott Company, Incorporated	Commercial Printer	265
Total		7,028
Total Employment within the School District		n/a
		2003
Employer	Nature of Activity	Number of Employees
Fairfield Medical Center	Medical-Hospital	2,000
Anchor Hocking Corporation	Manufacturing-Glass	1,003
Fairfield County	County Government	809
Lancaster City School District	Education	736
Diamond Power	Manufacturing-Boiler Cleaning Equipment	500
Ralston Foods, Incorporated	Manufacturing-Food Products	450
City of Lancaster	City Government	447
Cyril-Scott Company, Incorporated	Commercial Printer	375
Glassfloss Industries, Incorporated	Manufacturing-Airfiltration	250
Crestview Manor Nursing Home	Medical-Nursing Facility	240
Total		6,810
Total Employment within the City		n/a

Source: Fairfield County Department of Economic Development.
Information prior to 2003 is not available

n/a - Information not available

TABLE 17

Lancaster City School District, Ohio
School District Employees by Function/Program
Last Four Fiscal Years

Function/Program	2003	2004	2005	2006
Regular Instruction				
Certified Employees	260	265	259	259
Special Instruction				
Classified Employees	35	33	28	22
Certified Employees	84	84	82	78
Vocational Instruction				
Certified Employees	35	34	33	30
Pupil Support Services				
Classified Employees	5	5	5	4
Certified Employees	25	24	24	21
Instructional Staff				
Classified Employees	44	48	46	47
Certified Employees	16	15	14	11
Administrators	2	2	2	2
Administration				
Classified Employees	30	30	30	28
Certified Employees	7	8	3	0
Administrators	24	23	23	23
Fiscal				
Classified Employees	4	4	7	6
Administrators	1	1	1	1
Business				
Classified Employees	4	4	3	3
Operation and Maintenance of Plant				
Classified Employees	57	56	55	52
Administrators	2	2	2	2
Pupil Transportation				
Classified Employees	36	38	39	39
Administrators	1	1	1	1
Central				
Classified Employees	1	1	0	1
Administrators	1	1	1	1
Food Service Program				
Classified Employees	50	50	53	50
Administrators	2	2	1	1
Non-Instructional Services				
Classified Employees	2	2	2	3
Certified Employees	3	3	2	2
Totals	<u>731</u>	<u>736</u>	<u>716</u>	<u>687</u>

Source: Lancaster City School District Personnel Records

Method: The figures include only the full-time employees

Information prior to 2003 is not available.

Lancaster City School District, Ohio
Per Pupil Cost
Last Ten Fiscal Years

Fiscal Year	General Fund Expenditures	Enrollment	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio	State Average Pupil/ Teacher Ratio
1997	\$31,000,107	6,532	\$4,746	N/A	396	16.5	20.7
1998	32,122,827	6,542	4,910	3.46%	384	17.0	20.4
1999	36,128,268	6,503	5,556	13.14%	411	15.8	18.6
2000	37,857,302	6,421	5,896	6.12%	422	15.2	18.1
2001	41,878,907	6,230	6,722	14.01%	437	14.3	18.0
2002	43,458,788	6,175	7,038	4.70%	422	14.6	16.9
2003	46,701,810	6,197	7,536	7.08%	430	14.4	16.5
2004	46,842,238	6,107	7,670	1.78%	433	14.1	18.5
2005	47,909,510	5,988	8,001	4.31%	417	14.4	18.5
2006	46,289,707	6,044	7,659	-4.28%	401	15.1	18.6

Source: School District Records.

