



Mary Taylor, CPA
Auditor of State

CITY OF LANCASTER
FAIRFIELD COUNTY

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**CITY OF LANCASTER
FAIRFIELD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
Community Development Block Grants			
Entitlement Grants Program	N/A	14.218	
CDBG 2003			\$2,351
CDBG 2004			2,821
CDBG 2005			38,634
CDBG 2006			136,378
CDBG 2007			314,516
CDBG 2008			81,870
Total Community Development Block Grant Program			<u>576,570</u>
Home Investment Partnerships Program (CHIP)	N/A	14.239	<u>41,369</u>
Total U.S. Department of Housing and Urban Development			<u>617,939</u>
<u>U.S. DEPARTMENT OF THE INTERIOR:</u>			
<i>Passed Through Ohio Historical Society:</i>			
Historic Preservation Fund Grants-In-Aid Program	39-07-21640	15.904	<u>13,250</u>
Total U.S. Department of the Interior			<u>13,250</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
Bulletproof Vest Partnership Program	N/A	16.607	5,375
<i>Passed Through Ohio Office of Criminal Justice:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2007-JG-C01-6589	16.738	34,106
<i>Passed Through Fairfield County ADAMHS Board:</i>			
Drug Court Discretionary Grant Program	2005-DC-BX-0033	16.585	<u>106,713</u>
Total U.S. Department of Justice			<u>146,194</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Formula Grants for Other than Urbanized Areas	RPT-4023-027-081 RPT-0023-027-082	20.509	345,619
			<u>37,073</u>
Total U.S. Department of Transportation			<u>382,692</u>

(Continued)

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Disaster Grants - Public Assistance Program	FEMA-3286-EM-045-41720	97.036	43,684
	DR-1805-045-41720		<u>243,023</u>
Total Disaster Grants - Public Assistance Program			<u>286,707</u>
Assistance to Firefighters Grant	EMW-2007-FO-06306	97.044	<u>170,909</u>
Total U.S. Department of Homeland Security			<u>457,616</u>
Total Federal Awards Expenditures			<u><u>\$1,617,691</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The City passes-through certain Federal assistance received from the U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the City 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 City 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 Sub-recipients</u>
Community Development Block Grant Entitlement Grant Program	14.218	\$142,102

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS PROGRAM (CHIP) REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property. At December 31, 2008, the gross amount of loans outstanding under the CDBG program was \$870,173, and the gross amount of loans outstanding under the CHIP program was \$707,415.

NOTE D - MATCHING REQUIREMENTS

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

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Mary Taylor, CPA

Auditor of State

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

City of Lancaster
Fairfield County
104 East Main Street
Lancaster, Ohio 43130

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Fairfield County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2009. 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 City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

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

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

We noted certain internal control matters that we reported to the City's management in a separate letter dated June 19, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the City'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated June 19, 2009.

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 19, 2009



Mary Taylor, CPA

Auditor of State

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

City of Lancaster
Fairfield County
104 East Main Street
Lancaster, Ohio 43130

To the City Council:

Compliance

We have audited the compliance of the City of Lancaster, Fairfield County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that applies to its major federal program for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City'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 City'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 City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Lancaster complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

Federal Awards Expenditures Schedule

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2008, and have issued our report thereon dated June 19, 2009. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards 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 the audit committee, management, City Council, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 19, 2009

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CDBG Entitlement Grants Program - CFDA #14.218
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDING FOR FEDERAL AWARDS

None

Comprehensive Annual Financial Report



Lancaster, Ohio

**FOR THE YEAR ENDED
DECEMBER 31, 2008**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2008

Prepared by the City Auditor's Office

Mary F. Green
City Auditor



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FAIRFIELD COUNTY, OHIO

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CITY OF LANCASTER, OHIO

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INTRODUCTORY SECTION





CITY OF LANCASTER

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

phone (740) 687-6611

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June 19, 2009

To the Citizens and
Elected Officials of
Lancaster, Ohio:

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR), of the City of Lancaster, Ohio, for the year ended December 31, 2008.

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

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

The Reporting Entity

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

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

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

City Overview

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

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

Items of Local Interest

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

Culture and Education

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

ECONOMIC CONDITION AND OUTLOOK

With a history of almost 200 years, the Fairfield County seat of Lancaster is home to a diversified community of businesses. The more than 150 manufacturing operations in the area are supported by an equal number of service operations that provide a comprehensive network of support. With the completion of the \$160 MM U.S. Route 33 bypass, the expansion of City utilities and Industrial grounds, and a growing workforce, Lancaster is well positioned to have successful economic retention and growth. The City is a hub for Medical services in Fairfield and the surrounding counties of Perry, Hocking, Vinton, Meigs, and Athens. The Fairfield Medical Center provides full hospital services to the region with a 222 bed facility and smaller outpatient clinics throughout the City. FMC has over 250 doctors on staff and employees over 1,500. With the recent 26 MM expansion that includes an expanded Emergency Area, Parking Garage, and Heart and Gastronomical Care Units, the Fairfield Medical Center continues to be a catalyst for economic stimulus for the entire community.

Having a regional medical facility fosters economic development in various areas of our community including restaurant and retail sectors. 2008 saw four new big box retailers at the new Ety Pointe Center. They are Wal-Mart, Menards, Giant Eagle, and Kohl's. Various smaller retailers and new restaurants have opened in this "retail" expansion of Lancaster and include Max & Erma's, Panera Bread, Huntington Bank, Sonic, Pet Supplies, Scrambler Maries, and many others. Even in a tough economy, there are several projects that are proposing new retail facilities in this area of the City.

The downtown area is being re-invented with a new "Downtown Vision" and master plan. The plan incorporates both public and private sector interests. As the Fairfield County Seat, Lancaster's public needs for expansion are a Municipal Court Facility, Regional Safety Facility, and a new Fire House Central District. Private sector investment includes a Hotel and Event Center on the corner of Main and Memorial Drive, the gateway to our downtown, and a new "Lifestyle Center" on South Columbus Street that would have first floor retail, professional services and restaurant, along with modern residential lofts upstairs. Outdoor event areas, pedestrian and bicycle transportation, and parking needs are incorporated in the planning.

Being an attractive community active in the Arts with world famous talent and events such as the Lancaster Festival, being a safe and economical place to live, coupled with quality healthcare, makes Lancaster a hotbed for retirement living. Many assisted living, condominium, and full care retirement quarters have been built in the past two years adding jobs to our community and affordable living to our elderly residents. Currently there are three multi-family housing projects being reviewed for Lancaster's fast growing northwest sector.

Regional and National activities that include new transportation improvements will impact the economic activity in Lancaster in a positive way. Rickenbacker Air-Industrial Park recently began construction on a new intermodal that will connect by rail this region to a new port-of-call in Norfolk, Virginia. According to a study performed by Insight Research for the Columbus Regional Airport Authority and Norfolk Southern, these terminal projects at Rickenbacker will provide the following benefits: Annual Direct and Indirect taxes by 2028; \$100.9 million; Annual Direct Jobs by 2028; 9,473; Annual Indirect Jobs; 10,860; and other economic impacts by 2028 of \$1.044 billion. Lancaster's geographic location in proximity to this project and its own rail sites provides an opportunity to be positively impacted both directly and indirectly. A "mini" version of Rickenbacker is being proposed utilizing a former brownfield site in the central area of Lancaster to create a transload facility handling truck to rail and rail to truck ability.

***Letter of Transmittal
For the Year Ended December 31, 2008***

Various area companies both inside Lancaster and neighboring communities have expressed a real economic interest in this type of facility. Other regional transportation improvements in the direction of Rickenbacker and Interstate roadway access will continue to foster economic activity and relocations and expansion of companies.

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

Long-term Financial Planning

The City has become increasingly aware of a declining cash reserve balance. During 2008, the City entered into an agreement with British Petroleum (BP) and the Royal Bank of Canada (RBC) to purchase natural gas for thirty (30) years out. This long term purchase has resulted in a cost savings and discounts in the City's gas purchases of \$1.2 million per year. Legislation has been created to earmark and credit 50% of these discounts to future Capital Projects within the Gas Fund. Of the remaining 50% of discounts, 60% will be used for infrastructure upgrades and capital improvements within the General Fund.

MAJOR INITIATIVES

A major focus of the City's capital improvement program since 2001 has been the development of the Rock Mill Corporate Park (RMCP). In that year, City Council determined the corporate park's development to be the City's top priority for economic development. This decision was based in part on RMCP's proximity to the yet to be built route of the U.S. 33 Lancaster Bypass. As a result, the City constructed several improvements to provide the necessary streets and utilities for both Rock Mill Corporate Park Phase 1 and 2. At the completion of the Lancaster Bypass, the City had streets and utility services constructed from Fair Avenue to SR 188 and west along SR 188 to the opposite side of the Lancaster Bypass. The street and utility line extensions have opened prime properties in the corporate park for development. In addition, the Bypass and SR 188 interchange area is fully served for commercial growth.

Construction of Part 1 of the improvements to Camp Ground Road began in 2008. The existing street was excavated for a distance of 1575-feet north of Fair Avenue, and new base and wider pavement placed to serve a new manufacturing business being built along this section of street. Drainage improvements were also included in the project. The City received a \$518,000 State Capital Improvement Program grant from the Ohio Public Works Commission to construct the first 1275-feet and a \$150,000 grant from the Ohio Department of Development to construct the last 300-feet. The final asphalt course and site remediation remained to be completed at year's end.

***Letter of Transmittal
For the Year Ended December 31, 2008***

Phase 1 roads in RMCP were constructed in 1990 and were built without the top course of asphalt concrete. The top course was deferred until truck traffic in the park increased to where the additional strength the top course would provide was needed. With the addition of the new manufacturing plant on Camp Ground Road, it was deemed time to program the installation of the top course. A State Capital Improvement Program grant to the Ohio Public Works Commission was submitted in 2008 to perform the work in 2009. The District 17 Integrating Committee was considering award of the grant at the end of 2008.

Lancaster Department of Transportation (LDoT) continued the preventive maintenance program it began in 2002. The program was smaller than previous years due to funding problems and legislative mandates. With its equipment, LDoT can perform crack sealing along any length of street, and can also perform surface sealing/pavement treatments on small surface areas. The implementation of these preventive maintenance practices recommended under the federally sponsored Strategic Highway Research Program has helped to maintain the condition of the streets over the last few years.

The City's apportionment of federal surface transportation program (STP) funds had been earmarked the past several years for the Memorial Drive Reconstruction project until 2008. STP funds may only be used on streets on the Federal-Aid Off-System map, but those streets are the City's major streets. One project eligible for those now available funds was bid and partially completed in 2008. Two badly deteriorated culverts under North Columbus Street were programmed for replacement using STP funds for 80-percent of the construction costs with revenues from the City's Stormwater Program funding the local 20-percent match. Both culverts were estimated to be near 100 years old due to its sandstone construction. The replacement project was designed and let in 2008 to replace both culverts. The worst of the culverts located between Scenic Valley Place and Bush Hill Drive intersections with North Columbus Street was replaced in 2008. The other culvert under North Columbus Street near Woodland Heights Lane will be replaced in 2009.

Another STP funded project was ready to bid for 2009. The City and the Fairfield County Engineer's Office (FCEO) agreed on a joint project to resurface Tiki Lane Road and Sheridan Drive both in and outside the City. City STP funds will be used to pay for 80% of the construction costs while the FCEO will provide the local 20% match. Plans and bid documents were completed in 2008 and federal authorization was received at the end of 2008 to bid the project. Work will be performed in 2009.

Development in the north-central and northeast portions of the City has also created the need for water system improvements. This area of the City recently experience renewed residential growth. Also, along with improving fire flows and water pressure for the existing developed areas, demand from developers to serve additional acreage pushed the acquisition of property and the development of bidding documents for an elevated water storage tank near the intersection of Rainbow Drive and Pleasantville Road, SR 188. The tank site will be fed from existing water mains and the Tiki Lane Booster Station erected in the 1990's. Tank construction was partially complete at year's end, and will be completed and put into service in 2009.

***Letter of Transmittal
For the Year Ended December 31, 2008***

Ohio EPA Findings and Orders to a local business required the connection of the business to the City of Lancaster sanitary sewer system. The existing sanitary trunk sewer was extended along Swick Road to SR 37 to serve the business, which recently annexed to the City.

A separate project to provide fire protection and water service to the same annexed area was underway at the end of 2008. A water main dead-ends part way out Bremen Road (SR 37). The project will extend that water main east along SR 37 out to Snoke Hill Road, then run north on Snoke Hill Road to US 22. It will then loop back west along US 22 and tie to another dead-end water main in the City near the SR 37/US 22 split. This improvement will improve fire protection to one major City employer and extend fire protection and water service to two recently annexed printing companies. The water main is under design, with construction proposed in 2010.

Amendments to the federal Clean Water Act have directed pollution mitigation efforts to other water pollution sources, one being combined sewer overflows (CSO's). Older cities like Lancaster have combined sewers that carry both sanitary and storm flows in the same conduits. During and after rain events those sewers become filled beyond capacity and the system outlets the excess flow to streams and rivers. Those outlet points are CSO's. The CSO's are permitted under the City's recently issued National Pollution Discharge Elimination System (NPDES) permit. However, under the new permit, the City is required to reduce the number of overflow events at its CSO's. Prior to the new permit, the City retained a consulting engineer to develop a plan of improvements and schedule for construction of those improvements to meet the stricter permit conditions that was submitted to the Ohio Environmental Protection Agency. The City and OEPA finalized negotiations of this pollution mitigation plan, and that plan is part of the City's NPDES permit. The City anticipates spending \$70M over the next 15-years to construct the required improvements to the City's sewerage system.

One major component of the permit is the construction of a satellite wastewater treatment plant that will treat flows from the northwest and west sides of the City where the storm and sanitary flows are separated. The elimination of flows from these sections of the City will reduce flows into the combined system, and will reduce the number of overflow events from CSO's. Contracts for construction of the Upper Hocking Water Pollution Control Facility along with the related pump station and force main were signed at the end of 2008. Construction will be completed in 2011.

A short storm sewer extension has been designed for Carl Drive. This line will provide drainage for the unsewered street and also collect overland flows draining to this site from the area of Ohio Avenue and Shawnee Drive. The project is programmed for bid and construction in 2009.

The City received a \$250,000 grant in 2005 from the Clean Ohio Conservation Fund for the purchase of approximately 58 acres. The property is located adjacent to the Water Pollution Control Facility and the Hocking River on the south side of the City known as the Spires property. The project focus is on preservation of the Hocking River Corridor to maintain a functioning floodplain, improve water quality, and preserve a natural greenway. Originally, the project site was to be developed as a wetland. The Army Corp. of Engineers was to provide a majority of the funding for construction of the wetlands if the City purchased the property. However, due to federal budget cuts the project has been suspended indefinitely. A private entity is evaluating the site for a wetland bank to use to compensate for wetland area lost elsewhere.

***Letter of Transmittal
For the Year Ended December 31, 2008***

The largest project scheduled for 2008 was the demolition and remediation of approximately 18 acres at the rear of the former Anchor Hocking Plant # 2 facility on South Ewing Street. The City received a Clean Ohio Revitalization Fund Grant (CORF) of approximately \$3,000,000 in 2004 for cleanup of the property. The project was bid in late 2006 and began in early 2007. The City requested a project extension with a tentative completion date in late 2008. Following completion a NFA (No Further Action) letter will be submitted to Ohio EPA for consideration. Once approved the site will have a clean bill of health and will be ready for development. Final approval of the NFA should take place toward the end of 2009.

The City has also applied for Clean Ohio Funding for the River Valley Mall Floodplain Restoration Project. The project is designed to restore approximately 4000 lineal feet of floodplain along the Hocking River. Construction would include removal of approximately 4000 lineal feet of stream bank levy. With removal of the levy, approximately 75 additional acres of floodplain and wetlands habitat will be created to improve water quality in the river and help mitigate flood flows.

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

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

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

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

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

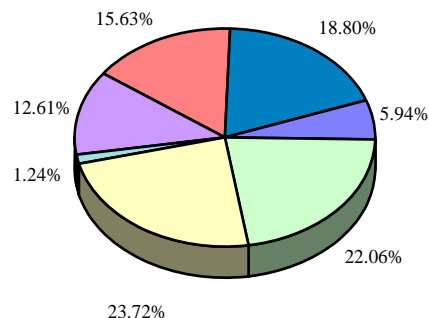
Cash Management

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

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

The City's cash resources were invested at December 31, 2008 as follows:

Local Securities	\$2,653,100	5.94%
U.S. Agencies	9,854,986	22.06%
Negotiable CD's	10,595,725	23.72%
STAR Ohio	553,332	1.24%
Certificates of Deposit	5,631,698	12.61%
Repurchase Agreements	6,979,773	15.63%
Cash	8,398,967	18.80%
Total Resources	\$44,667,581	100.00%



***Letter of Transmittal
For the Year Ended December 31, 2008***

The City earned interest of \$1,410,434 on investments for fiscal year 2008. Except for earnings on investment held by fiscal and escrow agents, in bond reserves and trust funds, interest earned was allocated to the governmental funds.

At December 31, 2008, the City had deposits of \$14,030,665 which were collateralized by pooled collateral. The Ohio Revised Code provides for the establishment of collateral pools which were FDIC insured and collateralized by financial institutions designed to safeguard public deposits. The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit with the financial institution. The collateral is held by the financial institution (see Note 4 of the financial statements). All deposits are made under contracts with local banking institutions pursuant to statute.

Risk Management

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

OTHER INFORMATION

Independent Audit

This report includes an unqualified audit report regarding the City's financial statements. The audit was conducted by Mary Taylor, CPA, Auditor of State. The Auditor's Report on the basic financial statements is included in the financial section of this report. The Auditor's report relating to the Federal Single Audit Act of 1996 is issued separately.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending December 31, 2007. This was the twenty-second consecutive year the City has won this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

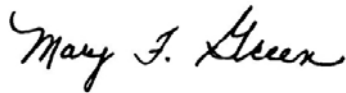
Public Disclosure

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

Acknowledgments

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

Sincerely,



Mary F. Green
City Auditor

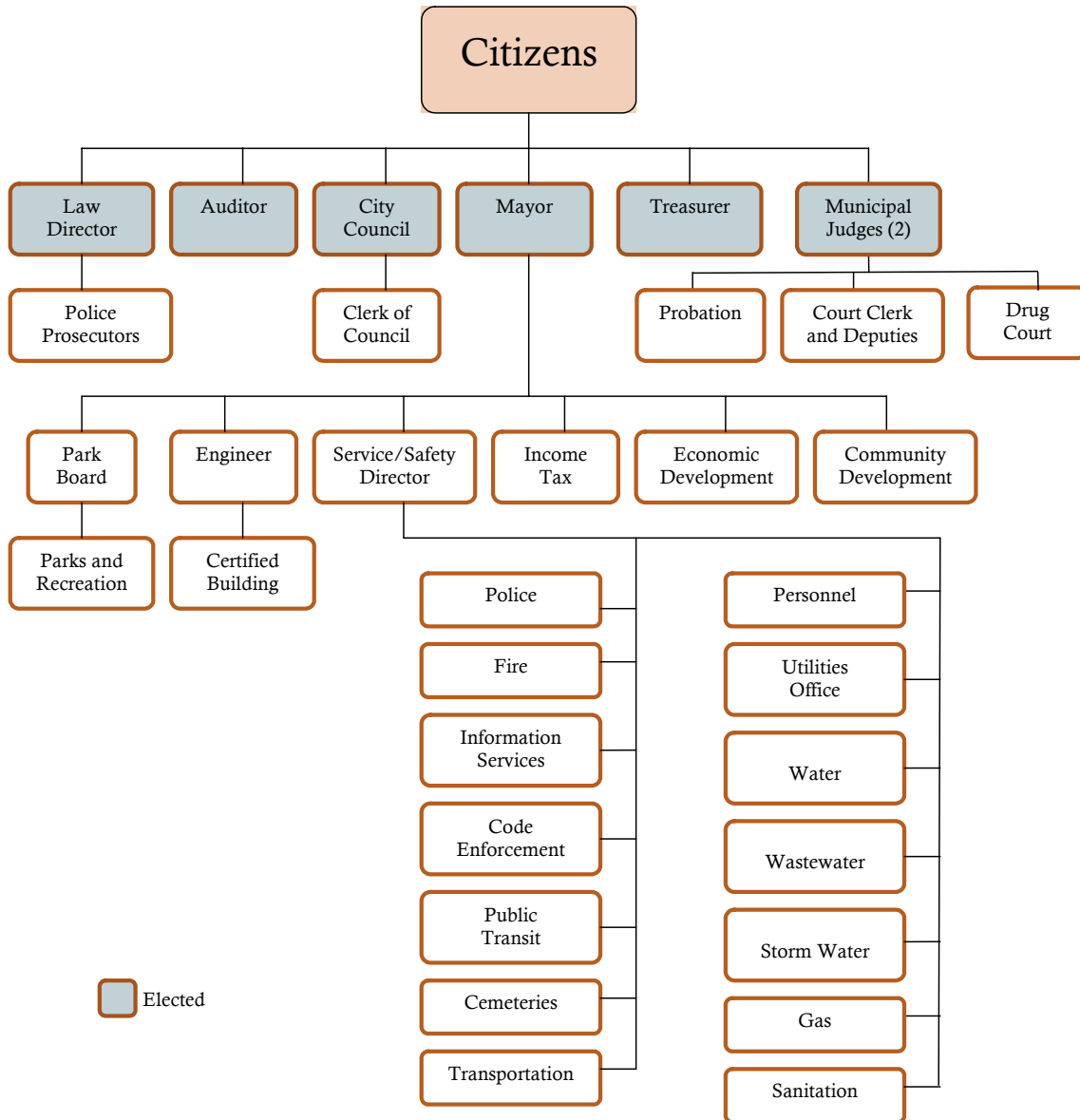
CITY OF LANCASTER, OHIO

***List of Principal Officials
For the Year Ended December 31, 2008***

<u><i>Name</i></u>	<u><i>Title</i></u>
<i>Executive Officials</i>	
David Smith	Mayor
Mary F. Green	Auditor
Terre Vandervoort	Law Director
Robert Wolfinger	Treasurer
<i>Legislative Officials</i>	
Kenneth Culver	President of Council
Greg Russell	Council-at-Large
Steven F. Jackson	Council-at-Large
Robert Hedges	Council-at-Large
Melody Bobbitt	Council - 1st Ward
John Zekas	Council - 2nd Ward
Ann Kitsmiller	Council - 3rd Ward
Tom Stoughton	Council - 4th Ward
Harry Hiles	Council - 5th Ward
Rudy Touvell	Council - 6th Ward
<i>Administrative Officials</i>	
Michael Courtney	Service/Safety Director
James Loffree	Income Tax Commissioner
Brad W. Fagrell	City Engineer

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

**City Organizational Chart
For the Year Ended December 31, 2008**



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Lancaster
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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.