Lancaster City School District, Ohio

Building Statistics

Last Ten Fiscal Years

	1997	1998	1999	2000
Cedar Heights Elementary School				
Constructed in 1939, addition in 1973				
Total Building Square Footage	31,100	31,100	31,100	31,100
Enrollment Grades K-6	487	477	452	497
Student Capacity	460	460	460	460
Instruction Classrooms	22	22	22	22
Teaching Stations	31	31	31	31
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
East Elementary School				
Constructed in 1939				
Total Building Square Footage	37,518	37,518	37,518	37,518
Enrollment Grades K-6	404	406	420	427
Student Capacity	314	314	314	314
Instruction Classrooms	20	20	20	20
Teaching Stations	24	24	24	24
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
Medill Elementary School				
Constructed in 1960, addition in 1965, 1966, and 1973				
Total Building Square Footage	31,500	31,500	31,500	31,500
Enrollment Grades K-6	392	397	428	444
Student Capacity	337	337	337	337
Instruction Classrooms	25	25	25	25
Teaching Stations	30	30	30	30
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
North Elementary School				
Constructed in 1917				
Last year building was in service was 2005				
Total Building Square Footage	43,760	43,760	43,760	43,760
Enrollment Grades K-6	376	365	352	357
Student Capacity	299	299	299	299
Instruction Classrooms	31	31	31	31
Teaching Stations	28	28	28	28
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A

TABLE 19

2001	2002	2003	2004	2005	2006
31,100	31,100	31,100	31,100	31,100	31,100
485	443	446	463	456	471
460	460	460	460	460	460
22	22	22	22	22	22
31	31	31	31	31	31
N/A	N/A	1	1	1	1
N/A	N/A	28	31	30	26
N/A	N/A	15	15	15	18
37,518	37,518	37,518	37,518	37,518	37,518
393	379	366	343	315	423
314	314	314	314	314	314
20	20	20	20	20	20
24	24	24	24	24	24
N/A	N/A	1	1	1	1
N/A	N/A	25	23	20	26
N/A	N/A	13	14	14	19
31,500	31,500	31,500	31,500	31,500	31,500
420	435	403	392	339	339
337	337	337	337	337	337
25	25	25	25	25	25
30	30	30	30	30	30
N/A	N/A	1	1	1	1
N/A	N/A	22	23	21	19
N/A	N/A	17	17	17	14
43,760	43,760	43,760	43,760	43,760	closed
328	336	340	331	300	closed
299	299	299	299	299	closed
31	31	31	31	31	closed
28	28	28	28	28	closed
N/A	N/A	1	1	1	closed
N/A	N/A	26	25	20	closed
N/A	N/A	18	18	16	closed

(Continued)

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

	1997	1998	1999	2000
Sanderson Elementary School				
Constructed in 1968, addition in 1973 and 1996				
Total Building Square Footage	31,233	31,233	31,233	31,233
Enrollment Grades K-6	401	407	407	385
Student Capacity	308	308	308	308
Instruction Classrooms	20	20	20	20
Teaching Stations	24	24	24	24
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
South Elementary School				
Constructed in 1931				
Total Building Square Footage	29,055	29,055	29,055	29,055
Enrollment Grades K-6	366	372	386	361
Student Capacity	149	149	149	149
Instruction Classrooms	17	17	17	17
Teaching Stations	21	21	21	21
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
Tallmadge Elementary School				
Constructed in 1956, addition in 1959, 1966, and 1973				
Total Building Square Footage	37,000	37,000	37,000	37,000
Enrollment Grades K-6	474	479	480	450
Student Capacity	345	345	345	345
Instruction Classrooms	20	20	20	20
Teaching Stations	29	29	29	29
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
Tarhe Elementary School				
Constructed in 1968, addition in 1973				
Modular Classrooms - Constructed in 2004				
Total Building Square Footage	25,200	25,200	25,200	25,200
Total Modular Square Footage	-	-	-	-
Enrollment Grades K-6	303	312	268	285
Student Capacity	328	328	328	328
Instruction Classrooms	12	12	12	12
Teaching Stations	17	17	17	17
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A

TABLE 19 (Continued)

2001	2002	2003	2004	2005	2006
31,233	31,233	31,233	31,233	31,233	31,233
378	361	357	361	309	337
308	308	308	308	308	308
20	20	20	20	20	20
24	24	24	24	24	24
N/A	N/A	1	1	1	1
N/A	N/A	24	22	20	17
N/A	N/A	10	12	13	14
29,055	29,055	29,055	29,055	29,055	29,055
339	317	339	283	276	441
149	149	149	149	149	149
17	17	17	17	17	17
21	21	21	21	21	21
N/A	N/A	1	1	1	1
N/A	N/A	19	16	19	19
N/A	N/A	10	12	13	12
37,000	37,000	37,000	37,000	37,000	37,000
453	438	411	362	343	360
345	345	345	345	345	345
20	20	20	20	20	20
29	29	29	29	29	29
N/A	N/A	1	1	1	1
N/A	N/A	23	25	23	18
N/A	N/A	14	14	15	13
25,200	25,200	25,200	25,200	25,200	25,200
-	-	-	9,000	9,000	9,000
289	301	292	310	440	472
328	328	328	445	445	445
12	12	12	20	20	20
17	17	17	17	17	17
N/A	N/A	1	1	1	1
N/A	N/A	19	19	22	23
N/A	N/A	11	12	13	15