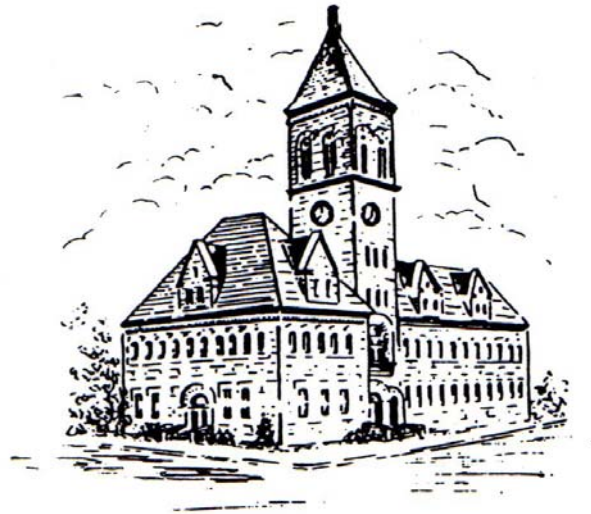


A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos", is written above the title "Executive Director".

Executive Director



FINANCIAL SECTION





Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Lancaster
Fairfield County
104 East Main Street
Lancaster, Ohio 43130

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster, Fairfield County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Fairfield County, Ohio, as of December 31, 2008, 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 June 19, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City'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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 19, 2009

The discussion and analysis of the City of Lancaster's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2008 are as follows:

- ❑ In total, net assets increased \$2,112,161. Net assets of governmental activities increased \$1,924,764 which represents a 5.1% increase from 2007. Net assets of business-type activities increased \$187,397 or 0.3% from 2007.
- ❑ General revenues accounted for \$24,836,126 in revenue or 28.2% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$63,141,552, 71.8% of total revenues of \$87,977,678.
- ❑ The City had \$34,721,772 in expenses related to governmental activities; only \$13,238,550 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$24,836,126 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$25,265,022 in revenues and other financing sources and \$25,897,072 in expenditures and other financing uses. The general fund's fund balance decreased from \$4,050,905 to \$3,423,745.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2008 compared to 2007:

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	Restated 2007	2008	2007	2008	Restated 2007
Current and other assets	\$24,822,989	\$24,803,927	\$50,132,098	\$45,034,372	\$74,955,087	\$69,838,299
Capital assets, Net	39,265,435	38,321,058	95,292,439	91,339,159	134,557,874	129,660,217
Total assets	64,088,424	63,124,985	145,424,537	136,373,531	209,512,961	199,498,516
Long-term debt outstanding	11,319,061	13,294,921	74,004,196	55,811,787	85,323,257	69,106,708
Other liabilities	12,825,188	11,810,653	5,395,688	14,724,488	18,220,876	26,535,141
Total liabilities	24,144,249	25,105,574	79,399,884	70,536,275	103,544,133	95,641,849
Net assets						
Invested in capital assets, net of related debt	28,508,541	25,645,197	37,984,626	33,974,969	66,493,167	59,620,166
Restricted	8,564,799	9,988,647	2,561,847	1,051,465	11,126,646	11,040,112
Unrestricted	2,870,835	2,385,567	25,478,180	30,810,822	28,349,015	33,196,389
Total net assets	\$39,944,175	\$38,019,411	\$66,024,653	\$65,837,256	\$105,968,828	\$103,856,667

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CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2008 compared to 2007:

	Governmental		Business-type		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services and Sales	\$5,732,462	\$6,034,871	\$48,562,518	\$45,678,350	\$54,294,980	\$51,713,221
Operating Grants and Contributions	6,257,136	5,641,639	0	0	6,257,136	5,641,639
Capital Grants and Contributions	1,248,952	2,965,310	1,340,484	1,945,692	2,589,436	4,911,002
Total Program Revenues	13,238,550	14,641,820	49,903,002	47,624,042	63,141,552	62,265,862
General Revenues:						
Property Taxes	2,329,826	2,468,528	0	0	2,329,826	2,468,528
Income Taxes	17,366,985	16,129,114	0	0	17,366,985	16,129,114
Other Local Taxes	577,976	550,548	0	0	577,976	550,548
Intergovernmental Revenues						
not Restricted to Specific Programs	3,170,617	3,048,567	0	0	3,170,617	3,048,567
Investment Earnings	802,558	1,352,560	0	0	802,558	1,352,560
Miscellaneous	588,164	1,117,099	0	0	588,164	1,117,099
Total General Revenues	24,836,126	24,666,416	0	0	24,836,126	24,666,416
Total Revenues	38,074,676	39,308,236	49,903,002	47,624,042	87,977,678	86,932,278
Program Expenses						
Security of Persons and Property	18,208,576	16,857,036	0	0	18,208,576	16,857,036
Public Health and Welfare Services	913,831	889,715	0	0	913,831	889,715
Leisure Time Activities	1,703,779	2,278,778	0	0	1,703,779	2,278,778
Community Environment	921,428	670,861	0	0	921,428	670,861
Transportation	4,540,208	5,109,759	0	0	4,540,208	5,109,759
General Government	7,903,080	9,709,530	0	0	7,903,080	9,709,530
Interest and Fiscal Charges	530,870	474,299	0	0	530,870	474,299
Gas	0	0	29,486,089	23,856,601	29,486,089	23,856,601
Water	0	0	9,024,527	8,508,514	9,024,527	8,508,514
Water Pollution	0	0	8,085,696	7,387,509	8,085,696	7,387,509
Sanitation	0	0	3,364,602	3,149,630	3,364,602	3,149,630
Storm Water	0	0	1,624,711	1,797,201	1,624,711	1,797,201
Total Expenses	34,721,772	35,989,978	51,585,625	44,699,455	86,307,397	80,689,433
Change in Net Assets before transfers and special items	3,352,904	3,318,258	(1,682,623)	2,924,587	1,670,281	6,242,845
Special Item	0	0	441,880	0	441,880	0
Transfers	(1,428,140)	68,000	1,428,140	(68,000)	0	0
Total Change in Net Assets	1,924,764	3,386,258	187,397	2,856,587	2,112,161	6,242,845
Beginning Net Assets, Restated	38,019,411	34,633,153	65,837,256	62,980,669	103,856,667	97,613,822
Ending Net Assets	\$39,944,175	\$38,019,411	\$66,024,653	\$65,837,256	\$105,968,828	\$103,856,667

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

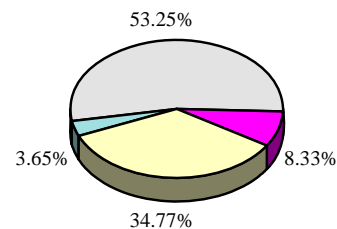
Governmental Activities

Net assets of the City's governmental activities increased by \$1,924,764. The increase in net assets is a result of an increase in capital assets, specifically streets donated by developers.

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

Income taxes and property taxes made up 45.6% and 6.1% respectively of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 53.25% of total revenues from general tax revenues:

Revenue Sources	2008	Percent of Total
General Tax Revenues	\$20,274,787	53.25%
Unrestricted Intergovernmental	3,170,617	8.33%
Program Revenues	13,238,550	34.77%
General Other	1,390,722	3.65%
Total Revenue	\$38,074,676	100.00%



Business-Type Activities

Net assets of the business type activities increased by \$187,397. This increase was the result of an increase in infrastructure from developer donated water, sewer and storm water lines, offset by increased costs for the purchase of gas.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$4,151,703, which is a decrease from last year's balance of \$6,229,187. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 and 2007:

	Fund Balance December 31, 2008	Fund Balance December 31, 2007	Increase (Decrease)
General	\$3,423,745	\$4,050,905	(\$627,160)
Ety Road TIF Project	(4,520,117)	(4,146,275)	(373,842)
Other Governmental	5,248,075	6,324,557	(1,076,482)
Total	\$4,151,703	\$6,229,187	(\$2,077,484)

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

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

	2008	2007	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$17,486,738	\$16,680,031	\$806,707
Intergovernmental Revenue	3,013,978	2,891,129	122,849
Charges for Services	2,732,056	2,608,724	123,332
Licenses, Permits, and Fees	22,442	25,359	(2,917)
Investment Earnings	788,258	1,201,418	(413,160)
Fines and Forfeitures	757,148	757,321	(173)
All Other Revenue	353,608	610,856	(257,248)
Total	<u>\$25,154,228</u>	<u>\$24,774,838</u>	<u>\$379,390</u>

General Fund revenues in 2008 increased approximately 1.5% compared to revenues in 2007. The increase in tax revenues is the result of more taxes received during the period of availability in 2008. Investment earnings decreased as a result of declining interest rates during 2008 compared to 2007.

	2008	2007	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$17,218,892	\$16,055,662	\$1,163,230
Public Health and Welfare Services	274,426	294,822	(20,396)
Community Environment	150,977	115,262	35,715
General Government	6,723,951	6,963,458	(239,507)
Debt Service:			
Principal Retirement	31,247	0	31,247
Interest and Fiscal Charges	12,910	0	12,910
Total	<u>\$24,412,403</u>	<u>\$23,429,204</u>	<u>\$983,199</u>

General Fund expenditures increased by \$983,199 or 4.2% compared to the prior year primarily due to increased salaries and wages, and the addition of fire personnel. General Government expenditures decreased due to a decrease in workers' compensation premiums paid to the State.

Ety Road TIF Project Fund – The fund balance decreased because the City spent additional note proceeds on improvements to Ety Road.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of 2008, the City amended its General Fund budget several times. The increase in the final budget was insignificant. The positive variance with the final budget of \$2,505,373 was the result of expectations of hiring additional police and fire personnel which did not materialize.

For the General Fund, final budget basis revenue of \$27,162,240 increased by approximately \$825,000 over the original budget estimates of \$26,336,256 as a result of higher than expected receipts of grant monies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the City had \$134,557,874 net of accumulated depreciation invested in buildings, equipment and vehicles. Of this total, \$39,265,435 was related to governmental activities and \$95,292,439 to the business-type activities. The following table shows 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$17,229,226	\$15,815,108	\$1,414,118
Buildings	6,655,115	6,455,749	199,366
Improvements Other than Buildings	5,829,914	5,834,005	(4,091)
Infrastructure	20,093,289	17,551,178	2,542,111
Vehicles	6,319,992	5,788,728	531,264
Machinery and Equipment	4,779,458	4,654,934	124,524
Construction In Progress	1,734,309	4,194,271	(2,459,962)
Less: Accumulated Depreciation	(23,375,868)	(21,972,915)	(1,402,953)
Totals	<u>\$39,265,435</u>	<u>\$38,321,058</u>	<u>\$944,377</u>

The primary increases occurred in land and infrastructure, which was the result of land and streets donated by developers. Construction in Progress decreased as a result of the completion of the Ety Road improvement project.

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

	Business-Type Activities		Increase (Decrease)
	2008	2007	
Land	\$3,219,477	\$2,971,840	\$247,637
Buildings	34,601,783	34,601,783	0
Improvements	32,366,876	32,000,006	366,870
Infrastructure	70,602,503	59,089,235	11,513,268
Vehicles	3,894,861	3,521,335	373,526
Machinery and Equipment	11,046,131	10,831,673	214,458
Construction in Progress	7,036,638	10,686,879	(3,650,241)
Less: Accumulated Depreciation	(67,475,830)	(62,363,592)	(5,112,238)
Totals	<u>\$95,292,439</u>	<u>\$91,339,159</u>	<u>\$3,953,280</u>

Business type capital assets increased by \$3,953,280. The additions to infrastructure include approximately \$2.7 million in water and sanitary sewer lines and storm drainage systems donated by developers and governmental activities, as well as the completion of the Lake Allen sewer separation project. The decrease in construction in progress is the completion of the Lake Allen/Maple sewer separation project. Additional information on the City's capital assets can be found in Note 9.

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**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

Debt

At December 31, 2008, the City had \$3,500,000 in general obligation bonds outstanding, \$165,000 due within one year; \$33,384,585 in revenue bonds outstanding, \$885,000 due within one year; and \$36,365,393 in Ohio Water Development Authority Loans outstanding, \$2,943,115 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General Obligation Bond Payable	\$3,500,000	\$3,660,000
Special Assessment Bond		
with Government Commitment	277,000	292,000
Housing and Urban Development Loan	760,000	850,000
Ohio Public Works Commission Loan	76,076	82,162
State Infrastructure Bank Loan	1,047,292	1,155,949
Compensated Absences	5,016,803	4,742,394
Capital Leases	641,890	859,143
Pollution Remediation Obligation	0	1,653,273
Total Governmental Activities	<u>\$11,319,061</u>	<u>\$13,294,921</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$36,365,393	\$39,171,688
Revenue Bonds Payable	33,384,585	12,476,503
Landfill Postclosure Care Liability	1,696,819	1,809,712
Capital Leases	343,706	425,521
Compensated Absences	2,213,693	1,928,363
Total Business-Type Activities	<u>\$74,004,196</u>	<u>\$55,811,787</u>
Totals	<u><u>\$85,323,257</u></u>	<u><u>\$69,106,708</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2008, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS

Lancaster is home to a diversified community of businesses. The more than 150 manufacturing operations in the area are supported by an equal number of service operations that provide a comprehensive network of support. The City of Lancaster saw an active 2008 retail and commercial year. Retail projects in 2008 included Wal*Mart, Menards, Giant Eagle and Kohl's at the new Ety Point Center as well as several small shops and restaurants.

REQUESTS FOR INFORMATION

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





CITY OF LANCASTER, OHIO

Statement of Net Assets
December 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 3,439,617	\$ 6,443,411	\$ 9,883,028
Investments	5,333,418	25,921,010	31,254,428
Receivables:			
Taxes	6,282,161	0	6,282,161
Accounts	213,365	6,601,316	6,814,681
Intergovernmental	4,568,674	0	4,568,674
Interest	144,630	120,933	265,563
Special Assessments	496,782	0	496,782
Loans	1,577,589	0	1,577,589
Internal Balances	(1,103,250)	1,103,250	0
Inventory of Supplies	306,305	5,970,269	6,276,574
Prepaid Items	3,515,120	37,580	3,552,700
Deferred Charge	0	640,140	640,140
Restricted Assets:			
Cash and Cash Equivalents	0	2,803,290	2,803,290
Cash and Cash Equivalents with Fiscal Agent	48,578	9,818	58,396
Investments	0	481,081	481,081
Capital Assets Not Being Depreciated	18,963,535	10,256,115	29,219,650
Capital Assets Being Depreciated, Net	<u>20,301,900</u>	<u>85,036,324</u>	<u>105,338,224</u>
Total Assets	<u>64,088,424</u>	<u>145,424,537</u>	<u>209,512,961</u>

CITY OF LANCASTER, OHIO

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Accounts Payable	1,235,575	2,077,278	3,312,853
Accrued Wages and Benefits	1,419,486	383,013	1,802,499
Intergovernmental Payable	8,299	9,471	17,770
Claims Payable	433,165	0	433,165
Retainage Payable	0	108,918	108,918
Due to Others	0	132,525	132,525
Unearned Revenue	2,621,300	0	2,621,300
Accrued Interest Payable	85,281	1,292,483	1,377,764
General Obligation Notes Payable	7,022,082	1,392,000	8,414,082
Long Term Liabilities:			
Due within one year	2,093,830	4,475,466	6,569,296
Due in more than one year	9,225,231	69,528,730	78,753,961
Total Liabilities	24,144,249	79,399,884	103,544,133
Net Assets:			
Invested in Capital Assets, Net of Related Debt	28,508,541	37,984,626	66,493,167
Restricted For:			
Streets and Highways	1,549,655	0	1,549,655
Community Development	2,477,138	0	2,477,138
Security of Persons and Property	1,970,569	0	1,970,569
Capital Projects	1,081,857	0	1,081,857
Debt Service	552,381	2,561,847	3,114,228
Perpetual Care, Nonexpendable	933,199	0	933,199
Unrestricted	2,870,835	25,478,180	28,349,015
Total Net Assets	\$ 39,944,175	\$ 66,024,653	\$ 105,968,828

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Activities
For the Year Ended December 31, 2008**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 18,208,576	\$ 2,100,254	\$ 431,510	\$ 0
Public Health and Welfare Services	913,831	233,239	9,659	0
Leisure Time Activities	1,703,779	530,383	449,050	0
Community Environment	921,428	99,804	691,234	0
Transportation	4,540,208	770,556	3,222,827	1,248,952
General Government	7,903,080	1,998,226	1,452,856	0
Interest and Fiscal Charges	530,870	0	0	0
Total Governmental Activities	34,721,772	5,732,462	6,257,136	1,248,952
Business-Type Activities:				
Gas	29,486,089	26,425,358	0	0
Water	9,024,527	8,626,257	0	373,643
Water Pollution	8,085,696	8,194,701	0	441,360
Sanitation	3,364,602	3,570,408	0	0
Storm Water	1,624,711	1,745,794	0	525,481
Total Business-Type Activities	51,585,625	48,562,518	0	1,340,484
Totals	\$ 86,307,397	\$ 54,294,980	\$ 6,257,136	\$ 2,589,436

General Revenues:

Property Taxes Levied for:

General Purposes

Special Purposes

Income Tax

Other Local Taxes

Intergovernmental Revenues not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Special Item - Legal Settlement

Transfers

Total General Revenues, Special Item and Transfers

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (15,676,812)	\$ 0	\$ (15,676,812)
(670,933)	0	(670,933)
(724,346)	0	(724,346)
(130,390)	0	(130,390)
702,127	0	702,127
(4,451,998)	0	(4,451,998)
(530,870)	0	(530,870)
<u>(21,483,222)</u>	<u>0</u>	<u>(21,483,222)</u>
0	(3,060,731)	(3,060,731)
0	(24,627)	(24,627)
0	550,365	550,365
0	205,806	205,806
0	646,564	646,564
<u>0</u>	<u>(1,682,623)</u>	<u>(1,682,623)</u>
<u>(21,483,222)</u>	<u>(1,682,623)</u>	<u>(23,165,845)</u>
1,946,225	0	1,946,225
383,601	0	383,601
17,366,985	0	17,366,985
577,976	0	577,976
3,170,617	0	3,170,617
802,558	0	802,558
588,164	0	588,164
0	441,880	441,880
<u>(1,428,140)</u>	<u>1,428,140</u>	<u>0</u>
<u>23,407,986</u>	<u>1,870,020</u>	<u>25,278,006</u>
1,924,764	187,397	2,112,161
<u>38,019,411</u>	<u>65,837,256</u>	<u>103,856,667</u>
<u>\$ 39,944,175</u>	<u>\$ 66,024,653</u>	<u>\$ 105,968,828</u>

CITY OF LANCASTER, OHIO

**Balance Sheet
Governmental Funds
December 31, 2008**

	General	Ety Road TIF Project	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 74,062	\$ 1,011	\$ 3,123,314	\$ 3,198,387
Investments	2,028,518	150,969	3,153,931	5,333,418
Receivables:				
Taxes	5,484,315	0	797,846	6,282,161
Accounts	182,330	0	31,035	213,365
Intergovernmental	1,658,507	0	2,910,167	4,568,674
Interest	135,134	774	8,722	144,630
Special Assessments	0	0	496,782	496,782
Loans	0	0	1,577,589	1,577,589
Due from Other Funds	31,508	0	0	31,508
Inventory of Supplies	152,944	0	150,591	303,535
Prepaid Items	41,535	0	11,843	53,378
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	48,578	0	0	48,578
Total Assets	\$ 9,837,431	\$ 152,754	\$ 12,261,820	\$ 22,252,005
Liabilities:				
Accounts Payable	\$ 115,997	\$ 2,353	\$ 1,113,768	\$ 1,232,118
Accrued Wages and Benefits Payable	1,221,609	0	174,953	1,396,562
Intergovernmental Payable	8,144	0	155	8,299
Interfund Loans Payable	0	0	150,000	150,000
Deferred Revenue	4,857,308	304	3,390,478	8,248,090
Accrued Interest Payable	5,628	24,232	13,291	43,151
General Obligation Notes Payable	205,000	4,645,982	2,171,100	7,022,082
Total Liabilities	6,413,686	4,672,871	7,013,745	18,100,302
Fund Balances:				
Reserved for Encumbrances	75,383	0	23,552	98,935
Reserved for Prepaid Items	41,535	0	11,843	53,378
Reserved for Supplies Inventory	152,944	0	150,591	303,535
Reserved for Debt Service	0	0	104,385	104,385
Reserved for Loans Receivable	0	0	1,577,589	1,577,589
Reserved for Perpetual Care	0	0	933,199	933,199
Unreserved, Undesignated in:				
General Fund	3,153,883	0	0	3,153,883
Special Revenue Funds	0	0	3,670,910	3,670,910
Capital Projects Funds	0	(4,520,117)	(1,223,994)	(5,744,111)
Total Fund Balances	3,423,745	(4,520,117)	5,248,075	4,151,703
Total Liabilities and Fund Balances	\$ 9,837,431	\$ 152,754	\$ 12,261,820	\$ 22,252,005

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2008***

Total Governmental Fund Balances		\$ 4,151,703
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		39,047,766
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		5,626,790
Internal Service Funds are used by management to charge the costs of insurance, information services and electrical services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		2,382,226
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Housing and Urban Development Loan Payable	(760,000)	
Special Assessment Bonds Payable	(277,000)	
Ohio Public Works Commission Loans Payable	(76,076)	
General Obligation Bonds Payable	(3,500,000)	
State Infrastructure Bank Loan Payable	(1,047,292)	
Capital Leases Payable	(641,890)	
Compensated Absences Payable	(4,919,922)	
Accrued Interest Payable	(42,130)	
		<u>(11,264,310)</u>
<i>Net Assets of Governmental Activities</i>		<u>\$ 39,944,175</u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008**

	General	Ety Road TIF Project	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 17,486,738	\$ 0	\$ 2,163,429	\$ 19,650,167
Intergovernmental Revenues	3,013,978	0	5,174,179	8,188,157
Charges for Services	2,732,056	0	1,613,023	4,345,079
Licenses, Permits and Fees	22,442	0	1,920	24,362
Investment Earnings	788,258	16,365	60,363	864,986
Special Assessments	0	0	137,351	137,351
Fines and Forfeitures	757,148	0	876,784	1,633,932
All Other Revenue	353,608	123,489	235,585	712,682
Total Revenue	25,154,228	139,854	10,262,634	35,556,716
Expenditures:				
Current:				
Security of Persons and Property	17,218,892	0	606,404	17,825,296
Public Health and Welfare Services	274,426	0	672,906	947,332
Leisure Time Activities	0	0	2,138,133	2,138,133
Community Environment	150,977	0	788,016	938,993
Transportation	0	0	4,126,802	4,126,802
General Government	6,723,951	0	943,525	7,667,476
Capital Outlay	0	324,646	2,848,152	3,172,798
Debt Service:				
Principal Retirement	31,247	0	1,108,496	1,139,743
Interest and Fiscal Charges	12,910	189,050	337,764	539,724
Total Expenditures	24,412,403	513,696	13,570,198	38,496,297
Excess (Deficiency) of Revenues Over Expenditures	741,825	(373,842)	(3,307,564)	(2,939,581)
Other Financing Sources (Uses):				
Department of Housing and Urban Development Loan	0	0	760,000	760,000
Transfers In	0	0	1,762,994	1,762,994
Transfers Out	(1,484,669)	0	(302,319)	(1,786,988)
Other Financing Source - Capital Lease	110,794	0	15,615	126,409
Total Other Financing Sources (Uses)	(1,373,875)	0	2,236,290	862,415
Net Change in Fund Balances	(632,050)	(373,842)	(1,071,274)	(2,077,166)
Fund Balances at Beginning of Year	4,050,905	(4,146,275)	6,324,557	6,229,187
Increase (Decrease) in Inventory Reserve	4,890	0	(5,208)	(318)
Fund Balances End of Year	\$ 3,423,745	\$ (4,520,117)	\$ 5,248,075	\$ 4,151,703

See accompanying notes to the basic financial statements

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2008***

Net Change in Fund Balances - Total Governmental Funds \$ (2,077,166)

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

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

Capital Outlay	2,770,644	
Depreciation Expense	<u>(1,656,324)</u>	1,114,320

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

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,248,952	
---	-----------	--

The statement of activities reports transfers arising from the contribution of capital assets to the enterprise funds. Conversely, the governmental funds do not report any flow of current financial resources.	(1,446,346)	
--	-------------	--

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(20,448)</u>	(217,842)
--	-----------------	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,269,008
--	--	-----------

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

Housing and Urban Development Loan	(760,000)	
Capital Leases	<u>(126,409)</u>	(886,409)

(Continued)

CITY OF LANCASTER, OHIO

**Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2008**

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

Housing and Urban Development Loan Payable	850,000	
Special Assessment Bonds Payable	15,000	
Ohio Public Works Commission Loans Payable	6,086	
General Obligation Bonds Payable	160,000	
State Infrastructure Bank Loan Payable	108,657	
Capital Leases Payable	343,662	
Pollution Remediation Obligation	<u>1,653,273</u>	3,136,678

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 8,854

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

Compensated Absences	(266,919)	
Change in Inventory	<u>(318)</u>	(267,237)

Internal Service Funds used by management to charge the costs of insurance information services and electrical services to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities. (155,442)

Change in Net Assets of Governmental Activities \$ 1,924,764

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 17,404,440	\$ 17,309,649	\$ 17,201,596	\$ (108,053)
Intergovernmental Revenue	3,097,616	2,855,988	2,975,835	119,847
Charges for Services	3,543,400	3,418,482	3,610,066	191,584
Licenses, Permits and Fees	200,000	30,000	22,267	(7,733)
Investment Earnings	950,000	534,964	781,902	246,938
Fines and Forfeitures	892,000	604,000	702,500	98,500
All Other Revenues	248,800	2,409,157	337,648	(2,071,509)
Total Revenues	<u>26,336,256</u>	<u>27,162,240</u>	<u>25,631,814</u>	<u>(1,530,426)</u>
Expenditures:				
Current:				
Security of Persons and Property	18,022,298	18,307,948	17,123,564	1,184,384
Public Health and Welfare Services	287,284	287,284	274,426	12,858
Community Environment	159,174	159,174	147,433	11,741
General Government	8,218,380	8,946,048	7,756,107	1,189,941
Debt Service:				
Principal Retirement	452,937	322,748	222,747	100,001
Interest and Fiscal Charges	211,945	66,525	60,077	6,448
Total Expenditures	<u>27,352,018</u>	<u>28,089,727</u>	<u>25,584,354</u>	<u>2,505,373</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,015,762)	(927,487)	47,460	974,947
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	205,000	205,000	0
Transfers In	33,914	33,914	0	(33,914)
Transfers Out	(792,428)	(1,255,374)	(1,240,374)	15,000
Advances In	180,000	180,000	80,000	(100,000)
Advances Out	0	(45,000)	(45,000)	0
Total Other Financing Sources (Uses):	<u>(578,514)</u>	<u>(881,460)</u>	<u>(1,000,374)</u>	<u>(118,914)</u>
Net Change in Fund Balance	(1,594,276)	(1,808,947)	(952,914)	856,033
Fund Balance at Beginning of Year	2,637,227	2,637,227	2,637,227	0
Prior Year Encumbrances	191,919	191,919	191,919	0
Fund Balance at End of Year	<u>\$ 1,234,870</u>	<u>\$ 1,020,199</u>	<u>\$ 1,876,232</u>	<u>\$ 856,033</u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 2,509,497	\$ 53,583	\$ 64,195
Investments	0	8,000,714	17,920,296
Accounts receivable	4,436,953	874,258	801,607
Interest receivable	0	34,099	56,320
Interfund Loans Receivable	0	150,000	0
Inventory of Supplies	4,856,442	999,864	24,316
Prepaid Items	12,143	12,992	9,663
Total current assets	<u>11,815,035</u>	<u>10,125,510</u>	<u>18,876,397</u>
Noncurrent assets:			
Restricted Assets:			
Cash and Cash Equivalents	96,737	743,380	1,963,173
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Investments	0	0	0
Total restricted assets	<u>96,737</u>	<u>743,380</u>	<u>1,963,173</u>
Deferred Charges	0	152,366	487,774
Capital assets:			
Capital Assets Not Being Depreciated	310,742	2,248,749	5,564,076
Capital Assets Being Depreciated	<u>6,490,093</u>	<u>37,549,409</u>	<u>29,924,191</u>
Total capital assets (net of accumulated depreciation)	<u>6,800,835</u>	<u>39,798,158</u>	<u>35,488,267</u>
Total noncurrent assets	<u>6,897,572</u>	<u>40,693,904</u>	<u>37,939,214</u>
Total assets	<u>18,712,607</u>	<u>50,819,414</u>	<u>56,815,611</u>

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Total	Internal Service Funds
\$ 2,565,235	\$ 920,666	\$ 6,113,176	\$ 571,465
0	0	25,921,010	0
355,292	133,206	6,601,316	0
30,514	0	120,933	0
0	0	150,000	0
47,745	150	5,928,517	44,522
2,218	0	37,016	3,462,306
<u>3,001,004</u>	<u>1,054,022</u>	<u>44,871,968</u>	<u>4,078,293</u>
0	0	2,803,290	0
0	9,818	9,818	0
481,081	0	481,081	0
<u>481,081</u>	<u>9,818</u>	<u>3,294,189</u>	<u>0</u>
0	0	640,140	0
105,120	2,027,428	10,256,115	22,417
<u>1,268,295</u>	<u>9,711,630</u>	<u>84,943,618</u>	<u>287,958</u>
<u>1,373,415</u>	<u>11,739,058</u>	<u>95,199,733</u>	<u>310,375</u>
<u>1,854,496</u>	<u>11,748,876</u>	<u>99,134,062</u>	<u>310,375</u>
<u>4,855,500</u>	<u>12,802,898</u>	<u>144,006,030</u>	<u>4,388,668</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
LIABILITIES			
Current liabilities:			
Accounts Payable	1,650,949	254,293	63,392
Accrued Wages and Benefits	64,961	131,579	66,006
Intergovernmental Payable	0	0	0
Claims Payable	0	0	0
Retainage Payable	0	108,918	0
Due to Others	96,737	17,894	17,894
Due to Other Funds	0	0	0
Accrued Interest Payable	0	444,887	791,812
General Obligation Notes Payable	0	0	0
Capital Leases Payable - Current	0	5,138	0
Revenue Bond Payable - Current	0	225,000	660,000
OWDA Loans Payable - Current	0	1,133,214	1,612,511
Landfill Postclosure Care Liability - Current	0	0	0
Compensated Absences Payable - Current	75,328	178,520	90,610
Total Current Liabilities	1,887,975	2,499,443	3,302,225
Noncurrent Liabilities:			
Capital Leases Payable	0	0	0
Revenue Bonds Payable	0	7,252,300	25,247,285
OWDA Loans Payable	0	20,043,220	11,210,154
Landfill Postclosure Care Liability	0	0	0
Compensated Absences Payable	298,324	490,442	363,487
Total noncurrent liabilities	298,324	27,785,962	36,820,926
Total Liabilities	2,186,299	30,285,405	40,123,151
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,800,835	11,367,351	8,332,011
Restricted for Debt Service	0	616,568	1,945,279
Unrestricted	9,725,473	8,550,090	6,415,170
Total Net Assets	\$ 16,526,308	\$ 20,534,009	\$ 16,692,460

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

Total Net Assets of Business Type Activities
See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
72,983	15,908	2,057,525	23,210
57,610	9,185	329,341	76,596
9,471	0	9,471	0
0	0	0	433,165
0	0	108,918	0
0	0	132,525	0
31,508	0	31,508	0
47,089	8,695	1,292,483	0
0	1,392,000	1,392,000	0
0	74,933	80,071	1,921
0	0	885,000	0
197,390	0	2,943,115	0
78,600	0	78,600	0
62,676	10,732	417,866	93,703
<u>557,327</u>	<u>1,511,453</u>	<u>9,758,423</u>	<u>628,595</u>
0	261,714	261,714	0
0	0	32,499,585	0
2,168,904	0	33,422,278	0
1,618,219	0	1,618,219	0
221,391	7,866	1,381,510	417,495
<u>4,008,514</u>	<u>269,580</u>	<u>69,183,306</u>	<u>417,495</u>
<u>4,565,841</u>	<u>1,781,033</u>	<u>78,941,729</u>	<u>1,046,090</u>
1,373,415	10,020,229	37,893,841	308,454
0	0	2,561,847	0
(1,083,756)	1,001,636	24,608,613	3,034,124
<u>\$ 289,659</u>	<u>\$ 11,021,865</u>	<u>\$ 65,064,301</u>	<u>\$ 3,342,578</u>

960,352
\$ 66,024,653

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
Operating Revenues:			
Charges for Services	\$ 26,294,048	\$ 8,395,944	\$ 7,891,333
Other Operating Revenues	131,310	5,969	2,993
Total Operating Revenues	26,425,358	8,401,913	7,894,326
Operating Expenses:			
Personal Services	1,333,422	2,924,920	1,582,046
Contractual Services	1,274,382	1,375,150	1,887,487
Materials and Supplies	26,341,183	1,414,838	634,091
Depreciation	494,540	2,050,772	2,392,268
Total Operating Expenses	29,443,527	7,765,680	6,495,892
Operating Income (Loss)	(3,018,169)	636,233	1,398,434
Non-Operating Revenue (Expenses):			
Interest Income	0	224,344	300,375
Interest and Fiscal Charges	0	(1,200,498)	(1,548,540)
Loss on Disposal of Capital Assets	(1,593)	(859)	(1,293)
Intergovernmental Grants	0	0	6,953
Total Non-Operating Revenues (Expenses)	(1,593)	(977,013)	(1,242,505)
Income (Loss) Before Contributions, Special Item, and Transfers	(3,019,762)	(340,780)	155,929
Capital Contributions	0	705,878	670,576
Special Item - Legal Settlement	0	441,880	0
Transfers In	0	0	0
Transfers Out	(12,656)	(1,850)	(1,850)
Change in Net Assets	(3,032,418)	805,128	824,655
Net Assets Beginning of Year	19,558,726	19,728,881	15,867,805
Net Assets End of Year	\$ 16,526,308	\$ 20,534,009	\$ 16,692,460

Change in Net Assets of Enterprise Funds

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

Change in Net Assets of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Total	Internal Service Funds
\$ 3,545,965	\$ 1,745,239	\$ 47,872,529	\$ 8,106,980
3,714	555	144,541	9,292
<u>3,549,679</u>	<u>1,745,794</u>	<u>48,017,070</u>	<u>8,116,272</u>
1,477,970	222,366	7,540,724	7,869,920
1,237,206	1,062,783	6,837,008	378,205
324,062	110,189	28,824,363	188,238
201,093	177,101	5,315,774	53,621
<u>3,240,331</u>	<u>1,572,439</u>	<u>48,517,869</u>	<u>8,489,984</u>
309,348	173,355	(500,799)	(373,712)
20,729	0	545,448	0
(96,238)	(41,239)	(2,886,515)	0
0	0	(3,745)	(1,426)
0	40,643	47,596	0
<u>(75,509)</u>	<u>(596)</u>	<u>(2,297,216)</u>	<u>(1,426)</u>
233,839	172,759	(2,798,015)	(375,138)
0	1,362,780	2,739,234	0
0	0	441,880	0
0	0	0	42,200
<u>(1,850)</u>	<u>0</u>	<u>(18,206)</u>	<u>0</u>
231,989	1,535,539	364,893	(332,938)
57,670	9,486,326	64,699,408	3,675,516
<u>\$ 289,659</u>	<u>\$ 11,021,865</u>	<u>\$ 65,064,301</u>	<u>\$ 3,342,578</u>
		\$ 364,893	
		(177,496)	
		<u>\$ 187,397</u>	

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$25,551,747	\$8,378,920	\$7,895,166
Cash Payments for Goods and Services	(27,023,558)	(2,631,637)	(2,538,156)
Cash Payments to and on behalf of Employees	(1,279,896)	(2,852,790)	(1,505,857)
Customer Deposits Received	118,338	21,885	21,885
Customer Deposits Returned	(121,782)	(22,521)	(22,521)
Net Cash Provided (Used) for Operating Activities	<u>(2,755,151)</u>	<u>2,893,857</u>	<u>3,850,517</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Interfund Loan	(1,225,000)	(150,000)	0
Receipt of Interfund Loan Repayment	1,450,000	0	0
Transfers In from Other Funds	0	0	0
Transfers Out to Other Funds	(12,656)	(1,850)	(1,850)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>212,344</u>	<u>(151,850)</u>	<u>(1,850)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Intergovernmental Grants Received	0	0	6,953
Proceeds from Mortgage Revenue Bonds	0	0	20,871,589
Proceeds from General Obligation Notes	0	0	7,700,000
Proceeds from Legal Settlement	0	441,880	0
Acquisition and Construction of Assets	(864,532)	(2,771,948)	(2,929,160)
Principal Paid on General Obligation Notes	0	0	(16,025,000)
Capital Lease Payments	0	(8,068)	0
Principal Paid on General Obligation Bonds	0	(215,000)	(135,000)
Principal Paid on Ohio Water Development Authority Loans	0	(1,081,935)	(1,534,748)
Interest Paid on All Debt	0	(1,220,155)	(1,437,566)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(864,532)</u>	<u>(4,855,226)</u>	<u>6,517,068</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	0	(679,328)	(11,235,071)
Receipt of Investment Earnings	0	236,223	285,933
Net Cash Used for Investing Activities	<u>0</u>	<u>(443,105)</u>	<u>(10,949,138)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,407,339)	(2,556,324)	(583,403)
Cash and Cash Equivalents at Beginning of Year	6,013,573	3,353,287	2,610,771
Cash and Cash Equivalents at End of Year	<u>\$2,606,234</u>	<u>\$796,963</u>	<u>\$2,027,368</u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$2,509,497	\$53,583	\$64,195
Restricted Cash and Cash Equivalents	96,737	743,380	1,963,173
Restricted Cash with Fiscal Agent	0	0	0
Cash and Cash Equivalents at End of Year	<u>\$2,606,234</u>	<u>\$796,963</u>	<u>\$2,027,368</u>

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Totals	Internal Service Funds
\$3,544,772	\$1,756,562	\$47,127,167	\$8,116,722
(1,707,683)	(1,174,260)	(35,075,294)	(569,211)
(1,408,788)	(212,730)	(7,260,061)	(7,478,425)
0	0	162,108	0
0	0	(166,824)	0
<u>428,301</u>	<u>369,572</u>	<u>4,787,096</u>	<u>69,086</u>
0	0	(1,375,000)	0
0	0	1,450,000	0
0	0	0	42,200
(1,850)	0	(18,206)	0
<u>(1,850)</u>	<u>0</u>	<u>56,794</u>	<u>42,200</u>
0	40,643	47,596	0
0	0	20,871,589	0
0	2,784,000	10,484,000	0
0	0	441,880	0
(8,175)	(517,052)	(7,090,867)	(134,212)
0	(2,938,000)	(18,963,000)	0
0	(71,434)	(79,502)	(2,313)
0	0	(350,000)	0
(189,612)	0	(2,806,295)	0
(100,012)	(80,877)	(2,838,610)	0
<u>(297,799)</u>	<u>(782,720)</u>	<u>(283,209)</u>	<u>(136,525)</u>
0	0	(11,914,399)	0
0	0	522,156	0
0	0	(11,392,243)	0
128,652	(413,148)	(6,831,562)	(25,239)
<u>2,436,583</u>	<u>1,343,632</u>	<u>15,757,846</u>	<u>596,704</u>
<u>\$2,565,235</u>	<u>\$930,484</u>	<u>\$8,926,284</u>	<u>\$571,465</u>
\$2,565,235	\$920,666	\$6,113,176	\$571,465
0	0	2,803,290	0
0	9,818	9,818	0
<u>\$2,565,235</u>	<u>\$930,484</u>	<u>\$8,926,284</u>	<u>\$571,465</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008**

	Business-Type Activities Enterprise Funds		
	Gas	Water	Water Pollution
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) for Operating Activities:</u>			
Operating Income (Loss)	(\$3,018,169)	\$636,233	\$1,398,434
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:			
Depreciation Expense	494,540	2,050,772	2,392,268
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(873,611)	(22,993)	840
(Increase) Decrease in Inventory	997,388	81,429	(9,345)
(Increase) Decrease in Prepaid Items	(1,089)	579	(178)
Increase (Decrease) in Accounts Payable	(404,210)	75,305	(7,025)
Increase in Accrued Wages and Benefits	5,921	16,912	6,632
Decrease in Due to Other Funds	0	0	0
Decrease in Intergovernmental Payable	0	0	0
Decrease in Customer Deposits	(3,444)	(636)	(636)
Decrease in Landfill Postclosure Care Liability	0	0	0
Increase in Compensated Absences	47,523	56,256	69,527
Increase in Claims Payable	0	0	0
Total Adjustments	<u>263,018</u>	<u>2,257,624</u>	<u>2,452,083</u>
Net Cash Provided (Used) for Operating Activities	<u>(\$2,755,151)</u>	<u>\$2,893,857</u>	<u>\$3,850,517</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2008 the Water, Water Pollution, Storm Water, and Utilities Collection Funds had outstanding liabilities of \$93,755, \$2,553, \$7,304, and \$3,052 respectively for certain capital assets. Bond Issuance costs of \$394,744 were deducted from bond proceeds in the Water Pollution Fund and were capitalized and will be amortized over the debt repayment period.

During 2008 the Water, Water Pollution and Storm Water Funds received capital contributions from developers of \$373,643, \$434,407 and \$484,838 respectively.

During 2008 the Water, Water Pollution and Storm Water Funds received capital contributions from the Ety Road TIF Project Fund of \$332,235 \$236,169 and \$877,942 respectively.

During 2008, the Storm Water Fund entered into capital lease obligations of \$143,182.

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Sanitation</u>	<u>Storm Water</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$309,348	\$173,355	(\$500,799)	(\$373,712)
201,093	177,101	5,315,774	53,621
(4,907)	10,768	(889,903)	450
(17,447)	(150)	1,051,875	8,974
256	0	(432)	(81,912)
9,264	(1,138)	(327,804)	(11,774)
4,590	930	34,985	6,820
(25,347)	0	(25,347)	0
(1,110)	0	(1,110)	0
0	0	(4,716)	0
(112,893)	0	(112,893)	0
65,454	8,706	247,466	45,354
0	0	0	421,265
<u>118,953</u>	<u>196,217</u>	<u>5,287,895</u>	<u>442,798</u>
<u>\$428,301</u>	<u>\$369,572</u>	<u>\$4,787,096</u>	<u>\$69,086</u>

CITY OF LANCASTER, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2008***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 187,358
Due from Other Funds	<u>3,699</u>
Total Assets	<u>191,057</u>
Liabilities:	
Due to Other Funds	3,699
Intergovernmental Payable	3,699
Due to Others	<u>183,659</u>
Total Liabilities	<u>\$ 191,057</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2008 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

The City participates in several Jointly Governed Organizations and an Insurance Pool that are further described in Notes 19 and 20.

B. Basis of Presentation - Fund Accounting

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

Ety Road TIF Project Fund - This fund is used to account for financial resources to be used for Ety Road infrastructure improvements.

The Other Governmental Funds of the City account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

D. Basis of Accounting

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Property taxes measurable as of December 31, 2008 but which are not intended to finance 2008 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

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

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

E. Budgetary Process

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2008.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level (the legal level of control). The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. During 2008, several supplemental appropriations were legally enacted by Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The amounts reported as the original budget amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The budgetary figures which appear on the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$632,050)
Increase (Decrease):	
Accrued Revenues at December 31, 2008 received during 2009	(2,719,312)
Accrued Revenues at December 31, 2007 received during 2008	2,399,911
Accrued Expenditures at December 31, 2008 paid during 2009	1,351,378
Accrued Expenditures at December 31, 2007 paid during 2008	(1,395,046)
2007 Prepays for 2008	44,233
2008 Prepays for 2009	(41,535)
Proceeds of Notes Payable	205,000
Adjustment to Fair Value	(6,661)
Outstanding Encumbrances	<u>(158,832)</u>
Budget Basis	<u><u>(\$952,914)</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. See Note 4, "Cash, Cash Equivalents and Investments."