(Continued)

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

	1997	1998	1999	2000
West Elementary School				
Constructed in 1928, addition in 1960				
Total Building Square Footage	46,404	46,404	46,404	46,404
Enrollment Grades K-6	424	412	416	390
Student Capacity	428	428	428	428
Instruction Classrooms	24	24	24	24
Teaching Stations	28	28	28	28
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
General Sherman Junior High School				
Constructed in 1957, addition in 1973				
Total Building Square Footage	64,394	64,394	64,394	64,394
Enrollment Grades 7-8	482	523	535	502
Student Capacity	484	484	484	484
Instruction Classrooms	23	23	23	23
Teaching Stations	29	29	29	29
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
Thomas Ewing Junior High School				
Constructed in 1957				
Total Building Square Footage	63,308	63,308	63,308	63,308
Enrollment Grades 7-8	485	500	522	514
Student Capacity	493	493	493	493
Instruction Classrooms	27	27	27	27
Teaching Stations	34	34	34	34
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A
Stanberry Freshman School				
Constructed in 1929, addition in 1965				
Total Building Square Footage	77,767	77,767	77,767	77,767
Enrollment Grade 9	556	491	486	501
Student Capacity	509	509	509	509
Instruction Classrooms	28	28	28	28
Teaching Stations	32	32	32	32
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A

TABLE 19 (Continued)

2001	2002	2003	2004	2005	2006
46,404	46,404	46,404	46,404	46,404	46,404
395	395	414	424	430	463
428	428	428	428	428	428
24	24	24	24	24	24
28	28	28	28	28	28
N/A	N/A	1	1	1	1
N/A	N/A	21	28	27	27
N/A	N/A	22	20	20	15
64,394	64,394	64,394	64,394	64,394	64,394
443	437	476	491	482	460
484	484	484	484	484	484
23	23	23	23	23	23
29	29	29	29	29	29
N/A	N/A	2	1	2	2
N/A	N/A	34	31	30	27
N/A	N/A	25	23	24	21
63,308	63,308	63,308	63,308	63,308	63,308
527	542	538	529	499	454
493	493	493	493	493	493
27	27	27	27	27	27
34	34	34	34	34	34
N/A	N/A	2	1	1	1
N/A	N/A	28	31	28	28
N/A	N/A	22	21	21	23
77,767	77,767	77,767	77,767	77,767	77,767
480	470	474	483	507	501
509	509	509	509	509	509
28	28	28	28	28	28
32	32	32	32	32	32
N/A	N/A	17	18	15	16
N/A	N/A	36	39	34	36
N/A	N/A	35	38	43	39

(Continued)

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

	1997	1998	1999	2000
Lancaster High School				
Constructed in 1963				
Vocational classrooms constructed in 1965				
Total Building Square Footage	192,500	192,500	192,500	192,500
Enrollment Grades 10-12	1,382	1,401	1,351	1,308
Student Capacity	1,302	1,302	1,302	1,302
Instruction Classrooms	65	65	65	65
Teaching Stations	102	102	102	102
Administrators	N/A	N/A	N/A	N/A
Certified Staff	N/A	N/A	N/A	N/A
Classified Staff	N/A	N/A	N/A	N/A

N/A - Information prior to 2003 is not available.