The City pools its cash, except for that held by fiscal and escrow agents and fiduciary fund cash and investments, for maximum investing efficiency. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

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

The City has invested funds in STAR Ohio during 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2008. See Note 4, "Cash, Cash Equivalents and Investments."

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

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

M. Net Assets

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

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

N. Pensions

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

P. Reservations of Fund Balance

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

Q. Restricted Assets

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

R. Operating Revenues and Expenses

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

S. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." The amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Contributions of Capital

Contributions of capital on the governmental and business type activities and the proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources for capital acquisition or construction.

U. 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.

V. Special Items

Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. During 2008, the City received \$441,880 as a result of a legal settlement with contractors.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

The City implemented GASB Statement No. 45 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*” and GASB Statement No. 50 “*Pension Disclosures*”. Statement No. 45 establishes standards of accounting and financial reporting for Other Postemployment Benefits (OPEB), note disclosures and required supplementary information. Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for (OPEB) and enhances information disclosed in the notes to the financial statements. The application of these new standards did not have an effect on the financial statements, nor did implementation require a restatement of prior year balances.

The City also implemented GASB Statement No. 49 “*Accounting and Financial Reporting for Pollution Remediation Obligations*”. The implementation of Statement No. 49 resulted in the restatement of the net assets at December 31, 2007 for governmental activities as follows:

	<u>Governmental Activities</u>
Net Assets	
December 31, 2007	\$39,672,684
Implementaton of GASB Statement No. 49	<u>(1,653,273)</u>
Restated Net Assets, December 31, 2007	<u><u>\$38,019,411</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2008 of \$760,521, \$763,340 and \$4,520,117 in the Capital Improvement Fund, Fire Capital Improvement Fund and the Ety Road TIF Project Fund (capital projects funds) are the result of recording notes payable amounts in the individual fund balance sheets. The accumulated deficit of \$24,406 in the Utilities Fund (internal service fund) arises from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook account;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Securities lending agreements in which the City lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
- Commercial paper notes, corporate notes and banker's acceptances; and,
- Debt interest rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. The City has no policy on custodial credit risk and is governed by Ohio Revised Code. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$14,030,665 and the bank balance was \$14,309,446. Federal depository insurance covered \$850,000 of the bank balance and \$13,459,446 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$13,459,446</u>
Total Balance	<u><u>\$13,459,446</u></u>

Investment earnings of \$669,907 earned by other funds was credited to the General Fund as required by state statute.

B. Investments

The City's investments at December 31, 2008 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)			
			less than 1	1-3	3-5	more than 5
Repurchase Agreements	\$6,979,773	N/A	\$6,979,773	\$0	\$0	\$0
STAROhio	553,332	AAA ¹	553,332	0	0	0
City of Lancaster Notes Payable	2,376,100	AAA ¹	2,237,600	0	0	0
City of Lancaster Bond Payable	277,000	AAA ¹	15,500	33,500	37,000	191,000
Negotiable CDs	10,595,725	AAA ³	9,095,725	1,500,000	0	0
FNMA ^a	2,849,000	AAA ¹ , Aaa ²	0	0	2,849,000	0
FNMA ^b	1,992,666	AAA ¹ , Aaa ²	0	0	1,992,666	0
FNMA ^c	1,004,060	AAA ¹ , Aaa ²	0	1,004,060	0	0
FHLMC ^d	4,009,260	AAA ¹ , Aaa ²	0	2,004,560	2,004,700	0
Total Investments	<u>\$30,636,916</u>		<u>\$18,881,930</u>	<u>\$4,542,120</u>	<u>\$6,883,366</u>	<u>\$191,000</u>

¹ Standard & Poor's

² Moody's Investor Service

³ All are fully FDIC insured and therefore have an implied AAA credit rating

^a Call Options – Callable one time on November 6, 2009.

^b Call Options – Callable one time on January 4, 2010.

^c These securities were called on February 12, 2009.

^d These securities were called on February 4, 2009.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The City has no policy that limits investment purchases beyond the requirements of the Ohio Revised Code.

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 19.1% are FNMA, and 13.1% are FHLMC.

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	Cash and Cash Equivalents *	Investments
	<u> </u>	<u> </u>
Per Financial Statements	\$12,932,072	\$31,735,509
Certificates of Deposit (with maturities of more than 3 months)	5,631,698	(5,631,698)
Investments:		
STAR Ohio	(553,332)	553,332
Repurchase Agreement (with maturities of less than 3 months)	(3,979,773)	3,979,773
Per GASB Statement No. 3	<u>\$14,030,665</u>	<u>\$30,636,916</u>

* Includes Cash with Fiscal Agent

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2007. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of January 1, 2007. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. The assessment percentage for property, including inventory is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

The full tax rate for the City's operations for the year ended December 31, 2008 was \$3.40 per \$1,000 of assessed value. The assessed value upon which the 2008 property tax receipts were based was \$759,216,664. This amount constitutes \$727,977,180 in real property assessed value, \$17,119,154 in tangible personal property assessed value and \$14,120,330 in public utility property.

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

B. Income Tax

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

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, accounts, net of allowance for doubtful accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues.

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CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 7 – INTERFUND ACCOUNTS

Interfund balances at December 31, 2008 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$31,508	\$0
Enterprise Fund:		
Sanitation	0	31,508
Agency Funds:		
Municipal Court	0	3,699
Law Library	<u>3,699</u>	<u>0</u>
Total Agency Funds	<u>3,699</u>	<u>3,699</u>
Totals	<u>\$35,207</u>	<u>\$35,207</u>
	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Nonmajor Governmental Funds	\$0	\$150,000
Enterprise Fund:		
Water	<u>150,000</u>	<u>0</u>
Totals	<u>\$150,000</u>	<u>\$150,000</u>

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2008 of \$1,103,250 which was offset in the Governmental Activities by the same amount. The Due to Other Funds is a reimbursement of expenditures made by the General Fund. The Interfund Loan is a short-term loan to cover temporary cash deficits.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2008:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$1,484,669
Nonmajor Governmental Funds	1,762,994	302,319
Enterprise Funds:		
Gas Fund	0	12,656
Water Fund	0	1,850
Water Pollution Fund	0	1,850
Sanitation Fund	0	1,850
Internal Service Funds	<u>42,200</u>	<u>0</u>
Total Transfers	<u>\$1,805,194</u>	<u>\$1,805,194</u>

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2008:
Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$15,815,108	\$1,414,118	\$0	\$17,229,226
Construction in Progress	4,194,271	1,722,271	(4,182,233)	1,734,309
Subtotal	20,009,379	3,136,389	(4,182,233)	18,963,535
<i>Capital assets being depreciated:</i>				
Buildings	6,455,749	199,366	0	6,655,115
Improvements Other than Buildings	5,834,005	52,718	(56,809)	5,829,914
Vehicles	5,788,728	709,568	(178,304)	6,319,992
Machinery and Equipment	4,654,934	196,241	(71,717)	4,779,458
Infrastructure	17,551,178	2,542,111	0	20,093,289
Subtotal	40,284,594	3,700,004	(306,830)	43,677,768
Total Cost	\$60,293,973	\$6,836,393	(\$4,489,063)	\$62,641,303
<i>Accumulated Depreciation:</i>				
Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$2,937,043)	(\$147,930)	\$0	(\$3,084,973)
Improvements Other than Buildings	(3,519,882)	(193,256)	42,931	(3,670,207)
Vehicles	(4,591,778)	(410,707)	178,304	(4,824,181)
Machinery and Equipment	(3,254,973)	(324,464)	63,721	(3,515,716)
Infrastructure	(7,669,239)	(611,552)	0	(8,280,791)
Total Depreciation	(\$21,972,915)	(\$1,687,909) *	\$284,956	(\$23,375,868)
<i>Net Value:</i>	\$38,321,058			\$39,265,435

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$380,759)
Leisure Time Activities	(182,288)
Community Environment	(3,822)
Public Health & Welfare	(60,981)
Transportation	(803,106)
General Government	(225,368)
Internal Service Fund Capital Assets	(31,585)
Total Depreciation Expense	(\$1,687,909)

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 9 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Capital assets not being depreciated:				
Land	\$2,971,840	\$247,637	\$0	\$3,219,477
Construction in Progress	10,686,879	3,900,904	(7,551,145)	7,036,638
Subtotal	13,658,719	4,148,541	(7,551,145)	10,256,115
Capital assets being depreciated:				
Buildings	34,601,783	0	0	34,601,783
Improvements	32,000,006	366,870	0	32,366,876
Vehicles	3,521,335	490,672	(117,146)	3,894,861
Machinery and Equipment	10,831,673	326,629	(112,171)	11,046,131
Infrastructure	59,089,235	11,513,268	0	70,602,503
Subtotal	140,044,032	12,697,439	(229,317)	152,512,154
Total Cost	\$153,702,751	\$16,845,980	(\$7,780,462)	\$162,768,269

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$8,870,879)	(\$809,862)	\$0	(\$9,680,741)
Improvements	(20,143,117)	(1,519,958)	0	(21,663,075)
Vehicles	(2,714,427)	(286,469)	117,146	(2,883,750)
Machinery and Equipment	(7,523,682)	(754,953)	108,426	(8,170,209)
Infrastructure	(23,111,487)	(1,966,568)	0	(25,078,055)
Total Depreciation	(\$62,363,592)	(\$5,337,810)	\$225,572	(\$67,475,830)
Net Value:	\$91,339,159			\$95,292,439

Internal service funds serve both governmental and business-type funds. Accordingly, capital assets for them are included as part of the above totals for governmental and business-type funds. At year-end, \$217,669 and \$92,706 of internal service funds capital assets, net of depreciation are included in the respective above amounts. Also, \$31,585 and \$22,036 of depreciation expense for internal service fund are included in the respective above amounts. The Water, Water Pollution, and Storm Water Funds received infrastructure from the Ety Road TIF Project Fund when that project was completed in 2008.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System (“OPERS”)

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

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

Funding Policy - The ORC provides statutory authority for employee and employer contributions. For 2008, the employee rate was 10.0% of covered payroll. The 2008 employer contribution rate for local government employer units was 14.0%, of covered payroll. Employer contribution rates are actuarially determined. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund the postemployment health care plan. For 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board.

The City's required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$930,466, \$1,068,841 and \$1,153,013, respectively, which were equal to the required contributions for each year. Contributions to the MD plan for 2008 were \$23,810, made by the City, of which \$11,905 funded the pension obligation, and \$17,007 made by the plan members. The ORC provides statutory authority for member and employer contributions.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations. While employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Contribution rates are established by state statute. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund the postemployment health care plan. For 2008, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City's contributions to OP&F for the years ending December 31, 2008, 2007, and 2006 were \$508,342, \$476,237 and \$421,740 for police and \$937,328, \$883,415 and \$783,213 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the TP and CO Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The ORC permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

Disclosures for the health care plan are presented separately in the OPERS financial reports. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed at a rate of 14.0% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2008, the employer contribution allocated to fund postemployment health care was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$930,466, \$703,509 and \$563,974, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F postemployment health care plan was established and is administered as an Internal Revenue code 401(h) account within the defined benefit plan, under the authority granted by ORC to the OP&F Board of Trustees. The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund postemployment health care benefits for the years ending December 31, 2008, 2007, and 2006 were \$269,122, \$252,125 and \$278,169 for police and \$374,422, \$352,886 and \$373,532 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 12 - NOTES PAYABLE

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

	Maturity Date	Balance January 1, 2008	Additions	(Reductions)	Balance December 31, 2008
General Fund Notes Payable:					
3.00% Land Acquisition	2/4/2009	0	205,000	0	205,000
Total General Fund Notes Payable		\$0	\$205,000	\$0	\$205,000
Capital Projects Notes Payable:					
3.00% Rising Park Improvement/ Land Acquisition	11/13/2008	\$335,000	\$0	(\$335,000)	\$0
2.00% Rising Park Improvement/ Land Acquisition	11/12/2009	\$0	\$260,000	\$0	\$260,000
3.00% Land Acquisition	12/18/2008	821,100	0	(821,100)	0
3.00% Land Acquisition	12/18/2008	0	400,000	(400,000)	0
3.00% Land Acquisition	12/19/2009	0	1,121,100	0	1,121,100
3.00% Medic Unit	3/13/2008	91,500	0	(91,500)	0
3.00% Aerial Platform	11/13/2008	800,000	0	(800,000)	0
2.00% Aerial Platform	11/12/2009	0	700,000	0	700,000
3.00% Fire House Roof	4/17/2008	190,000	0	(190,000)	0
3.00% Fire House Roof	4/16/2009	0	90,000	0	90,000
4.00% Ety Road TIF	10/16/2008	3,600,000	0	(3,600,000)	0
3.50% Ety Road TIF	10/15/2009	0	3,325,000	0	3,325,000
4.00% Street Improvement 2007B	12/31/2008	1,270,175	0	(1,270,175)	0
3.50% Street Improvement 2008	12/31/2009	0	1,320,982	0	1,320,982
Total Capital Projects Notes Payable		\$7,107,775	\$7,217,082	(\$7,507,775)	\$6,817,082
Enterprise Funds Notes Payable:					
4.05% Upper Hocking WWTP	11/5/2008	\$625,000	\$0	(\$625,000)	\$0
4.09% Lake Allen/Maple Wastewater	3/26/2008	7,700,000	0	(7,700,000)	0
2.15% Lake Allen/Maple Wastewater	9/26/2008	0	7,700,000	(7,700,000)	0
4.09% Lake Allen/Maple Storm Water	3/26/2008	1,546,000	0	(1,546,000)	0
2.15% Lake Allen/Maple Storm Water	9/26/2008	0	1,392,000	(1,392,000)	0
2.38% Lake Allen/Maple Storm Water	9/24/2009	0	1,392,000	0	1,392,000
Total Enterprise Notes Payable		\$9,871,000	\$10,484,000	(\$18,963,000)	\$1,392,000

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2008 were as follows:

	Restated December 31, 2007	Additions	(Reductions)	Balance December 31, 2008	Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority Loans (OWDA):					
2003 2.00%	\$173,587	\$0	(\$5,413)	\$168,174	\$5,521
2001 4.14%	4,486,066	0	(221,012)	4,265,054	230,257
2001 3.90%	17,598,716	0	(855,510)	16,743,206	897,436
1989 8.48%	4,637,541	0	(565,058)	4,072,483	612,975
1990 7.74%	95,122	0	(11,830)	83,292	12,745
1993 2.94%	6,708,720	0	(705,652)	6,003,068	726,551
1996 3.16%	2,916,030	0	(252,208)	2,663,822	260,240
1997 3.98%	2,555,906	0	(189,612)	2,366,294	197,390
Total Ohio Water Development Authority Loans	<u>39,171,688</u>	<u>0</u>	<u>(2,806,295)</u>	<u>36,365,393</u>	<u>2,943,115</u>
Revenue Bonds Payable:					
2004 2-4.75%	7,585,000	0	(215,000)	7,370,000	225,000
	112,410	0	(5,110)	107,300	0
2004 2-4.75%	4,710,000	0	(135,000)	4,575,000	140,000
2008 3-4.375%	0	21,195,000	0	21,195,000	520,000
	69,093	71,333	(3,141)	137,285	0
Total Revenue Bonds Payable	<u>12,476,503</u>	<u>21,266,333</u>	<u>(358,251)</u>	<u>33,384,585</u>	<u>885,000</u>
Landfill Postclosure Care Liability	1,809,712	0	(112,893)	1,696,819	78,600
Capital Leases	425,521	0	(81,815)	343,706	81,992
Compensated Absences	1,928,363	744,458	(459,128)	2,213,693	486,759
Total Business-Type Long-Term Debt	<u>\$55,811,787</u>	<u>\$22,010,791</u>	<u>(\$3,818,382)</u>	<u>\$74,004,196</u>	<u>\$4,475,466</u>
Governmental Activities Long-Term Debt:					
2005 3-4.375%	\$3,660,000	\$0	(\$160,000)	\$3,500,000	\$165,000
2001 5.00%	Special Assessment Bond Payable				
	with Governmental Commitment	292,000	0	(15,000)	277,000
1992 3.00%	Housing and Urban Development Loan Payable	850,000	0	(850,000)	0
2008 2.84-4.4%	Housing and Urban Development Loan Payable	0	760,000	0	760,000
2000 0.00%	Ohio Public Works Commission Loan Payable	82,162	0	(6,086)	76,076
2007 3.00%	State Infrastructure Bank Loan	1,155,949	0	(108,657)	1,047,292
Compensated Absences	4,742,394	1,576,558	(1,302,149)	5,016,803	1,330,227
Capital Leases	859,143	126,409	(343,662)	641,890	350,432
Pollution Remediation Obligation	1,653,273	0	(1,653,273)	0	0
Total Governmental Activities	<u>\$13,294,921</u>	<u>\$2,462,967</u>	<u>(\$4,438,827)</u>	<u>\$11,319,061</u>	<u>\$2,093,830</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Internal service funds serve both governmental and business-type funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental and business-type funds. At year-end, \$96,881 and \$414,317 of internal service funds compensated absences are included in the respective above amounts. Also, \$1,921 of an internal service fund capital lease is recorded in the business-type activities amount.

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

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

A. Ohio Water Development Authority Loans

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

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

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

In 1997, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive approximately \$3,968,355. The amount is subject to change and has not been finalized. The interest rate on this loan is 3.98% per annum. This loan is payable from sanitation charges for landfill closure and postclosure care costs and is received by the City in increments as the project is completed. As of December 31, 2008, the City had received \$3,964,480 from OWDA. The City began repaying the loan in semiannual payments beginning in 1998 based on a loan amount of \$3,968,355 to be paid through 2018. An estimate of future financing requirements has been made based on the remaining loan balance of \$2,366,294 at December 31, 2008.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Ohio Water Development Authority Loans (Continued)

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$5,464,939. This loan is payable from water charges and the proceeds were used for the water treatment plant.

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$21,273,840. The amount is subject to change and has not been finalized. The interest rate on the loans is 3.9%, per annum. This loan is payable from water charges and is received by the City in increments as the project is completed. As of December 31, 2008, the City had received \$21,091,478, from OWDA. Subsequent amounts will be received in future years. The City began repaying the loan in semiannual payments beginning in 2003 based on a loan amount of \$21,273,840 to be paid through 2023. An estimate of future financing requirements has been made based on the loan balance of \$16,743,206 at December 31, 2008.

In 2002, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$199,091. The proceeds were used for the water treatment plant.

B. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2008 follows:

Business-Type Activities:

Years	OWDA Loans		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2009	\$2,943,115	\$1,519,222	\$885,000	\$1,467,836
2010	3,078,906	1,383,433	910,000	1,441,285
2011	3,222,198	1,240,140	935,000	1,413,048
2012	3,373,483	1,088,855	970,000	1,383,097
2013	3,533,289	929,050	1,000,000	1,351,499
2014-2018	12,630,294	2,690,116	5,600,000	6,153,722
2019-2023	7,511,485	722,447	6,965,000	4,790,325
2024-2028	38,736	5,551	8,735,000	3,016,345
2029-2033	33,887	1,543	7,140,000	961,637
Totals	<u>\$36,365,393</u>	<u>\$9,580,357</u>	<u>\$33,140,000</u>	<u>\$21,978,794</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

B. Future Long-Term Financing Requirements (Continued)

Governmental Activities:

Years	General Obligation Bond Payable		Special Assessment Bond Payable		HUD Loan		OPWC Loan		SIB Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$165,000	\$139,300	\$15,500	\$13,850	\$90,000	\$32,686	\$6,086	\$0	\$136,585	\$30,402
2010	170,000	133,938	16,500	13,075	90,000	26,412	6,086	0	140,714	26,274
2011	175,000	127,987	17,000	12,250	90,000	23,613	6,086	0	144,967	22,021
2012	180,000	122,038	18,000	11,400	90,000	20,517	6,086	0	149,348	17,639
2013	190,000	115,287	19,000	10,500	90,000	17,079	6,086	0	153,862	13,125
2014-2018	1,050,000	460,698	110,500	37,250	310,000	30,912	30,430	0	321,816	12,158
2019-2023	1,280,000	231,338	80,500	8,175	0	0	15,216	0	0	0
2024-2025	290,000	12,687	0	0	0	0	0	0	0	0
Totals	\$3,500,000	\$1,343,273	\$277,000	\$106,500	\$760,000	\$151,219	\$76,076	\$0	\$1,047,292	\$121,619

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 14 - CAPITALIZED LEASES

Under capital leases the City leases seven copiers, four street sweepers, two salt spreaders, three pickup trucks, five dump trucks, a bucket truck, a leaf loader, six police vehicles, a breaking hammer, a back hoe, and various building improvements. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or Governmental Activities Capital Assets and the related liability is included in the appropriate proprietary fund or in the Governmental Activities Long-Term Liabilities. The original cost of the assets acquired under capital lease was \$2,827,292.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2008:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2009	\$380,230	\$97,855
2010	110,380	90,510
2011	104,128	90,509
2012	85,811	104,964
2013	<u>18,133</u>	<u>0</u>
Minimum Lease Payments	698,682	383,838
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(56,792)</u>	<u>(40,132)</u>
Present value of minimum lease payments	<u><u>\$641,890</u></u>	<u><u>\$343,706</u></u>

NOTE 15 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2008, the City contracted with Selective Insurance for vehicles, property, EMT and general liability insurance while police and professional liability are protected by Columbia Company.

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

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

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 15 - INSURANCE AND RISK MANAGEMENT (Continued)

On January 1, 1998, the City established an internal service fund to provide group health, dental, and prescription drug benefits to employees and their eligible dependents through the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool (Note 20). SCOIC currently includes twelve member school districts and governmental entities. The Liberty Union-Thurston Local School District serves as the fiscal agent for the consortium. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Health Insurance Management Fund (internal service fund) are available to pay claims.

In the prior year, the City's medical, surgical, and prescription drug programs were considered traditional premium insurance while the dental program was considered a self insured program. During 2008, the agreement with SCOIC was revised for medical, surgical, and prescription drug programs and made retroactive to July 1, 2007. The new agreement with SCOIC considers medical, surgical, and prescription drug programs to also be self insured programs. The City retains the risk for the first \$50,000 of a covered individual medical claim. The expense for this retroactive obligation change was reported as a current expense.

Claims are paid by the City to the SCOIC. SCOIC contracts with Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) for claims servicing. OME-RESA contracts with Employee Benefits Management Corporation to service the claims of SCOIC members. The City has shared risk pool coverage with OME-RESA for covered individual medical claims in excess of \$50,000 up to \$400,000 per employee per year. The City also has a stop loss coverage insurance policy, purchased through SCOIC, for covered individual medical claims in excess of \$400,000 per employee per year. The City has no stop loss coverage for the dental claims.

The claims liability of \$433,165 reported at December 31, 2008 is based on an estimate provided by an actuary for medical and dental claims. 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 years, including medical, surgical, prescription drug, and dental are as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2007	\$246,400	\$4,810,388	(\$5,044,888)	\$11,900
2008	\$11,900	\$5,992,474	(\$5,571,209)	\$433,165

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 16 - CONSTRUCTION COMMITMENTS

As of December 31, 2008, the City had the following commitments with respect to capital improvements:

Capital Projects	Remaining Construction Commitment
Lake Allen Maple Sewer Separation	\$229,765
State Route 188 Water Tank	514,644
Rockmill-Phase 2	41,018
Rockmill-Phase 4	41,226
Columbus Street Culverts	33,903
Ewing Run Trunk Sewer	30,969

NOTE 17 - SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

In 1976, the City stopped accepting waste at the City of Lancaster Landfill. In 1988, the Ohio Environmental Protection Agency filed a complaint against the City. The recognition of a liability for closure and postclosure care costs is based on landfill capacity used to date. The City is at 100% capacity. The consent order was approved in December 1996 by all respective parties involved and filed in January of 1997. The consent order required the City to place a final cover on the landfill site as well as perform certain maintenance and monitoring functions at the site for thirty years after closure.

The City has accrued a liability for landfill closure and postclosure care costs in the Sanitation Fund of \$1,696,819. These costs are funded by a sanitation rate increase that became effective April 1, 1997. The rate will remain in effect for twenty-five years to cover annual postclosure care costs. The remaining five years of postclosure care costs will be funded by \$481,081 which has been placed in a restricted account. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables.

NOTE 18 – POLLUTION REMEDIATION OBLIGATION

In an effort to pursue economic development, the City purchased the building and land formerly known as the Anchor Hocking Plant #2 facility in 2004 and began demolition and remediation. The City received a Clean Ohio Revitalization Grant of approximately \$3,000,000. The remediation was completed in 2008 and it was determined there is no further obligation. A No Further Action letter has been submitted to Ohio EPA for its consideration.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Fairfield Metropolitan Housing Authority (the “Authority”)

The Authority was created in 1980 and currently operates pursuant of Revised Code Section 3735.27. A five-member board operates the Authority of which two are appointed by the City. The remaining three members are appointed by Fairfield County. The Authority adopts their own appropriations, is their own contracting authority, hires/fires personnel, authorizes all expenditures, and does not rely on the City or Fairfield County to finance its deficits. The Authority receives funding from the federal government in the form of grants. Grant funds are received directly by the Authority in the Authority's name. Although the City appoints members to the board, continued existence of the Board is not dependent upon the City's continued participation, no equity interest exists, and no debt is outstanding. Complete financial information can be obtained from the Fairfield Metropolitan Housing Authority, 315 North Columbus Street, Suite 200 Lancaster, Ohio.

B. Lancaster-Fairfield County Community Action Agency (the “Agency”)

The Agency is a non-profit corporation organized to plan, conduct, and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Fairfield County. A fifteen-member board governs the Agency. This board is made up of five representatives from the public sector, five representatives from the private sector, and five representatives from the low-income sector. The Fairfield County Recorder, the Fairfield County Commissioners, and the Fairfield County Sheriff appoint three representatives from the public sector. The Lancaster City Auditor and a village clerk-treasurer appoint the remaining public sector representatives. Continued existence of the Agency is not dependent upon the City's continued participation, nor does the City have an equity interest in the Agency, and no debt is outstanding.

C. Fairfield Regional Planning Commission (the “Commission”)

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

F. Community Corrections Board (the “Board”)

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

H. Fairfield County Agency Transportation System, Inc. (the “System”)

The System is a non-profit corporation, created in 2001 under Ohio Revised Code Chapter 1702. Its purpose is to provide reliable, affordable, and accessible transportation in a co-operative and cost effective manner to Fairfield County residents who have limited transportation options. The System is governed by a twelve-member board, which is elected by member agencies. To be a member of the System, an annual \$500 membership fee is required. The current board consists of the following: two representatives from Fairfield County, four representatives from other government entities, and six representatives from non-government entities. The City appoints one Board member. In the past, the System’s revenues consisted of membership fees, contributions, and an annual grant applied for by Fairfield County that was given to the System to maintain. The grant funding ended in 2006. During 2007, the System was still in existence, but it was not operating as intended due to the loss of grant funding and during 2008, no contributions were made to the system. On December 19, 2008, the System dissolved due to the loss of funding.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 20 – INSURANCE POOL

The City is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC's primary purpose and object is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. Members include the following school districts and governmental entities: Amanda Clearcreek, Berne Union, Bloom-Carroll, Canal Winchester, Fairfield Union, Liberty Union-Thurston, and Miami Trace Local School Districts, Fairfield Local Schools, Lancaster and Washington Court House City School Districts, Fairfield County Board of MR/DD, and City of Lancaster. The Liberty Union-Thurston Local School District serves as the fiscal agent for the SCOIC.

SCOIC contracts with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool, for medical, dental, and prescription drug coverage on a self-insured basis. The SCOIC members are considered self insured and pay a monthly premium to OME-RESA that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. SCOIC members participate in the shared risk pool through OME-RESA for individual claims from \$50,000 to \$400,000. SCOIC members are then covered under stop loss coverage for claims over \$400,000. OME-RESA contracts with Employee Benefits Management Corporation to service the claims of SCOIC members. In the event that the City would withdraw from SCOIC, the City would be required to give a one hundred eighty day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share in any surplus funds of SCOIC. In the event SCOIC members would withdraw from OME-RESA, SCOIC members would be required to give a thirty day notice, be responsible for all run-out claims, and have no rights to share in any surplus funds of OME-RESA. To obtain financial information for the SCOIC, write to the fiscal agent, Liberty Union-Thurston Local School District, 600 Washington Street, Baltimore, Ohio 43105.

NOTE 21 - CONTINGENCIES

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

For the period January 1, 2008 to December 31, 2008, the City received federal and state grants for specific purposes that are subject to reviews and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 22 - SUBSEQUENT EVENTS

On February 4, 2009, the City authorized and issued \$205,000 of general obligation notes for land acquisition. On May 18, 2009, the City authorized \$1,928,000, of general obligation notes for storm water improvements.

NOTE 23 – SPECIAL ITEM

In 2008, the City received \$441,880 in the Water Fund as a result of a legal settlement with a contractor involved in the construction of the South Water Plant.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Cemetery Fund

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

Street Construction, Maintenance and Repair Fund

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

Parks and Recreation Fund

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

Special Improvement District Fund

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

Lancaster Public Transit Program Fund

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

Lancaster Community Development Fund

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

Police and Fire Pension Fund

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

Fairfield County Court Surveillance Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Law Enforcement and Education Fund

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

(Continued)

Special Revenue Funds (Continued)

Municipal Court Judicial Computer Fund

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

Municipal Court Probation Fund

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

Municipal Court Computerization Fund

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

Municipal Court Special Projects Fund

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

Municipal Court Family Violence Fund

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

Municipal Drug Court Fund

To account for grant monies to be used for a jail-alternative program, also known as The Fresh Start Program, which targets individuals with significant drug addictions and provides an intensive treatment program with a great deal of accountability.

Federal Emergency Management Agency (FEMA) Grant Fund

To account for Federal Emergency Management Agency funds received as reimbursement for storm damage clean up and repair. (This fund only exists on a GAAP basis and is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

Community Development Block Grant Fund

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

State Highway Fund

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

Drug Enforcement Fund

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

Cemetery Interment Fund

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

Debt Service Fund

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

General Bond Retirement Fund

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

Special Assessment Debt Retirement Fund

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

Capital Projects Fund

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

Capital Improvement Fund

To account for financial resources to be used for the acquisition or construction of major capital facilities.

Fire Capital Improvement Fund

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

Fire Impact - District One Fund

To account for new construction impact fees used for capital projects for the Fire Department.

Permanent Fund

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

Cemetery Trust Fund

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

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2008**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 2,506,513	\$ 104,385	\$ 340,419	\$ 171,997	\$ 3,123,314
Investments	883,531	0	1,509,198	761,202	3,153,931
Receivables:					
Taxes	777,519	0	20,327	0	797,846
Accounts	31,035	0	0	0	31,035
Intergovernmental	2,361,914	0	548,253	0	2,910,167
Interest	8,722	0	0	0	8,722
Special Assessments	0	496,782	0	0	496,782
Loans	1,577,589	0	0	0	1,577,589
Inventory of Supplies	150,591	0	0	0	150,591
Prepaid Items	11,843	0	0	0	11,843
Total Assets	\$ 8,309,257	\$ 601,167	\$ 2,418,197	\$ 933,199	\$ 12,261,820
Liabilities:					
Accounts Payable	\$ 90,704	\$ 0	\$ 1,023,064	\$ 0	\$ 1,113,768
Accrued Wages and Benefits Payable	174,953	0	0	0	174,953
Intergovernmental Payable	155	0	0	0	155
Interfund Loans Payable	150,000	0	0	0	150,000
Deferred Revenue	2,458,960	496,782	434,736	0	3,390,478
Accrued Interest Payable	0	0	13,291	0	13,291
General Obligation Notes Payable	0	0	2,171,100	0	2,171,100
Total Liabilities	2,874,772	496,782	3,642,191	0	7,013,745
Fund Balances:					
Reserved for Encumbrances	23,552	0	0	0	23,552
Reserved for Prepaid Items	11,843	0	0	0	11,843
Reserved for Supplies Inventory	150,591	0	0	0	150,591
Reserved for Debt Service	0	104,385	0	0	104,385
Reserved for Loans Receivable	1,577,589	0	0	0	1,577,589
Reserved for Perpetual Care	0	0	0	933,199	933,199
Unreserved, Undesignated in:					
Special Revenue Funds	3,670,910	0	0	0	3,670,910
Capital Projects Funds	0	0	(1,223,994)	0	(1,223,994)
Total Fund Balances	5,434,485	104,385	(1,223,994)	933,199	5,248,075
Total Liabilities and Fund Balances	\$ 8,309,257	\$ 601,167	\$ 2,418,197	\$ 933,199	\$ 12,261,820

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2008**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 1,905,389	\$ 0	\$ 258,040	\$ 0	\$ 2,163,429
Intergovernmental Revenues	4,002,552	138,095	1,033,532	0	5,174,179
Charges for Services	1,540,305	0	44,283	28,435	1,613,023
Licenses, Permits and Fees	1,920	0	0	0	1,920
Investment Earnings	55,104	0	0	5,259	60,363
Special Assessments	99,804	37,547	0	0	137,351
Fines and Forfeitures	876,784	0	0	0	876,784
All Other Revenue	203,574	0	32,011	0	235,585
Total Revenue	8,685,432	175,642	1,367,866	33,694	10,262,634
Expenditures:					
Current:					
Security of Persons and Property	606,404	0	0	0	606,404
Public Health and Welfare Services	672,906	0	0	0	672,906
Leisure Time Activities	2,138,133	0	0	0	2,138,133
Community Environment	788,016	0	0	0	788,016
Transportation	4,126,802	0	0	0	4,126,802
General Government	941,896	1,629	0	0	943,525
Capital Outlay	0	0	2,848,152	0	2,848,152
Debt Service:					
Principal Retirement	850,000	258,496	0	0	1,108,496
Interest and Fiscal Charges	53,145	213,361	71,258	0	337,764
Total Expenditures	10,177,302	473,486	2,919,410	0	13,570,198
Excess (Deficiency) of Revenues Over Expenditures	(1,491,870)	(297,844)	(1,551,544)	33,694	(3,307,564)
Other Financing Sources (Uses):					
Department of Housing and Urban Development Loan	760,000	0	0	0	760,000
Transfers In	902,428	304,500	556,066	0	1,762,994
Transfers Out	(159,195)	0	(143,124)	0	(302,319)
Other Financing Source - Capital Lease	15,615	0	0	0	15,615
Total Other Financing Sources (Uses)	1,518,848	304,500	412,942	0	2,236,290
Net Change in Fund Balances	26,978	6,656	(1,138,602)	33,694	(1,071,274)
Fund Balances at Beginning of Year	5,412,715	97,729	(85,392)	899,505	6,324,557
Decrease in Inventory Reserve	(5,208)	0	0	0	(5,208)
Fund Balances End of Year	\$ 5,434,485	\$ 104,385	\$ (1,223,994)	\$ 933,199	\$ 5,248,075

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2008**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Lancaster Public Transit Program Fund
Assets:				
Cash and Cash Equivalents	\$ 61,430	\$ 2,879	\$ 325,441	\$ 25,132
Investments	0	428,379	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	20,327	0	304,906	0
Accounts	0	121	27,126	3,788
Intergovernmental	0	911,820	89,494	39,056
Interest	4,013	0	0	0
Loans	0	0	0	0
Inventory of Supplies	0	146,858	1,619	0
Prepaid Items	1,115	6,605	4,123	0
Total Assets	\$ 86,885	\$ 1,496,662	\$ 752,709	\$ 67,976
Liabilities:				
Accounts Payable	\$ 10,719	\$ 11,544	\$ 39,685	\$ 8,398
Accrued Wages and Benefits Payable	14,609	74,218	43,347	3,000
Intergovernmental Payable	0	0	155	0
Interfund Loans Payable	0	0	150,000	0
Deferred Revenue	12,695	635,000	133,286	0
Total Liabilities	38,023	720,762	366,473	11,398
Fund Balances:				
Reserved for Encumbrances	1,536	3,172	769	469
Reserved for Prepaid Items	1,115	6,605	4,123	0
Reserved for Supplies Inventory	0	146,858	1,619	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	46,211	619,265	379,725	56,109
Total Fund Balances	48,862	775,900	386,236	56,578
Total Liabilities and Fund Balances	\$ 86,885	\$ 1,496,662	\$ 752,709	\$ 67,976

CITY OF LANCASTER, OHIO

Lancaster Community Development Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund	Municipal Court Judicial Computer Fund	Municipal Court Probation Fund
\$ 59,290	\$ 0	\$ 23,561	\$ 184,370	\$ 71,553	\$ 116,158	\$ 86,491
0	0	0	0	0	0	0
0	452,286	0	0	0	0	0
0	0	0	0	0	0	0
0	25,000	42,396	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
910	0	960	0	0	0	244
0	0	0	0	0	0	0
<u>\$ 60,200</u>	<u>\$ 477,286</u>	<u>\$ 66,917</u>	<u>\$ 184,370</u>	<u>\$ 71,553</u>	<u>\$ 116,158</u>	<u>\$ 86,735</u>
\$ 88	\$ 0	\$ 182	\$ 0	\$ 0	\$ 93	\$ 0
6,553	0	4,661	0	0	0	14,850
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	477,286	21,198	0	0	0	0
<u>6,641</u>	<u>477,286</u>	<u>26,041</u>	<u>0</u>	<u>0</u>	<u>93</u>	<u>14,850</u>
0	0	0	0	0	0	0
0	0	0	0	0	0	0
910	0	960	0	0	0	244
0	0	0	0	0	0	0
<u>52,649</u>	<u>0</u>	<u>39,916</u>	<u>184,370</u>	<u>71,553</u>	<u>116,065</u>	<u>71,641</u>
<u>53,559</u>	<u>0</u>	<u>40,876</u>	<u>184,370</u>	<u>71,553</u>	<u>116,065</u>	<u>71,885</u>
<u>\$ 60,200</u>	<u>\$ 477,286</u>	<u>\$ 66,917</u>	<u>\$ 184,370</u>	<u>\$ 71,553</u>	<u>\$ 116,158</u>	<u>\$ 86,735</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2008**

	Municipal Court Computerization Fund	Municipal Court Special Projects Fund	Municipal Court Family Violence Fund	Municipal Drug Court Fund
Assets:				
Cash and Cash Equivalents	\$ 184,895	\$ 919,871	\$ 115,230	\$ 59,738
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	0	0	0	0
Intergovernmental	0	0	0	63,631
Interest	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 184,895	\$ 919,871	\$ 115,230	\$ 123,369
Liabilities:				
Accounts Payable	\$ 1,321	\$ 7,589	\$ 1,051	\$ 3,294
Accrued Wages and Benefits Payable	4,142	0	5,092	4,481
Intergovernmental Payable	0	0	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	0	0	0	57,805
Total Liabilities	5,463	7,589	6,143	65,580
Fund Balances:				
Reserved for Encumbrances	4,554	12,517	0	535
Reserved for Prepaid Items	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	174,878	899,765	109,087	57,254
Total Fund Balances	179,432	912,282	109,087	57,789
Total Liabilities and Fund Balances	\$ 184,895	\$ 919,871	\$ 115,230	\$ 123,369

CITY OF LANCASTER, OHIO

FEMA Grant Fund	CDBG Fund	State Highway Fund	Drug Enforcement Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 81,227	\$ 1,379	\$ 123,227	\$ 64,641	\$ 2,506,513
0	0	205,941	0	249,211	883,531
0	0	0	0	0	777,519
0	0	0	0	0	31,035
306,106	837,742	46,669	0	0	2,361,914
0	0	3,463	0	1,246	8,722
0	1,577,589	0	0	0	1,577,589
0	0	0	0	0	150,591
0	0	0	0	0	11,843
<u>\$ 306,106</u>	<u>\$ 2,496,558</u>	<u>\$ 257,452</u>	<u>\$ 123,227</u>	<u>\$ 315,098</u>	<u>\$ 8,309,257</u>
\$ 0	\$ 6,740	\$ 0	\$ 0	\$ 0	\$ 90,704
0	0	0	0	0	174,953
0	0	0	0	0	155
0	0	0	0	0	150,000
306,106	781,981	32,357	0	1,246	2,458,960
<u>306,106</u>	<u>788,721</u>	<u>32,357</u>	<u>0</u>	<u>1,246</u>	<u>2,874,772</u>
0	0	0	0	0	23,552
0	0	0	0	0	11,843
0	0	0	0	0	150,591
0	1,577,589	0	0	0	1,577,589
0	130,248	225,095	123,227	313,852	3,670,910
0	1,707,837	225,095	123,227	313,852	5,434,485
<u>\$ 306,106</u>	<u>\$ 2,496,558</u>	<u>\$ 257,452</u>	<u>\$ 123,227</u>	<u>\$ 315,098</u>	<u>\$ 8,309,257</u>

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Special Improvement District Fund
Revenues:				
Taxes	\$ 93,640	\$ 0	\$ 1,404,616	\$ 0
Intergovernmental Revenues	0	1,883,480	382,483	0
Charges for Services	174,580	661,398	470,512	0
Licenses, Permits and Fees	0	0	1,920	0
Investment Earnings	23,642	0	0	0
Special Assessments	0	0	0	99,804
Fines and Forfeitures	0	0	0	0
All Other Revenue	12,448	52,944	125,632	0
Total Revenue	304,310	2,597,822	2,385,163	99,804
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	645,936	0	0	0
Leisure Time Activities	0	0	2,138,133	0
Community Environment	0	0	0	99,804
Transportation	0	3,270,545	0	0
General Government	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	645,936	3,270,545	2,138,133	99,804
Excess (Deficiency) of Revenues Over Expenditures	(341,626)	(672,723)	247,030	0
Other Financing Sources (Uses):				
Department of Housing and Urban Development Loan	0	0	0	0
Transfers In	250,000	455,000	10,000	0
Transfers Out	0	0	(59,195)	0
Other Financing Source - Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	250,000	455,000	(49,195)	0
Net Change in Fund Balances	(91,626)	(217,723)	197,835	0
Fund Balances at Beginning of Year	140,488	996,555	190,447	0
Increase (Decrease) in Inventory Reserve	0	(2,932)	(2,046)	0
Fund Balances End of Year	\$ 48,862	\$ 775,900	\$ 386,236	\$ 0

CITY OF LANCASTER, OHIO

Lancaster Public Transit Program Fund	Lancaster Community Development Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund	Municipal Court Judicial Computer Fund
\$ 0	\$ 0	\$ 407,133	\$ 0	\$ 0	\$ 0	\$ 0
615,396	126,677	49,451	84,478	0	0	0
96,905	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	31,024	2,481	49,142
12,550	0	0	0	0	0	0
<u>724,851</u>	<u>126,677</u>	<u>456,584</u>	<u>84,478</u>	<u>31,024</u>	<u>2,481</u>	<u>49,142</u>
0	0	456,584	124,871	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	136,293	0	0	0	0	0
856,257	0	0	0	0	0	0
0	0	0	0	0	0	26,356
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>856,257</u>	<u>136,293</u>	<u>456,584</u>	<u>124,871</u>	<u>0</u>	<u>0</u>	<u>26,356</u>
(131,406)	(9,616)	0	(40,393)	31,024	2,481	22,786
0	0	0	0	0	0	0
65,000	0	0	41,345	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>65,000</u>	<u>0</u>	<u>0</u>	<u>41,345</u>	<u>0</u>	<u>0</u>	<u>0</u>
(66,406)	(9,616)	0	952	31,024	2,481	22,786
122,984	62,754	0	39,967	153,346	69,072	93,279
0	421	0	(43)	0	0	0
<u>\$ 56,578</u>	<u>\$ 53,559</u>	<u>\$ 0</u>	<u>\$ 40,876</u>	<u>\$ 184,370</u>	<u>\$ 71,553</u>	<u>\$ 116,065</u>

(Continued)