Student enrollment is based on the October account for Educational Management Information System

Student Capacity is based on State standards of needed square footage per child

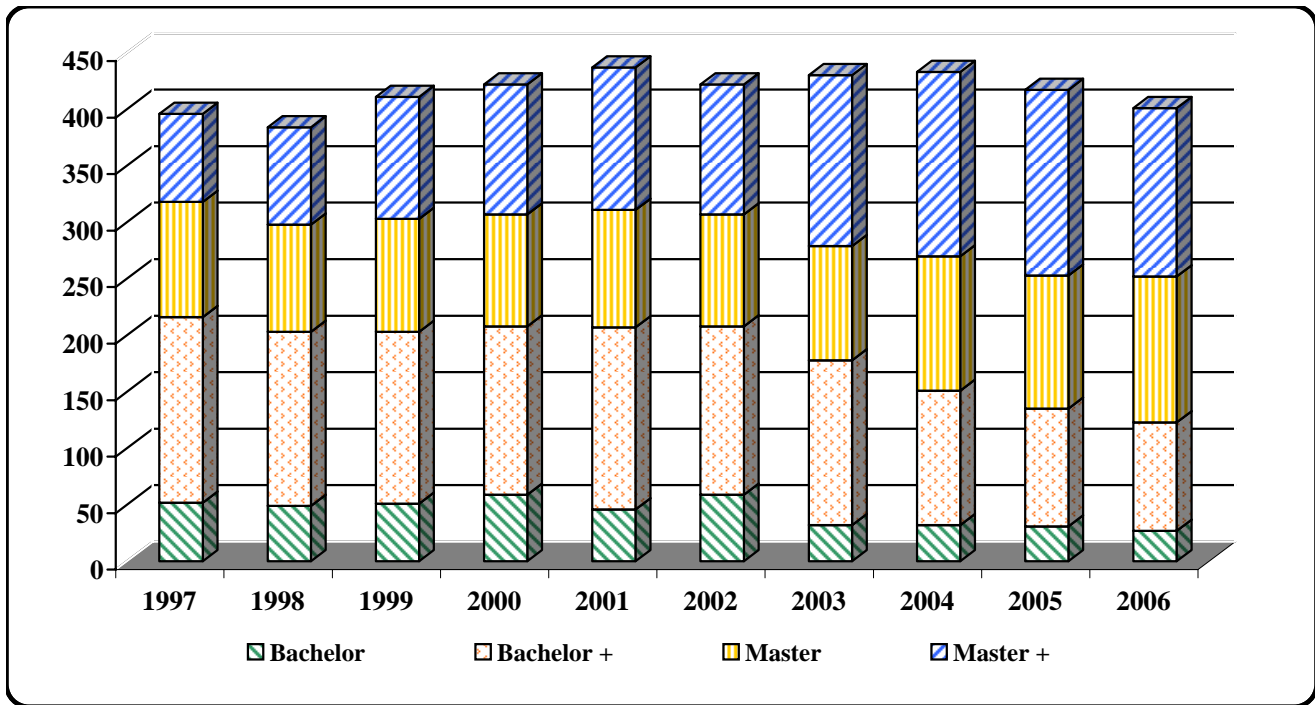
TABLE 19 (Continued)

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
192,500	192,500	192,500	192,500	192,500	192,500
1,300	1,321	1,341	1,335	1,292	1,323
1,302	1,302	1,302	1,302	1,302	1,302
65	65	65	65	65	65
102	102	102	102	102	102
N/A	N/A	3	3	4	4
N/A	N/A	125	120	123	135
N/A	N/A	56	55	44	52

TABLE 20

Lancaster City School District, Ohio
Full-Time Equivalent Teachers by Education
Last Ten Fiscal Years

Degree	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Bachelor's Degree	52	49	51	59	46	59	32	32	31	27
Bachelor + 15	12	13	14	11	12	11	9	6	7	5
Bachelor + 30 (150 hours)	152	141	138	138	149	138	137	113	97	91
Master's Degree	102	95	100	99	104	99	101	119	118	129
Master's + 15	20	18	28	30	30	30	36	38	41	34
Master's + 30	47	56	63	67	75	67	86	90	86	81
Master's + 45	11	12	17	18	21	18	29	35	35	34
Ph. D.	0	0	0	0	0	0	0	0	2	0
Total	396	384	411	422	437	422	430	433	417	401



Source: Lancaster City School District Personnel Records.