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Municipal Court Probation Fund	Municipal Court Computerization Fund	Municipal Court Special Projects Fund	Municipal Court Family Violence Fund
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	35,692	0	0	0
Charges for Services	0	0	0	111,945
Licenses, Permits and Fees	0	0	0	0
Investment Earnings	0	0	0	0
Special Assessments	0	0	0	0
Fines and Forfeitures	274,591	199,440	301,684	0
All Other Revenue	0	0	0	0
Total Revenue	310,283	199,440	301,684	111,945
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	0	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	363,699	159,742	122,839	129,047
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	363,699	159,742	122,839	129,047
Excess (Deficiency) of Revenues Over Expenditures	(53,416)	39,698	178,845	(17,102)
Other Financing Sources (Uses):				
Department of Housing and Urban Development Loan	0	0	0	0
Transfers In	33,083	0	0	13,000
Transfers Out	0	0	0	0
Other Financing Source - Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	33,083	0	0	13,000
Net Change in Fund Balances	(20,333)	39,698	178,845	(4,102)
Fund Balances at Beginning of Year	92,826	139,734	733,437	113,189
Increase (Decrease) in Inventory Reserve	(608)	0	0	0
Fund Balances End of Year	\$ 71,885	\$ 179,432	\$ 912,282	\$ 109,087

CITY OF LANCASTER, OHIO

<u>Municipal Drug Court Fund</u>	<u>CDBG Fund</u>	<u>State Highway Fund</u>	<u>Drug Enforcement Fund</u>	<u>Cemetery Interment Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,905,389
155,219	573,926	95,750	0	0	4,002,552
0	0	0	0	24,965	1,540,305
0	0	0	0	0	1,920
0	3,629	18,174	0	9,659	55,104
0	0	0	0	0	99,804
0	0	0	18,422	0	876,784
0	0	0	0	0	203,574
<u>155,219</u>	<u>577,555</u>	<u>113,924</u>	<u>18,422</u>	<u>34,624</u>	<u>8,685,432</u>
0	0	0	24,949	0	606,404
0	0	0	0	26,970	672,906
0	0	0	0	0	2,138,133
0	551,919	0	0	0	788,016
0	0	0	0	0	4,126,802
140,213	0	0	0	0	941,896
0	850,000	0	0	0	850,000
0	53,145	0	0	0	53,145
<u>140,213</u>	<u>1,455,064</u>	<u>0</u>	<u>24,949</u>	<u>26,970</u>	<u>10,177,302</u>
15,006	(877,509)	113,924	(6,527)	7,654	(1,491,870)
0	760,000	0	0	0	760,000
35,000	0	0	0	0	902,428
0	0	(100,000)	0	0	(159,195)
0	15,615	0	0	0	15,615
<u>35,000</u>	<u>775,615</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>1,518,848</u>
50,006	(101,894)	13,924	(6,527)	7,654	26,978
7,783	1,809,731	211,171	129,754	306,198	5,412,715
0	0	0	0	0	(5,208)
<u>\$ 57,789</u>	<u>\$ 1,707,837</u>	<u>\$ 225,095</u>	<u>\$ 123,227</u>	<u>\$ 313,852</u>	<u>\$ 5,434,485</u>

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2008**

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 97,729	\$ 6,656	\$ 104,385
Receivables:			
Special Assessments	0	496,782	496,782
Total Assets	<u>\$ 97,729</u>	<u>\$ 503,438</u>	<u>\$ 601,167</u>
Liabilities:			
Deferred Revenue	\$ 0	\$ 496,782	\$ 496,782
Total Liabilities	<u>0</u>	<u>496,782</u>	<u>496,782</u>
Fund Balances:			
Reserved for Debt Service	97,729	6,656	104,385
Total Fund Balances	<u>97,729</u>	<u>6,656</u>	<u>104,385</u>
Total Liabilities and Fund Balances	<u>\$ 97,729</u>	<u>\$ 503,438</u>	<u>\$ 601,167</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2008***

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Revenues:			
Intergovernmental Revenues	\$ 138,095	\$ 0	\$ 138,095
Special Assessments	0	37,547	37,547
Total Revenue	<u>138,095</u>	<u>37,547</u>	<u>175,642</u>
Expenditures:			
General Government	0	1,629	1,629
Debt Service:			
Principal Retirement	243,496	15,000	258,496
Interest and Fiscal Charges	199,099	14,262	213,361
Total Expenditures	<u>442,595</u>	<u>30,891</u>	<u>473,486</u>
Excess (Deficiency) of Revenues Over Expenditures	(304,500)	6,656	(297,844)
Other Financing Sources:			
Transfers In	304,500	0	304,500
Total Other Financing Sources	<u>304,500</u>	<u>0</u>	<u>304,500</u>
Net Change in Fund Balances	0	6,656	6,656
Fund Balances at Beginning of Year	<u>97,729</u>	<u>0</u>	<u>97,729</u>
Fund Balances End of Year	<u>\$ 97,729</u>	<u>\$ 6,656</u>	<u>\$ 104,385</u>

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2008**

	Capital Improvement Fund	Fire Capital Improvement Fund	Fire Impact - District One Fund	Total Nonmajor Capital Projects Funds
Assets:				
Cash and Cash Equivalents	\$ 10,143	\$ 30,409	\$ 299,867	\$ 340,419
Investments	1,509,198	0	0	1,509,198
Receivables:				
Taxes	20,327	0	0	20,327
Intergovernmental	548,253	0	0	548,253
Total Assets	<u>\$ 2,087,921</u>	<u>\$ 30,409</u>	<u>\$ 299,867</u>	<u>\$ 2,418,197</u>
Liabilities:				
Accounts Payable	\$ 1,023,064	\$ 0	\$ 0	\$ 1,023,064
Deferred Revenue	434,736	0	0	434,736
Accrued Interest Payable	9,542	3,749	0	13,291
General Obligation Notes Payable	1,381,100	790,000	0	2,171,100
Total Liabilities	<u>2,848,442</u>	<u>793,749</u>	<u>0</u>	<u>3,642,191</u>
Fund Balances:				
Undesignated/Unreserved	(760,521)	(763,340)	299,867	(1,223,994)
Total Fund Balances	<u>(760,521)</u>	<u>(763,340)</u>	<u>299,867</u>	<u>(1,223,994)</u>
Total Liabilities and Fund Balances	<u>\$ 2,087,921</u>	<u>\$ 30,409</u>	<u>\$ 299,867</u>	<u>\$ 2,418,197</u>

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008**

	Capital Improvement Fund	Fire Capital Improvement Fund	Fire Impact - District One Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Taxes	\$ 258,040	\$ 0	\$ 0	\$ 258,040
Intergovernmental Revenues	1,033,532	0	0	1,033,532
Charges for Services	0	0	44,283	44,283
All Other Revenue	32,011	0	0	32,011
Total Revenue	1,323,583	0	44,283	1,367,866
Expenditures:				
Capital Outlay	2,848,152	0	0	2,848,152
Debt Service:				
Interest and Fiscal Charges	42,962	28,296	0	71,258
Total Expenditures	2,891,114	28,296	0	2,919,410
Excess (Deficiency) of Revenues Over Expenditures	(1,567,531)	(28,296)	44,283	(1,551,544)
Other Financing Sources (Uses):				
Transfers In	230,777	325,289	0	556,066
Transfers Out	(143,124)	0	0	(143,124)
Total Other Financing Sources (Uses)	87,653	325,289	0	412,942
Net Change in Fund Balances	(1,479,878)	296,993	44,283	(1,138,602)
Fund Balances at Beginning of Year	719,357	(1,060,333)	255,584	(85,392)
Fund Balances End of Year	\$ (760,521)	\$ (763,340)	\$ 299,867	\$ (1,223,994)

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 17,404,440	\$ 17,309,649	\$ 17,201,596	\$ (108,053)
Intergovernmental Revenues	3,097,616	2,855,988	2,975,835	119,847
Charges for Services	3,543,400	3,418,482	3,610,066	191,584
License, Permits and Fees	200,000	30,000	22,267	(7,733)
Investment Earnings	950,000	534,964	781,902	246,938
Fines and Forfeitures	892,000	604,000	702,500	98,500
All Other Revenues	248,800	2,409,157	337,648	(2,071,509)
Total Revenues	26,336,256	27,162,240	25,631,814	(1,530,426)
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	7,531,001	7,585,463	7,167,536	417,927
Operations and Maintenance	586,391	619,261	479,146	140,115
Capital Outlay	150,500	132,925	90,780	42,145
Total Police	8,267,892	8,337,649	7,737,462	600,187
Fire:				
Personal Services	8,916,058	8,916,058	8,421,077	494,981
Operations and Maintenance	569,071	566,392	491,705	74,687
Capital Outlay	26,000	244,572	244,572	0
Total Fire	9,511,129	9,727,022	9,157,354	569,668
Street Lighting:				
Operations and Maintenance	243,277	243,277	228,748	14,529
Total Street Lighting	243,277	243,277	228,748	14,529
Total Security of Persons and Property	18,022,298	18,307,948	17,123,564	1,184,384
Public Health and Welfare Services:				
Health:				
Operations and Maintenance	284,284	284,284	271,426	12,858
Total Health	284,284	284,284	271,426	12,858

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Assistance to Needy:				
Operations and Maintenance	3,000	3,000	3,000	0
Total Assistance to Needy	3,000	3,000	3,000	0
Total Public Health and Welfare Service	287,284	287,284	274,426	12,858
Community Environment:				
Zoning, Planning, Tree Commissions:				
Operations and Maintenance	104,573	104,573	98,415	6,158
Total Zoning, Planning, Tree Commission	104,573	104,573	98,415	6,158
Economic Development:				
Personal Services	14,351	14,351	14,350	1
Operations and Maintenance	40,250	40,250	34,668	5,582
Total Economic Development	54,601	54,601	49,018	5,583
Total Community Environment	159,174	159,174	147,433	11,741
General Government:				
Council:				
Personal Services	120,778	120,945	120,944	1
Operations and Maintenance	9,800	9,633	7,905	1,728
Total Council	130,578	130,578	128,849	1,729
Mayor:				
Personal Services	172,926	172,926	168,717	4,209
Operations and Maintenance	6,859	6,859	4,947	1,912
Capital Outlay	1,500	1,500	0	1,500
Total Mayor	181,285	181,285	173,664	7,621
Personnel:				
Operations and Maintenance	16,000	16,000	12,790	3,210
Capital Outlay	2,500	2,500	0	2,500
Total Personnel	18,500	18,500	12,790	5,710

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Auditor:				
Personal Services	397,086	397,086	389,603	7,483
Operations and Maintenance	46,671	47,371	43,841	3,530
Capital Outlay	1,500	800	0	800
Total Auditor	445,257	445,257	433,444	11,813
Treasurer:				
Personal Services	20,752	20,806	20,806	0
Operations and Maintenance	15,379	15,325	13,154	2,171
Capital Outlay	500	500	0	500
Total Treasurer	36,631	36,631	33,960	2,671
Law Director:				
Personal Services	446,383	445,850	424,558	21,292
Operations and Maintenance	67,536	67,536	59,781	7,755
Capital Outlay	5,641	5,641	5,641	0
Total Law Director	519,560	519,027	489,980	29,047
Law Director-Prosecution Contract:				
Personal Services	117,225	117,758	116,118	1,640
Total Law Director-Prosecution Contract	117,225	117,758	116,118	1,640
Law Director-Code Enforcement:				
Personal Services	66,696	66,696	66,184	512
Operations and Maintenance	19,002	25,002	21,890	3,112
Capital Outlay	5,000	5,000	3,681	1,319
Total Law Director-Code Enforcement	90,698	96,698	91,755	4,943
Municipal Court:				
Personal Services	791,661	792,626	723,577	69,049
Operations and Maintenance	85,500	84,535	82,891	1,644
Total Municipal Court	877,161	877,161	806,468	70,693

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Judicial:				
Personal Services	579,074	583,490	536,926	46,564
Operations and Maintenance	68,500	66,339	55,273	11,066
Capital Outlay	1,000	14	0	14
Total Judicial	648,574	649,843	592,199	57,644
Civil Service:				
Personal Services	6,709	6,709	5,957	752
Operations and Maintenance	45,600	45,600	33,059	12,541
Total Civil Service	52,309	52,309	39,016	13,293
City Hall Maintenance:				
Personal Services	127,345	127,345	120,340	7,005
Operations and Maintenance	75,902	90,902	80,948	9,954
Capital Outlay	3,816	3,816	3,815	1
Total City Hall Maintenance	207,063	222,063	205,103	16,960
City Hall Maintenance-Annex:				
Operations and Maintenance	38,728	38,728	33,786	4,942
Total City Hall Maintenance-Annex	38,728	38,728	33,786	4,942
Maple Street Facilities:				
Operations and Maintenance	10,369	10,369	4,492	5,877
Total Maple Street Facilities	10,369	10,369	4,492	5,877
Fuel Depot:				
Operations and Maintenance	300,058	300,058	283,587	16,471
Total Fuel Depot	300,058	300,058	283,587	16,471
Service Safety Director:				
Personal Services	188,285	188,285	185,590	2,695
Operations and Maintenance	9,448	9,448	7,422	2,026
Total Service Safety Director	197,733	197,733	193,012	4,721

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Engineer:				
Personal Services	680,620	680,681	653,709	26,972
Operations and Maintenance	65,869	65,808	35,165	30,643
Capital Outlay	10,563	10,563	2,412	8,151
Total Engineer	757,052	757,052	691,286	65,766
Certified Building Inspection:				
Personal Services	365,299	365,299	325,106	40,193
Operations and Maintenance	204,769	204,769	198,085	6,684
Capital Outlay	2,740	2,740	2,400	340
Total Certified Building Inspection	572,808	572,808	525,591	47,217
Administration Support:				
Personal Services	70,000	70,000	24,173	45,827
Operations and Maintenance	350,403	388,403	263,649	124,754
Total Administration Support	420,403	458,403	287,822	170,581
Miscellaneous:				
Personal Services	587,500	580,980	413,559	167,421
Operations and Maintenance	991,779	1,255,698	1,098,299	157,399
Capital Outlay	0	410,000	200,203	209,797
Total Miscellaneous	1,579,279	2,246,678	1,712,061	534,617
Income Tax:				
Personal Services	482,700	482,700	409,196	73,504
Operations and Maintenance	522,409	526,409	490,740	35,669
Capital Outlay	12,000	8,000	1,188	6,812
Total Income Tax	1,017,109	1,017,109	901,124	115,985
Total General Government	8,218,380	8,946,048	7,756,107	1,189,941

(Continued)

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Debt Services:				
Principal Retirement	452,937	322,748	222,747	100,001
Interest and Fiscal Charges	211,945	66,525	60,077	6,448
Total Expenditures	27,352,018	28,089,727	25,584,354	2,505,373
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,015,762)	(927,487)	47,460	974,947
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	205,000	205,000	0
Transfers In	33,914	33,914	0	(33,914)
Transfers Out	(792,428)	(1,255,374)	(1,240,374)	15,000
Advances In	180,000	180,000	80,000	(100,000)
Advances Out	0	(45,000)	(45,000)	0
Total Other Financing Sources (Uses)	(578,514)	(881,460)	(1,000,374)	(118,914)
Net Change in Fund Balance	(1,594,276)	(1,808,947)	(952,914)	856,033
Fund Balance at Beginning of Year	2,637,227	2,637,227	2,637,227	0
Prior Year Encumbrances	191,919	191,919	191,919	0
Fund Balance at End of Year	\$ 1,234,870	\$ 1,020,199	\$ 1,876,232	\$ 856,033

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund – Ety Road TIF Project Fund
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 13,334	\$ 20,977	\$ 7,643
All Other Revenues	0	2,670	2,670
Total Revenues	<u>13,334</u>	<u>23,647</u>	<u>10,313</u>
Expenditures:			
Capital Outlay	814,018	544,537	269,481
Debt Service:			
Principal Retirement	4,870,175	4,870,175	0
Interest and Fiscal Charges	202,957	194,407	8,550
Total Expenditures	<u>5,887,150</u>	<u>5,609,119</u>	<u>278,031</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,873,816)	(5,585,472)	288,344
Other Financing Sources (Uses):			
General Obligation Notes Issued	4,645,982	4,645,982	0
Total Other Financing Sources (Uses)	<u>4,645,982</u>	<u>4,645,982</u>	<u>0</u>
Net Change in Fund Balance	(1,227,834)	(939,490)	288,344
Fund Balance at Beginning of Year	<u>1,090,946</u>	<u>1,090,946</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (136,888)</u>	<u>\$ 151,456</u>	<u>\$ 288,344</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

CEMETERY FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 89,088	\$ 91,947	\$ 2,859
Charges for Services	265,000	174,580	(90,420)
Investment Earnings	10,000	28,074	18,074
All Other Revenues	1,000	12,448	11,448
Total Revenues	<u>365,088</u>	<u>307,049</u>	<u>(58,039)</u>
Expenditures:			
Public Health and Welfare Services:			
Personal Services	386,050	359,697	26,353
Operations and Maintenance	203,948	186,542	17,406
Capital Outlay	45,820	42,595	3,225
Total Expenditures	<u>635,818</u>	<u>588,834</u>	<u>46,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(270,730)	(281,785)	(11,055)
Other Financing Sources (Uses):			
Transfers In	250,000	250,000	0
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Net Change in Fund Balance	(20,730)	(31,785)	(11,055)
Fund Balance at Beginning of Year	81,408	81,408	0
Prior Year Encumbrances	288	288	0
Fund Balance at End of Year	<u>\$ 60,966</u>	<u>\$ 49,911</u>	<u>\$ (11,055)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 1,993,684	\$ 1,912,152	\$ (81,532)
Charges for Services	659,000	661,398	2,398
All Other Revenues	<u>10,000</u>	<u>55,950</u>	<u>45,950</u>
Total Revenues	<u>2,662,684</u>	<u>2,629,500</u>	<u>(33,184)</u>
Expenditures:			
Transportation:			
Personal Services	2,028,072	1,863,888	164,184
Operations and Maintenance	1,139,948	1,047,588	92,360
Capital Outlay	<u>239,789</u>	<u>239,789</u>	<u>0</u>
Total Expenditures	<u>3,407,809</u>	<u>3,151,265</u>	<u>256,544</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(745,125)	(521,765)	223,360
Other Financing Sources (Uses):			
Transfers In	<u>455,000</u>	<u>455,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>455,000</u>	<u>455,000</u>	<u>0</u>
Net Change in Fund Balance	(290,125)	(66,765)	223,360
Fund Balance at Beginning of Year	465,982	465,982	0
Prior Year Encumbrances	<u>26,229</u>	<u>26,229</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 202,086</u>	<u>\$ 425,446</u>	<u>\$ 223,360</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

PARKS AND RECREATION FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,336,312	\$ 1,379,211	\$ 42,899
Intergovernmental Revenues	292,989	292,989	0
Charges for Services	546,957	464,151	(82,806)
Licenses, Permits and Fees	1,500	1,920	420
All Other Revenues	117,681	105,989	(11,692)
Total Revenues	<u>2,295,439</u>	<u>2,244,260</u>	<u>(51,179)</u>
Expenditures:			
Leisure Time Activities:			
Personal Services	1,194,078	1,149,653	44,425
Operations and Maintenance	618,441	600,427	18,014
Capital Outlay	539,820	389,785	150,035
Total Expenditures	<u>2,352,339</u>	<u>2,139,865</u>	<u>212,474</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,900)	104,395	161,295
Other Financing Sources (Uses):			
Transfers In	10,000	10,000	0
Transfers Out	(19,900)	(19,900)	0
Advances In	375,000	375,000	0
Advances Out	(450,000)	(450,000)	0
Total Other Financing Sources (Uses)	<u>(84,900)</u>	<u>(84,900)</u>	<u>0</u>
Net Change in Fund Balance	(141,800)	19,495	161,295
Fund Balance at Beginning of Year	295,351	295,351	0
Prior Year Encumbrances	6,626	6,626	0
Fund Balance at End of Year	<u>\$ 160,177</u>	<u>\$ 321,472</u>	<u>\$ 161,295</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

SPECIAL IMPROVEMENT DISTRICT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	<u>\$ 101,900</u>	<u>\$ 99,804</u>	<u>\$ (2,096)</u>
Total Revenues	<u>101,900</u>	<u>99,804</u>	<u>(2,096)</u>
Expenditures:			
Community Environment:			
Operations and Maintenance	<u>100,000</u>	<u>99,804</u>	<u>196</u>
Total Expenditures	<u>100,000</u>	<u>99,804</u>	<u>196</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,900	0	(1,900)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,900</u>	<u>\$ 0</u>	<u>\$ (1,900)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

LANCASTER PUBLIC TRANSIT PROGRAM FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 477,800	\$ 576,340	\$ 98,540
Charges for Services	312,200	124,887	(187,313)
All Other Revenues	10,000	9,845	(155)
Total Revenues	<u>800,000</u>	<u>711,072</u>	<u>(88,928)</u>
Expenditures:			
Transportation:			
Personal Services	74,190	70,822	3,368
Operations and Maintenance	825,394	739,447	85,947
Capital Outlay	128,386	49,548	78,838
Total Expenditures	<u>1,027,970</u>	<u>859,817</u>	<u>168,153</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(227,970)	(148,745)	79,225
Other Financing Sources (Uses):			
Transfers In	65,000	65,000	0
Advances In	130,000	45,000	(85,000)
Advances Out	(80,000)	(80,000)	0
Total Other Financing Sources (Uses)	<u>115,000</u>	<u>30,000</u>	<u>(85,000)</u>
Net Change in Fund Balance	(112,970)	(118,745)	(5,775)
Fund Balance at Beginning of Year	138,189	138,189	0
Prior Year Encumbrances	3,419	3,419	0
Fund Balance at End of Year	<u>\$ 28,638</u>	<u>\$ 22,863</u>	<u>\$ (5,775)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

LANCASTER COMMUNITY DEVELOPMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	<u>\$ 165,000</u>	<u>\$ 126,677</u>	<u>\$ (38,323)</u>
Total Revenues	<u>165,000</u>	<u>126,677</u>	<u>(38,323)</u>
Expenditures:			
Community Environment:			
Personal Services	136,092	134,693	1,399
Operations and Maintenance	<u>4,000</u>	<u>1,342</u>	<u>2,658</u>
Total Expenditures	<u>140,092</u>	<u>136,035</u>	<u>4,057</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,908	(9,358)	(34,266)
Fund Balance at Beginning of Year	<u>68,648</u>	<u>68,648</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 93,556</u>	<u>\$ 59,290</u>	<u>\$ (34,266)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