Lancaster City School District, Ohio
Teachers' Salaries
Last Ten Fiscal Years

Fiscal Year	Minimum Salary (1)	Maximum Salary (2)	Average Salary Comparable Districts (3)	Statewide Average Salary (4)
1997	\$23,440	\$50,185	N/A	N/A
1998	25,060	51,590	N/A	N/A
1999	25,812	53,137	N/A	N/A
2000	26,586	54,730	N/A	N/A
2001	27,782	57,193	\$43,029	\$42,995
2002	28,754	59,195	43,650	43,755
2003	29,904	61,562	45,103	45,642
2004	31,100	64,024	48,008	47,652
2005	32,344	66,585	47,188	50,080
2006	32,344	66,585	49,498	50,761

Sources: School District Financial Records and the Ohio Department of Education.

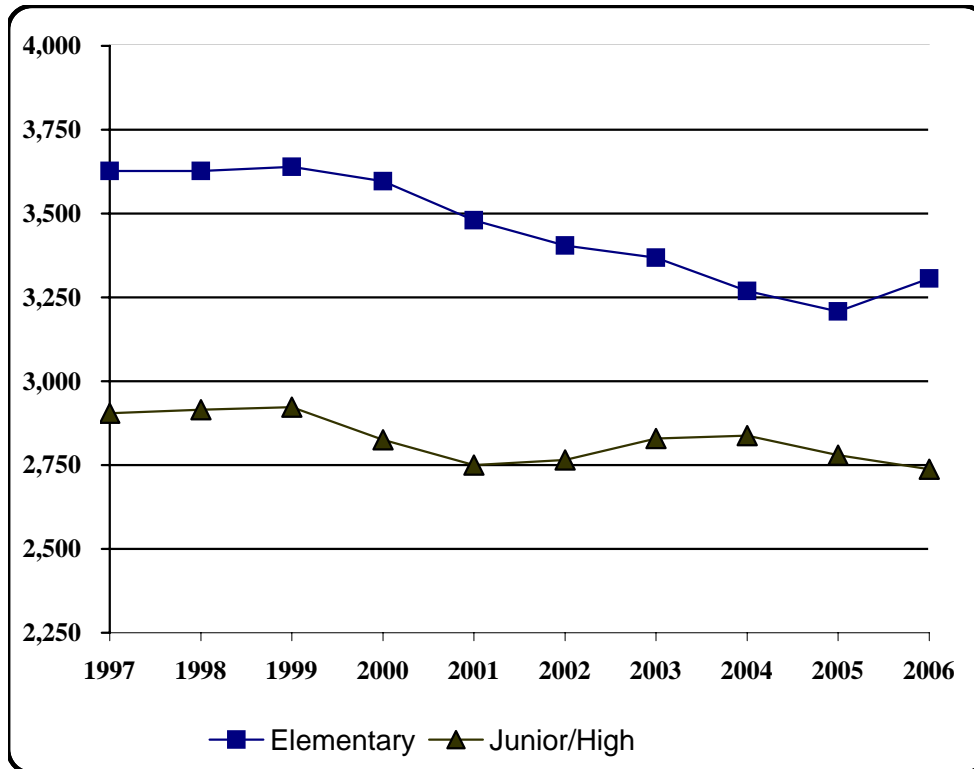
- (1) Starting teacher with no experience - per negotiated agreement.
- (2) Teacher with a Masters degree and more than 45 year's experience - per negotiated agreement.
- (3) Provided by the Ohio Department of Education.
- (4) Provided by the Ohio Department of Education.

N/A - The Ohio Department of Education started reporting these averages beginning in fiscal year 2001.

TABLE 22

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

Fiscal Year	Elementary Schools	Junior/High School	Total
1997	3,627	2,905	6,532
1998	3,627	2,915	6,542
1999	3,609	2,894	6,503
2000	3,596	2,825	6,421
2001	3,480	2,750	6,230
2002	3,405	2,770	6,175
2003	3,368	2,829	6,197
2004	3,269	2,838	6,107
2005	3,208	2,780	5,988
2006	3,306	2,738	6,044



Source: School District Records - October counts that was submitted to the Educational Management Information System.

Lancaster City School District, Ohio
Attendance and Graduation Rates
Last Ten Fiscal Years

Fiscal Year	Lancaster City Attendance Rate	State Average	Lancaster City Graduation Rate	State Average
1997	93.40%	93.30%	N/A	N/A
1998	93.80	93.60	80.20%	79.60%
1999	93.50	93.50	76.50	79.70
2000	94.10	93.60	79.70	81.00
2001	94.50	93.90	81.50	80.70
2002	94.50	94.30	79.40	81.20
2003	94.50	94.50	83.60	82.80
2004	94.40	94.50	88.00	84.30
2005	94.90	94.30	85.40	85.90
2006	94.60	94.10	85.50	86.20

Source: Ohio Department of Education Local Report Cards

N/A Not available

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

Year	English	Math	Reading	Science	Composite
A.C.T. - Lancaster High School (Juniors and Seniors)					
1997	20.9	22.0	22.1	21.7	21.8
1998	20.6	22.1	22.4	22.1	21.9
1999	20.4	21.9	21.6	21.6	21.5
2000	20.3	21.7	21.6	22.0	21.5
2001	20.8	22.3	22.4	22.2	22.0
2002	20.2	21.7	21.4	21.4	21.4
2003	20.7	22.0	22.7	21.9	21.9
2004	20.5	21.7	22.5	22.1	21.9
2005	20.4	21.3	21.5	21.6	21.3
2006	20.7	21.3	21.6	21.7	21.4
A.C.T. - Ohio (Graduating Class)					
1997	20.6	21.0	21.8	21.4	21.3
1998	20.7	21.2	21.8	21.5	21.4
1999	20.8	21.1	21.9	21.4	21.4
2000	20.7	21.2	21.9	21.4	21.4
2001	20.7	21.1	21.8	21.5	21.4
2002	20.6	21.2	21.8	21.5	21.4
2003	20.6	21.1	21.8	21.4	21.4
2004	20.7	21.1	21.9	21.5	21.4
2005	20.7	21.2	21.9	21.5	21.4
2006	20.8	21.3	21.9	21.5	21.5
A.C.T. - U.S.A. (Graduating Class)					
1997	20.3	20.6	21.3	21.1	21.0
1998	20.4	20.8	21.4	21.1	21.0
1999	20.5	20.7	21.4	21.0	21.0
2000	20.5	20.7	21.4	21.0	21.0
2001	20.5	20.7	21.3	21.0	21.0
2002	20.2	20.6	21.1	20.8	20.8
2003	20.3	20.6	21.2	20.8	20.8
2004	20.4	20.7	21.3	20.9	20.9
2005	20.4	20.7	21.3	20.9	20.9
2006	20.6	20.8	21.4	20.9	21.1

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

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

Fiscal Year	Verbal Mean	Math Mean
S.A.T. - Lancaster High School		
1997	526	551
1998	524	547
1999	524	559
2000	525	554
2001	530	539
2002	546	555
2003	535	546
2004	526	544
2005	509	525
2006	500	522
S.A.T. - Ohio		
1997	535	536
1998	536	540
1999	534	538
2000	533	539
2001	534	539
2002	533	540
2003	536	541
2004	538	542
2005	539	543
2006	535	544
S.A.T. - U.S.A.		
1997	505	511
1998	505	512
1999	505	511
2000	505	514
2001	506	514
2002	504	516
2003	507	519
2004	508	518
2005	508	520
2006	503	518

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

Lancaster City School District, Ohio
Students in Free or Reduced Price Lunch Program
June 30, 2006

School	Students Receiving Free Lunch	Percentage of Students Receiving Free Lunch	Students Receiving Reduced Lunch	Percentage of Students Receiving Reduced Lunch
Cedar Heights Elementary School	230	0.39%	78	0.13%
East Elementary School	145	0.34	43	0.10
Medill Elementary School	82	0.24	26	0.08
Sanderson Elementary School	105	0.32	18	0.05
South Elementary School	146	0.44	35	0.11
Tallmadge Elementary School	153	0.44	31	0.09
Tarhe Elementary School	74	0.16	31	0.07
West Elementary School	231	0.51	44	0.10
General Sherman Junior High School	176	0.39	44	0.10
Thomas Ewing Junior High School	137	0.31	39	0.09
Lancaster High & Stanberry Freshmen Schools	423	0.24	93	0.05

Source: School District Food Service Records at June 30, 2006



Mary Taylor, CPA
Auditor of State

LANCASTER CITY SCHOOL DISTRICT
FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2007