POLICE AND FIRE PENSION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 407,133	\$ 407,133	\$ 0
Intergovernmental Revenues	<u>49,451</u>	<u>49,451</u>	<u>0</u>
Total Revenues	<u>456,584</u>	<u>456,584</u>	<u>0</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	<u>456,584</u>	<u>456,584</u>	<u>0</u>
Total Expenditures	<u>456,584</u>	<u>456,584</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

FAIRFIELD COUNTY COURT SURVEILLANCE FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 93,555	\$ 85,418	\$ (8,137)
Total Revenues	<u>93,555</u>	<u>85,418</u>	<u>(8,137)</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	114,048	106,553	7,495
Operations and Maintenance	<u>20,842</u>	<u>20,787</u>	<u>55</u>
Total Expenditures	<u>134,890</u>	<u>127,340</u>	<u>7,550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,335)	(41,922)	(587)
Other Financing Sources (Uses):			
Transfers In	<u>41,345</u>	<u>41,345</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>41,345</u>	<u>41,345</u>	<u>0</u>
Net Change in Fund Balance	10	(577)	(587)
Fund Balance at Beginning of Year	<u>24,138</u>	<u>24,138</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 24,148</u>	<u>\$ 23,561</u>	<u>\$ (587)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

INDIGENT DRIVERS ALCOHOL TREATMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	<u>\$ 75,000</u>	<u>\$ 31,022</u>	<u>\$ (43,978)</u>
Total Revenues	<u>75,000</u>	<u>31,022</u>	<u>(43,978)</u>
Expenditures:			
Security of Persons and Property:			
Operations and Maintenance	<u>75,000</u>	<u>0</u>	<u>75,000</u>
Total Expenditures	<u>75,000</u>	<u>0</u>	<u>75,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	31,022	31,022
Fund Balance at Beginning of Year	<u>152,736</u>	<u>152,736</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 152,736</u>	<u>\$ 183,758</u>	<u>\$ 31,022</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

LAW ENFORCEMENT AND EDUCATION FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 3,000	\$ 2,639	\$ (361)
Total Revenues	<u>3,000</u>	<u>2,639</u>	<u>(361)</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,000	2,639	(361)
Other Financing Sources (Uses):			
Transfers Out	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>
Total Other Financing Sources (Uses)	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>
Net Change in Fund Balance	0	2,639	2,639
Fund Balance at Beginning of Year	<u>68,811</u>	<u>68,811</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 68,811</u></u>	<u><u>\$ 71,450</u></u>	<u><u>\$ 2,639</u></u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

MUNICIPAL COURT JUDICIAL COMPUTER FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	<u>\$ 50,000</u>	<u>\$ 48,839</u>	<u>\$ (1,161)</u>
Total Revenues	<u>50,000</u>	<u>48,839</u>	<u>(1,161)</u>
Expenditures:			
General Government:			
Operations and Maintenance	67,366	20,360	47,006
Capital Outlay	<u>48,648</u>	<u>9,675</u>	<u>38,973</u>
Total Expenditures	<u>116,014</u>	<u>30,035</u>	<u>85,979</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,014)	18,804	84,818
Fund Balance at Beginning of Year	92,410	92,410	0
Prior Year Encumbrances	<u>1,014</u>	<u>1,014</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 27,410</u>	<u>\$ 112,228</u>	<u>\$ 84,818</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

MUNICIPAL COURT PROBATION FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 40,000	\$ 35,692	\$ (4,308)
Fines and Forfeitures	335,000	267,207	(67,793)
Total Revenues	<u>375,000</u>	<u>302,899</u>	<u>(72,101)</u>
Expenditures:			
General Government:			
Personal Services	475,946	360,342	115,604
Total Expenditures	<u>475,946</u>	<u>360,342</u>	<u>115,604</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,946)	(57,443)	43,503
Other Financing Sources (Uses):			
Transfers In	68,082	33,083	(34,999)
Total Other Financing Sources (Uses)	<u>68,082</u>	<u>33,083</u>	<u>(34,999)</u>
Net Change in Fund Balance	(32,864)	(24,360)	8,504
Fund Balance at Beginning of Year	89,612	89,612	0
Fund Balance at End of Year	<u>\$ 56,748</u>	<u>\$ 65,252</u>	<u>\$ 8,504</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

MUNICIPAL COURT COMPUTERIZATION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	<u>\$ 200,000</u>	<u>\$ 197,004</u>	<u>\$ (2,996)</u>
Total Revenues	<u>200,000</u>	<u>197,004</u>	<u>(2,996)</u>
Expenditures:			
General Government:			
Personal Services	97,847	96,263	1,584
Operations and Maintenance	116,064	67,562	48,502
Capital Outlay	<u>63,153</u>	<u>10,308</u>	<u>52,845</u>
Total Expenditures	<u>277,064</u>	<u>174,133</u>	<u>102,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(77,064)	22,871	99,935
Fund Balance at Beginning of Year	134,825	134,825	0
Prior Year Encumbrances	<u>6,065</u>	<u>6,065</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 63,826</u>	<u>\$ 163,761</u>	<u>\$ 99,935</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

MUNICIPAL COURT SPECIAL PROJECTS FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	<u>\$ 275,000</u>	<u>\$ 286,522</u>	<u>\$ 11,522</u>
Total Revenues	<u>275,000</u>	<u>286,522</u>	<u>11,522</u>
Expenditures:			
General Government:			
Operations and Maintenance	770,874	124,481	646,393
Capital Outlay	<u>200,000</u>	<u>26,660</u>	<u>173,340</u>
Total Expenditures	<u>970,874</u>	<u>151,141</u>	<u>819,733</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(695,874)	135,381	831,255
Fund Balance at Beginning of Year	716,551	716,551	0
Prior Year Encumbrances	<u>15,874</u>	<u>15,874</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 36,551</u>	<u>\$ 867,806</u>	<u>\$ 831,255</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

MUNICIPAL COURT FAMILY VIOLENCE FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 115,000	\$ 111,412	\$ (3,588)
All Other Revenues	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>
Total Revenues	<u>125,000</u>	<u>111,412</u>	<u>(13,588)</u>
Expenditures:			
General Government:			
Personal Services	117,296	112,022	5,274
Operations and Maintenance	<u>16,325</u>	<u>16,196</u>	<u>129</u>
Total Expenditures	<u>133,621</u>	<u>128,218</u>	<u>5,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,621)	(16,806)	(8,185)
Other Financing Sources (Uses):			
Transfers In	<u>0</u>	<u>13,000</u>	<u>13,000</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>13,000</u>	<u>13,000</u>
Net Change in Fund Balance	(8,621)	(3,806)	4,815
Fund Balance at Beginning of Year	109,721	109,721	0
Prior Year Encumbrances	<u>325</u>	<u>325</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 101,425</u>	<u>\$ 106,240</u>	<u>\$ 4,815</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

MUNICIPAL DRUG COURT FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 149,254	\$ 149,393	\$ 139
All Other Revenues	1,500	0	(1,500)
Total Revenues	<u>150,754</u>	<u>149,393</u>	<u>(1,361)</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	95,524	91,945	3,579
Operations and Maintenance	55,161	48,925	6,236
Total Expenditures	<u>150,685</u>	<u>140,870</u>	<u>9,815</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	69	8,523	8,454
Other Financing Sources (Uses):			
Transfers In	0	35,000	35,000
Total Other Financing Sources (Uses)	<u>0</u>	<u>35,000</u>	<u>35,000</u>
Net Change in Fund Balance	69	43,523	43,454
Fund Balance at Beginning of Year	13,215	13,215	0
Fund Balance at End of Year	<u>\$ 13,284</u>	<u>\$ 56,738</u>	<u>\$ 43,454</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Revenues:			
Intergovernmental Revenues	\$ 572,000	\$ 584,684	\$ 12,684
Investment Earnings	0	2,671	2,671
All Other Revenues	8,000	15,335	7,335
Total Revenues	580,000	602,690	22,690
Expenditures:			
Community Environment:			
Operations and Maintenance	2,072	2,072	0
Capital Outlay	474,794	474,794	0
Total Community Environment	476,866	476,866	0
Debt Service:			
Principal Retirement	850,000	850,000	0
Interest and Fiscal Charges	53,145	53,145	0
Total Debt Service	903,145	903,145	0
Total Expenditures	1,380,011	1,380,011	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(800,011)	(777,321)	22,690
Other Financing Sources (Uses):			
Department of Housing and Urban Development Loan	760,000	760,000	0
Total Other Financing Sources (Uses)	760,000	760,000	0
Net Change in Fund Balance	(40,011)	(17,321)	22,690
Fund Balance at Beginning of Year	98,548	98,548	0
Fund Balance at End of Year	\$ 58,537	\$ 81,227	\$ 22,690

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

STATE HIGHWAY FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 198,000	\$ 96,272	\$ (101,728)
Investment Earnings	<u>35,000</u>	<u>17,711</u>	<u>(17,289)</u>
Total Revenues	<u>233,000</u>	<u>113,983</u>	<u>(119,017)</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	233,000	113,983	(119,017)
Other Financing Sources (Uses):			
Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Net Change in Fund Balance	133,000	13,983	(119,017)
Fund Balance at Beginning of Year	<u>192,622</u>	<u>192,622</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 325,622</u>	<u>\$ 206,605</u>	<u>\$ (119,017)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

CEMETERY INTERMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 34,000	\$ 24,965	\$ (9,035)
Investment Earnings	<u>8,000</u>	<u>9,659</u>	<u>1,659</u>
Total Revenues	<u>42,000</u>	<u>34,624</u>	<u>(7,376)</u>
Expenditures:			
Public Health and Welfare Services:			
Operations and Maintenance	<u>32,000</u>	<u>26,970</u>	<u>5,030</u>
Total Expenditures	<u>32,000</u>	<u>26,970</u>	<u>5,030</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,000	7,654	(2,346)
Fund Balance at Beginning of Year	<u>306,198</u>	<u>306,198</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 316,198</u>	<u>\$ 313,852</u>	<u>\$ (2,346)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2008***

GENERAL BOND RETIREMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	<u>\$ 138,095</u>	<u>\$ 138,095</u>	<u>\$ 0</u>
Total Revenues	<u>138,095</u>	<u>138,095</u>	<u>0</u>
Expenditures:			
Debt Service:			
Principal Retirement	267,417	267,417	0
Interest and Fiscal Charges	<u>175,178</u>	<u>175,178</u>	<u>0</u>
Total Expenditures	<u>442,595</u>	<u>442,595</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(304,500)	(304,500)	0
Other Financing Sources (Uses):			
Transfers In	<u>304,500</u>	<u>304,500</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>304,500</u>	<u>304,500</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance at Beginning of Year	<u>97,729</u>	<u>97,729</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 97,729</u>	<u>\$ 97,729</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2008***

SPECIAL ASSESSMENT DEBT RETIREMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	<u>\$ 40,000</u>	<u>\$ 37,547</u>	<u>\$ (2,453)</u>
Total Revenues	<u>40,000</u>	<u>37,547</u>	<u>(2,453)</u>
Expenditures:			
General Government:			
Operations and Maintenance	1,629	1,629	0
Debt Service:			
Principal Retirement	15,000	15,000	0
Interest and Fiscal Charges	<u>14,262</u>	<u>14,262</u>	<u>0</u>
Total Expenditures	<u>30,891</u>	<u>30,891</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,109	6,656	(2,453)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,109</u>	<u>\$ 6,656</u>	<u>\$ (2,453)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008***

CAPITAL IMPROVEMENT FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 186,755	\$ 275,842	\$ 89,087
Intergovernmental Revenues	931,029	911,129	(19,900)
All Other Revenues	48,623	32,011	(16,612)
Total Revenues	<u>1,166,407</u>	<u>1,218,982</u>	<u>52,575</u>
Expenditures:			
Capital Outlay	3,266,453	1,979,679	1,286,774
Debt Service:			
Principal Retirement	1,746,100	1,746,100	0
Interest and Fiscal Charges	16,423	16,423	0
Total Expenditures	<u>5,028,976</u>	<u>3,742,202</u>	<u>1,286,774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,862,569)	(2,523,220)	1,339,349
Other Financing Sources (Uses):			
General Obligation Notes Issued	1,871,100	1,871,100	0
Transfers In	373,530	290,752	(82,778)
Transfers Out	(37,500)	(37,500)	0
Total Other Financing Sources (Uses)	<u>2,207,130</u>	<u>2,124,352</u>	<u>(82,778)</u>
Net Change in Fund Balance	(1,655,439)	(398,868)	1,256,571
Fund Balance at Beginning of Year	<u>1,918,209</u>	<u>1,918,209</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 262,770</u>	<u>\$ 1,519,341</u>	<u>\$ 1,256,571</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008***

FIRE CAPITAL IMPROVEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Debt Service:			
Principal Retirement	<u>700,000</u>	<u>700,000</u>	<u>0</u>
Total Expenditures	<u>700,000</u>	<u>700,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(700,000)</u>	<u>(700,000)</u>	<u>0</u>
Other Financing Sources (Uses):			
General Obligation Notes Issued	<u>700,000</u>	<u>700,000</u>	<u>0</u>
Transfers Out	<u>(78,900)</u>	<u>(78,900)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>621,100</u>	<u>621,100</u>	<u>0</u>
Net Change in Fund Balance	<u>(78,900)</u>	<u>(78,900)</u>	<u>0</u>
Fund Balance at Beginning of Year	<u>109,309</u>	<u>109,309</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 30,409</u>	<u>\$ 30,409</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008***

FIRE IMPACT-DISTRICT ONE FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	<u>\$ 75,000</u>	<u>\$ 44,283</u>	<u>\$ (30,717)</u>
Total Revenues	<u>75,000</u>	<u>44,283</u>	<u>(30,717)</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,000	44,283	(30,717)
Fund Balance at Beginning of Year	<u>255,584</u>	<u>255,584</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 330,584</u>	<u>\$ 299,867</u>	<u>\$ (30,717)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2008***

CEMETERY TRUST FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 33,000	\$ 28,435	\$ (4,565)
Investment Earnings	<u>35,000</u>	<u>5,259</u>	<u>(29,741)</u>
Total Revenues	<u>68,000</u>	<u>33,694</u>	<u>(34,306)</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	68,000	33,694	(34,306)
Fund Balance at Beginning of Year	<u>899,505</u>	<u>899,505</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 967,505</u>	<u>\$ 933,199</u>	<u>\$ (34,306)</u>

Internal Service Funds

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

Utilities Collection Fund

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

Information Services Fund

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

Health Insurance Management Fund

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

CITY OF LANCASTER, OHIO

***Combining Statement of Net Assets
Internal Service Funds
December 31, 2008***

	Utilities Collection	Information Services	Health Insurance Management	Total
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 330,235	\$ 185,064	\$ 56,166	\$ 571,465
Inventory of Supplies at Cost	41,752	2,770	0	44,522
Prepaid Items	564	0	3,461,742	3,462,306
<i>Total Current Assets</i>	<u>372,551</u>	<u>187,834</u>	<u>3,517,908</u>	<u>4,078,293</u>
<i>Non Current Assets:</i>				
Capital Assets Not Being Depreciated	0	22,417	0	22,417
Capital Assets Being Depreciated, Net	92,706	195,252	0	287,958
Total capital assets (net of accumulated depreciation)	<u>92,706</u>	<u>217,669</u>	<u>0</u>	<u>310,375</u>
Total Assets	<u>465,257</u>	<u>405,503</u>	<u>3,517,908</u>	<u>4,388,668</u>
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	19,753	3,457	0	23,210
Accrued Wages and Benefits	53,672	22,924	0	76,596
Claims Payable	0	0	433,165	433,165
Capital Lease Payable-Current	1,921	0	0	1,921
Compensated Absences Payable - Current	68,893	24,810	0	93,703
<i>Total Current Liabilities</i>	<u>144,239</u>	<u>51,191</u>	<u>433,165</u>	<u>628,595</u>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	345,424	72,071	0	417,495
Total Liabilities	<u>489,663</u>	<u>123,262</u>	<u>433,165</u>	<u>1,046,090</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	90,785	217,669	0	308,454
Unrestricted	(115,191)	64,572	3,084,743	3,034,124
Total Net Assets	<u>\$ (24,406)</u>	<u>\$ 282,241</u>	<u>\$ 3,084,743</u>	<u>\$ 3,342,578</u>

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2008**

	Utilities Collection	Information Services	Health Insurance Management	Total
Operating Revenues:				
Charges for Services	\$ 1,735,368	\$ 703,903	\$ 5,667,709	\$ 8,106,980
Other Operating Revenue	9,250	42	0	9,292
Total Operating Revenues	1,744,618	703,945	5,667,709	8,116,272
Operating Expenses:				
Personal Services	1,341,871	535,575	5,992,474	7,869,920
Contractual Services	298,326	79,879	0	378,205
Materials and Supplies	156,503	31,735	0	188,238
Depreciation	22,036	31,585	0	53,621
Total Operating Expenses	1,818,736	678,774	5,992,474	8,489,984
Operating Income (Loss)	(74,118)	25,171	(324,765)	(373,712)
Nonoperating Revenue (Expenses):				
Loss on Disposal of Capital Assets	0	(1,426)	0	(1,426)
Total Nonoperating Revenues (Expenses)	0	(1,426)	0	(1,426)
Income (Loss) Before Operating Transfers	(74,118)	23,745	(324,765)	(375,138)
Transfers In	0	42,200	0	42,200
Change in Net Assets	(74,118)	65,945	(324,765)	(332,938)
Net Assets Beginning of Year	49,712	216,296	3,409,508	3,675,516
Net Assets End of Year	\$ (24,406)	\$ 282,241	\$ 3,084,743	\$ 3,342,578

CITY OF LANCASTER, OHIO

***Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2008***

	Utilities Collection	Information Services	Health Insurance Management	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,744,618	\$704,395	\$5,667,709	\$8,116,722
Cash Payments for Goods and Services	(455,900)	(113,311)	0	(569,211)
Cash Payments to and on behalf of Employees	(1,301,155)	(524,110)	(5,653,160)	(7,478,425)
Net Cash Provided (Used) by Operating Activities	(12,437)	66,974	14,549	69,086
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	0	42,200	0	42,200
Net Cash Provided by Noncapital Financing Activities	0	42,200	0	42,200
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(53,302)	(80,910)	0	(134,212)
Capital Lease Payments	(2,313)	0	0	(2,313)
Net Cash Used for Capital and Related Financing Activities	(55,615)	(80,910)	0	(136,525)
Net Increase (Decrease) in Cash and Cash Equivalents	(68,052)	28,264	14,549	(25,239)
Cash and Cash Equivalents at Beginning of Year	398,287	156,800	41,617	596,704
Cash and Cash Equivalents at End of Year	\$330,235	\$185,064	\$56,166	\$571,465
<u>Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income	(\$74,118)	\$25,171	(\$324,765)	(\$373,712)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	22,036	31,585	0	53,621
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	0	450	0	450
Decrease in Inventory	8,799	175	0	8,974
(Increase) Decrease in Prepaid Items	39	0	(81,951)	(81,912)
Decrease in Accounts Payable	(9,899)	(1,875)	0	(11,774)
Increase in Accrued Wages and Benefits	2,842	3,978	0	6,820
Increase in Compensated Absences	37,864	7,490	0	45,354
Increase in Claims Payable	0	0	421,265	421,265
Total Adjustments	61,681	41,803	339,314	442,798
Net Cash Provided (Used) by Operating Activities	(\$12,437)	\$66,974	\$14,549	\$69,086

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2008 the Utilities Collection Fund had outstanding liabilities of \$3,052 for certain capital assets.

Fiduciary Funds

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

Agency Funds

Street Deposit Fund

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

Municipal Court Fund

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

Law Library Fund

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

CITY OF LANCASTER, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2008***

	Balance December 31, 2007	Additions	Deductions	Balance December 31, 2008
Street Deposit Fund				
Assets:				
Cash and Cash Equivalents	\$3,900	\$400	\$0	\$4,300
Total Assets	<u>\$3,900</u>	<u>\$400</u>	<u>\$0</u>	<u>\$4,300</u>
Liabilities:				
Due to Others	\$3,900	\$400	\$0	\$4,300
Total Liabilities	<u>\$3,900</u>	<u>\$400</u>	<u>\$0</u>	<u>\$4,300</u>
Municipal Court Fund				
Assets:				
Cash with Fiscal Agent	\$173,586	\$3,998,304	(\$3,988,832)	\$183,058
Total Assets	<u>\$173,586</u>	<u>\$3,998,304</u>	<u>(\$3,988,832)</u>	<u>\$183,058</u>
Liabilities:				
Due to Other Funds	\$3,001	\$1,716,979	(\$1,716,281)	\$3,699
Intergovernmental Payable	0	782,587	(782,587)	0
Due to Others	170,585	1,498,738	(1,489,964)	179,359
Total Liabilities	<u>\$173,586</u>	<u>\$3,998,304</u>	<u>(\$3,988,832)</u>	<u>\$183,058</u>
Law Library Fund				
Assets:				
Cash and Cash Equivalents	\$0	\$42,833	(\$42,833)	\$0
Due from Other Funds	3,001	3,699	(3,001)	3,699
Total Assets	<u>\$3,001</u>	<u>\$46,532</u>	<u>(\$45,834)</u>	<u>\$3,699</u>
Liabilities:				
Intergovernmental Payable	\$3,001	\$46,532	(\$45,834)	\$3,699
Total Liabilities	<u>\$3,001</u>	<u>\$46,532</u>	<u>(\$45,834)</u>	<u>\$3,699</u>
Totals - All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$177,486	\$4,041,537	(\$4,031,665)	\$187,358
Due from Other Funds	3,001	3,699	(3,001)	3,699
Total Assets	<u>\$180,487</u>	<u>\$4,045,236</u>	<u>(\$4,034,666)</u>	<u>\$191,057</u>
Liabilities:				
Due to Other Funds	\$3,001	\$1,716,979	(\$1,716,281)	\$3,699
Intergovernmental Payables	3,001	829,119	(828,421)	3,699
Due to Others	174,485	1,499,138	(1,489,964)	183,659
Total Liabilities	<u>\$180,487</u>	<u>\$4,045,236</u>	<u>(\$4,034,666)</u>	<u>\$191,057</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2008***

Capital Assets:

Land	\$17,229,226
Construction in Progress	1,734,309
Buildings	6,655,115
Improvements Other Than Buildings	5,829,914
Vehicles	6,319,992
Equipment	4,779,458
Infrastructure	<u>20,093,289</u>
Total Net Capital Assets	<u><u>\$62,641,303</u></u>

Net Investment in Capital Assets from:

General Fund	\$13,738,625
Special Revenue Funds	38,933,507
Proprietary Funds (Gas)	41,708
Internal Services	420,171
Donated	<u>9,507,292</u>
Total Net Investment in Capital Assets	<u><u>\$62,641,303</u></u>

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2008***

Function and Activity	Land	Construction in Progress	Buildings
<u>General Government:</u>			
Council	\$0	\$0	\$0
Mayor	0	0	0
Personnel	0	0	0
City Hall	395,083	0	971,866
Auditor	0	0	0
Income Tax	0	0	0
Treasurer	0	0	0
Safety Director	1,000	0	103,600
Engineer	0	0	0
Certified Building Inspection	0	0	0
Prosecutor	0	0	0
Court-Clerk	0	0	0
Court-Judicial	0	0	7,925
Court Electronic Surveillance	0	0	0
Information Services - Internal Service	0	22,417	0
Total	<u>396,083</u>	<u>22,417</u>	<u>1,083,391</u>
<u>Security of Persons and Property:</u>			
Police	141,962	0	2,010,264
Fire	25,600	61,799	234,473
Total	<u>167,562</u>	<u>61,799</u>	<u>2,244,737</u>
<u>Public Health and Welfare Services:</u>			
Public Health	0	0	0
Cemetery	14,897	0	63,430
Total	<u>14,897</u>	<u>0</u>	<u>63,430</u>
<u>Transportation:</u>			
Public Transit	0	0	0
Street Construction	14,912,784	839,727	494,411
Total	<u>14,912,784</u>	<u>839,727</u>	<u>494,411</u>
<u>Community Environment:</u>			
Community Development	0	0	0
Economic Development	0	0	0
Total	<u>0</u>	<u>0</u>	<u>0</u>
<u>Leisure Time Activities:</u>			
Park	1,737,900	810,366	2,769,146
Mumaugh	0	0	0
Total	<u>1,737,900</u>	<u>810,366</u>	<u>2,769,146</u>
Total Capital Assets	<u>\$17,229,226</u>	<u>\$1,734,309</u>	<u>\$6,655,115</u>

CITY OF LANCASTER, OHIO

Improvements Other Than Buildings	Vehicles	Equipment	Infrastructure	Total
\$0	\$0	\$0	\$0	\$0
0	0	4,150	0	4,150
0	0	11,924	0	11,924
2,514,292	0	130,923	0	4,012,164
0	0	68,218	0	68,218
3,630	0	56,663	0	60,293
0	0	3,404	0	3,404
17,275	30,395	54,796	2,966	210,032
0	75,584	114,954	0	190,538
0	56,509	2,196	0	58,705
10,750	0	74,460	0	85,210
2,416	0	230,756	0	233,172
61,247	0	188,161	0	257,333
0	0	14,172	0	14,172
0	39,096	317,379	41,279	420,171
<u>2,609,610</u>	<u>201,584</u>	<u>1,272,156</u>	<u>44,245</u>	<u>5,629,486</u>
128,897	746,948	898,053	0	3,926,124
<u>635,526</u>	<u>2,763,498</u>	<u>913,625</u>	<u>0</u>	<u>4,634,521</u>
<u>764,423</u>	<u>3,510,446</u>	<u>1,811,678</u>	<u>0</u>	<u>8,560,645</u>
0	17,691	93,483	0	111,174
<u>87,379</u>	<u>130,657</u>	<u>103,186</u>	<u>0</u>	<u>399,549</u>
<u>87,379</u>	<u>148,348</u>	<u>196,669</u>	<u>0</u>	<u>510,723</u>
0	671,817	1,797	0	673,614
<u>33,026</u>	<u>1,335,368</u>	<u>806,995</u>	<u>20,049,044</u>	<u>38,471,355</u>
<u>33,026</u>	<u>2,007,185</u>	<u>808,792</u>	<u>20,049,044</u>	<u>39,144,969</u>
0	0	57,513	0	57,513
<u>0</u>	<u>0</u>	<u>10,476</u>	<u>0</u>	<u>10,476</u>
<u>0</u>	<u>0</u>	<u>67,989</u>	<u>0</u>	<u>67,989</u>
2,329,736	452,429	619,290	0	8,718,867
<u>5,740</u>	<u>0</u>	<u>2,884</u>	<u>0</u>	<u>8,624</u>
<u>2,335,476</u>	<u>452,429</u>	<u>622,174</u>	<u>0</u>	<u>8,727,491</u>
<u>\$5,829,914</u>	<u>\$6,319,992</u>	<u>\$4,779,458</u>	<u>\$20,093,289</u>	<u>\$62,641,303</u>

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2008***

Function and Activity	December 31, 2007	Additions	Deletions	December 31, 2008
<u>General Government:</u>				
Council	\$0	\$0	\$0	\$0
Mayor	4,150	0	0	4,150
Personnel	11,924	0	0	11,924
City Hall	3,802,798	209,366	0	4,012,164
Auditor	68,218	0	0	68,218
Income Tax	61,451	0	(1,158)	60,293
Treasurer	3,404	0	0	3,404
Safety Director	193,292	16,740	0	210,032
Engineer	192,197	0	(1,659)	190,538
Certified Building Inspection	58,705	0	0	58,705
Prosecutor	85,210	0	0	85,210
Court-Clerk	235,300	0	(2,128)	233,172
Court-Judicial	241,172	16,161	0	257,333
Court-Electronic Surveillance	14,172	0	0	14,172
Information Services - Internal Service	370,985	80,910	(31,724)	420,171
Total	5,342,978	323,177	(36,669)	5,629,486
<u>Security of Persons and Property:</u>				
Police	3,791,940	138,277	(4,093)	3,926,124
Fire	4,448,134	280,468	(94,081)	4,634,521
Total	8,240,074	418,745	(98,174)	8,560,645
<u>Public Health and Welfare Services:</u>				
Public Health	124,674	0	(13,500)	111,174
Cemetery	362,002	84,868	(47,321)	399,549
Total	486,676	84,868	(60,821)	510,723
<u>Transportation:</u>				
Public Transit	666,631	49,000	(42,017)	673,614
Street Construction	37,659,252	5,049,150	(4,237,047)	38,471,355
Total	38,325,883	5,098,150	(4,279,064)	39,144,969
<u>Community Environment:</u>				
Community Development	54,733	17,115	(14,335)	57,513
Economic Development	10,476	0	0	10,476
Total	65,209	17,115	(14,335)	67,989
<u>Leisure Time Activities:</u>				
Park	7,824,529	894,338	0	8,718,867
Mumaugh	8,624	0	0	8,624
Total	7,833,153	894,338	0	8,727,491
Total Capital Assets	\$60,293,973	\$6,836,393	(\$4,489,063)	\$62,641,303

STATISTICAL SECTION



STATISTICAL TABLES

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

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue source which is income tax.	
Debt Capacity	S 18 – S 25
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 30 – S 35
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	

City of Lancaster

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

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

Source: City Auditor's Office

City of Lancaster

<u>2007</u>	<u>2008</u>
\$25,645,197	\$28,508,541
9,988,647	8,564,799
4,038,840	2,870,835
<u>\$39,672,684</u>	<u>\$39,944,175</u>

\$33,974,969	\$37,984,626
1,051,465	2,561,847
30,810,822	25,478,180
<u>\$65,837,256</u>	<u>\$66,024,653</u>

\$59,620,166	\$66,493,167
11,040,112	11,126,646
34,849,662	28,349,015
<u>\$105,509,940</u>	<u>\$105,968,828</u>

City of Lancaster

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

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

City of Lancaster

<u>2007</u>	<u>2008</u>
\$16,857,036	\$18,208,576
889,715	913,831
2,278,778	1,703,779
670,861	921,428
5,109,759	4,540,208
9,709,530	7,903,080
474,299	530,870
35,989,978	34,721,772

23,856,601	29,486,089
8,508,514	9,024,527
7,387,509	8,085,696
3,149,630	3,364,602
1,797,201	1,624,711
44,699,455	51,585,625
\$80,689,433	\$86,307,397

\$2,056,919	\$2,100,254
260,296	233,239
364,720	530,383
101,951	99,804
1,366,382	770,556
1,884,603	1,998,226
5,641,639	6,257,136
2,965,310	1,248,952
14,641,820	13,238,550

(continued)

City of Lancaster

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

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

City of Lancaster

2007	2008
23,183,618	26,425,358
9,320,183	8,626,257
7,794,051	8,194,701
3,605,141	3,570,408
1,775,357	1,745,794
0	0
1,945,692	1,340,484
47,624,042	49,903,002
62,265,862	63,141,552
(21,348,158)	(21,483,222)
2,924,587	(1,682,623)
(\$18,423,571)	(\$23,165,845)
\$2,036,017	\$1,946,225
432,511	383,601
16,129,114	17,366,985
550,548	577,976
3,048,567	3,170,617
1,352,560	802,558
1,117,099	588,164
68,000	(1,428,140)
24,734,416	23,407,986
0	441,880
(68,000)	1,428,140
(68,000)	1,870,020
\$24,666,416	\$25,278,006
\$3,386,258	\$1,924,764
2,856,587	187,397
\$6,242,845	\$2,112,161

City of Lancaster

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

	1999	2000	2001	2002
General Fund				
Reserved	\$624,449	\$604,801	\$588,579	\$426,004
Unreserved	3,886,758	4,722,994	4,416,149	3,856,325
<i>Total General Fund</i>	<u>4,511,207</u>	<u>5,327,795</u>	<u>5,004,728</u>	<u>4,282,329</u>
All Other Governmental Funds				
Reserved	2,116,559	1,491,819	1,875,511	2,499,441
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	1,309,074	1,895,862	1,987,417	2,307,521
Capital Projects Funds	309,162	1,490,335	(300,658)	(588,472)
Total All Other Governmental Funds	<u>3,734,795</u>	<u>4,878,016</u>	<u>3,562,270</u>	<u>4,218,490</u>
<i>Total Governmental Funds</i>	<u>\$8,246,002</u>	<u>\$10,205,811</u>	<u>\$8,566,998</u>	<u>\$8,500,819</u>

Source: City Auditor's Office

NOTE: Years 1999-2002 do not include the Cemetery Interment and Cemetery Trust Funds which were classified as Fiduciary Funds prior to implementing GASB 34 in 2003.

City of Lancaster

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$315,859	\$336,003	\$332,621	\$447,451	\$290,959	\$269,862
<u>3,290,763</u>	<u>3,940,089</u>	<u>3,724,907</u>	<u>4,042,869</u>	<u>3,759,946</u>	<u>3,153,883</u>
<u>3,606,622</u>	<u>4,276,092</u>	<u>4,057,528</u>	<u>4,490,320</u>	<u>4,050,905</u>	<u>3,423,745</u>
2,322,508	2,472,534	2,571,986	2,776,859	2,829,102	2,801,159
2,333,595	2,581,905	3,084,591	3,035,341	3,580,847	3,670,910
<u>257,216</u>	<u>(17,171)</u>	<u>(306,634)</u>	<u>(1,543,724)</u>	<u>(4,231,667)</u>	<u>(5,744,111)</u>
<u>4,913,319</u>	<u>5,037,268</u>	<u>5,349,943</u>	<u>4,268,476</u>	<u>2,178,282</u>	<u>727,958</u>
<u>\$8,519,941</u>	<u>\$9,313,360</u>	<u>\$9,407,471</u>	<u>\$8,758,796</u>	<u>\$6,229,187</u>	<u>\$4,151,703</u>

City of Lancaster

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

	1999	2000	2001	2002
Revenues:				
Taxes	\$13,027,298	\$13,380,081	\$13,886,573	\$14,504,954
Intergovernmental Revenues	6,697,900	7,294,436	6,606,745	6,659,241
Charges for Services	2,042,576	2,205,328	2,109,084	2,141,310
Licenses and Permits	22,110	31,392	32,443	18,653
Investment Earnings	1,108,721	1,386,365	980,453	458,438
Special Assessments	0	0	215,585	37,480
Fines and Forfeitures	937,945	1,003,554	1,084,988	1,213,778
All Other Revenue	748,335	630,795	275,525	325,514
Total Revenue	<u>24,584,885</u>	<u>25,931,951</u>	<u>25,191,396</u>	<u>25,359,368</u>
Expenditures:				
Current:				
Security of Persons and Property	10,823,478	11,299,152	11,600,718	12,690,508
Public Health and Welfare Services	1,545,281	1,674,330	1,655,940	1,140,416
Leisure Time Activities	1,277,405	1,393,910	1,852,663	1,474,007
Community Environment	2,540,844	811,135	605,689	957,514
Transportation	3,205,369	3,277,651	3,273,454	3,061,935
General Government	4,317,811	4,929,982	5,113,651	5,246,602
Capital Outlay	2,507,284	3,208,706	3,509,832	1,088,656
Debt Service:				
Principal Retirement	90,000	163,998	93,043	104,043
Interest and Fiscal Charges	130,611	228,382	236,478	235,184
Total Expenditures	<u>26,438,083</u>	<u>26,987,246</u>	<u>27,941,468</u>	<u>25,998,865</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,853,198)	(1,055,295)	(2,750,072)	(639,497)

City of Lancaster

2003	2004	2005	2006	2007	2008
\$15,317,624	\$16,088,874	\$16,421,231	\$17,981,983	\$18,767,446	\$19,650,167
6,010,243	6,367,123	6,443,731	6,933,762	8,513,743	8,188,157
2,353,249	3,586,258	4,132,594	4,232,866	4,710,409	4,345,079
25,167	11,340	22,049	24,279	26,759	24,362
376,875	347,591	598,759	1,151,742	1,372,732	864,986
41,006	36,873	144,634	136,327	140,058	137,351
1,309,508	1,175,825	1,471,477	1,522,814	1,535,541	1,633,932
217,954	516,825	573,346	884,284	1,168,788	712,682
<u>25,651,626</u>	<u>28,130,709</u>	<u>29,807,821</u>	<u>32,868,057</u>	<u>36,235,476</u>	<u>35,556,716</u>
13,039,847	13,477,234	14,402,149	15,901,921	16,710,584	17,825,296
824,672	845,713	854,324	921,993	893,308	947,332
1,598,290	1,463,661	1,632,501	1,959,713	2,194,345	2,138,133
818,537	713,786	787,384	1,204,194	683,621	938,993
3,603,691	4,001,483	3,672,615	3,805,510	4,094,796	4,126,802
5,791,625	6,121,410	6,929,816	6,946,297	7,784,196	7,667,476
2,461,374	899,156	1,151,747	2,221,974	7,193,369	3,172,798
535,629	4,168,086	4,254,086	259,586	265,086	1,139,743
172,778	230,382	349,665	298,633	461,330	539,724
<u>28,846,443</u>	<u>31,920,911</u>	<u>34,034,287</u>	<u>33,519,821</u>	<u>40,280,635</u>	<u>38,496,297</u>
(3,194,817)	(3,790,202)	(4,226,466)	(651,764)	(4,045,159)	(2,939,581)

(Continued)

City of Lancaster

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Other Financing Sources (Uses):				
State Infrastructure Bank Loan	0	0	0	0
Other Financing Sources - Capital Leases	1,125,905	373,373	301,883	127,540
Housing and Urban Development Loan	1,660,000	0	0	0
Ohio Public Works Commission Loan	0	104,431	17,290	0
Ohio Water Development Authority Loans	0	2,000,000	0	0
Special Assessment Bonds	0	0	367,000	0
General Obligation Notes Issued	0	0	0	425,000
General Obligation Bonds Issued	0	0	0	0
Transfers In	3,324,327	3,458,028	3,290,548	2,715,595
Transfers Out	(2,996,727)	(2,927,552)	(3,281,247)	(2,715,595)
Total Other Financing Sources (Uses)	<u>3,113,505</u>	<u>3,008,280</u>	<u>695,474</u>	<u>552,540</u>
Net Change in Fund Balance	<u>\$1,260,307</u>	<u>\$1,952,985</u>	<u>(\$2,054,598)</u>	<u>(\$86,957)</u>
Debt Service as a Percentage of Noncapital Expenditures	0.90%	1.53%	1.29%	1.35%

Source: City Auditor's Office

NOTE: Years 1999-2002 do not include the Cemetery Interment and Cemetery Trust Funds which were classified as Fiduciary Funds prior to implementing GASB 34 in 2003.

City of Lancaster

2003	2004	2005	2006	2007	2008
0	0	0	0	1,155,949	0
0	465,049	142,381	10,079	440,386	126,409
0	0	0	0	0	760,000
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2,260,000	3,960,000	0	0	0	0
0	0	4,150,000	0	0	0
1,555,237	1,846,362	1,732,309	1,986,619	2,479,004	1,762,994
(1,555,237)	(1,693,114)	(1,732,309)	(1,986,619)	(2,523,754)	(1,786,988)
2,260,000	4,578,297	4,292,381	10,079	1,551,585	862,415
(\$934,817)	\$788,095	\$65,915	(\$641,685)	(\$2,493,574)	(\$2,077,166)
2.82%	14.78%	14.63%	1.93%	2.07%	4.70%

City of Lancaster

Income Tax Revenues by Source, Governmental Funds Last Ten Years

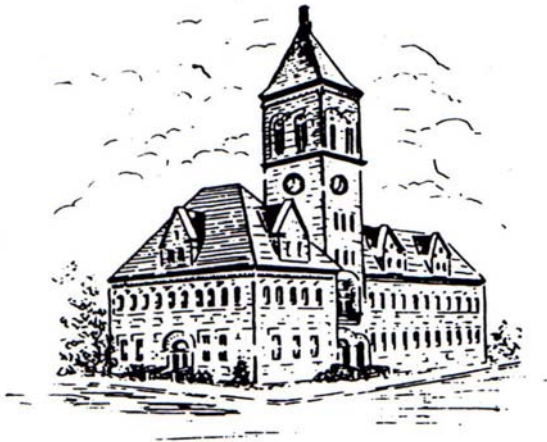
Tax year	1999	2000	2001	2002
Income Tax Rate	1.60%	1.60%	1.60%	1.60%
Estimated Personal Income	\$1,037,142,715	\$992,489,480	\$1,019,085,600	\$1,038,003,560
Total Tax Collected	\$11,203,855	\$11,688,041	\$11,659,246	\$13,520,973
Income Tax Receipts				
Withholding	8,651,322	9,097,488	9,385,830	10,980,427
Percentage	77.22%	77.84%	80.50%	81.21%
Corporate	1,522,715	1,443,871	1,234,068	1,462,968
Percentage	13.59%	12.35%	10.58%	10.82%
Individuals	1,029,818	1,146,682	1,039,348	1,077,578
Percentage	9.19%	9.81%	8.91%	7.97%

Source: City Income Tax Department

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

City of Lancaster

2003	2004	2005	2006	2007	2008
1.60%	1.60%	1.75%	1.75%	1.75%	1.75%
\$1,061,675,160	\$1,105,333,540	\$1,104,424,040	\$1,124,578,560	\$1,165,636,875	\$1,173,103,360
\$13,170,482	\$13,323,746	\$14,186,430	\$15,550,666	\$16,264,316	\$16,746,431
10,374,895	10,318,818	11,136,624	12,067,107	12,695,987	12,953,012
78.77%	77.45%	78.50%	77.60%	78.06%	77.35%
1,280,896	1,281,868	1,262,432	1,515,792	1,514,077	1,707,499
9.73%	9.62%	8.90%	9.75%	9.31%	10.20%
1,514,691	1,723,060	1,787,374	1,967,767	2,054,252	2,085,920
11.50%	12.93%	12.60%	12.65%	12.63%	12.46%



City of Lancaster

*Income Tax Collections
Current Year and Nine Years Ago*

Calendar Year 2008

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.09%	\$4,943,002	29.52%
All Others	10,766	99.91%	11,803,429	70.48%
Total	10,776	100.00%	\$16,746,431	100.00%

Calendar Year 1999

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

Source: City Income Tax Department

City of Lancaster

Ratio of Outstanding Debt By Type Last Ten Years

	1999	2000	2001	2002
Governmental Activities ⁽¹⁾				
Housing and Urban Development Loan Payable	\$1,570,000	\$1,480,000	\$1,390,000	\$1,300,000
Ohio Public Works Commission Loan Payable	0	104,431	118,678	115,635
Ohio Water Development Authority Loans Payable	0	2,000,000	2,000,000	2,000,000
Special Assessment Bonds Payable	0	0	367,000	356,000
Long Term Notes Payable	0	0	0	525,000
General Obligation Bonds Payable	0	0	0	0
State Infrastructure Bank Loan Payable	0	0	0	0
Capital Leases	1,172,624	1,197,894	1,191,657	1,041,334
Business-type Activities ⁽¹⁾				
Ohio Water Development Authority Loans Payable	\$27,520,453	\$26,281,807	\$34,567,215	\$46,932,034
Long-Term Notes Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Landfill Postclosure Care Liability	0	0	0	0
Capital Leases	0	59,099	39,252	41,256
Total Primary Government	<u>\$30,263,077</u>	<u>\$31,123,231</u>	<u>\$39,673,802</u>	<u>\$52,311,259</u>
Population ⁽²⁾				
City of Lancaster	38,983	35,335	35,600	35,860
Outstanding Debt Per Capita	\$776	\$881	\$1,114	\$1,459
Income ⁽³⁾				
Personal (in thousands)	1,037,143	992,489	1,019,086	1,038,004
Percentage of Personal Income	2.92%	3.14%	3.89%	5.04%

Sources:

(1) Source: City Auditor's Office

(2) US Bureau of Census, Population Division, 2008 is estimate made by the City

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

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

City of Lancaster

2003	2004	2005	2006	2007	2008
\$1,210,000	\$1,120,000	\$1,030,000	\$940,000	\$850,000	\$760,000
106,506	100,420	94,334	88,248	82,162	76,076
2,000,000	0	0	0	0	0
344,500	332,500	319,500	306,000	292,000	277,000
2,260,000	3,960,000	0	0	0	0
0	0	3,965,000	3,815,000	3,660,000	3,500,000
0	0	0	0	1,155,949	1,047,292
826,207	929,486	849,076	617,050	859,143	641,890
\$47,881,940	\$46,849,409	\$44,400,803	\$41,823,289	\$39,171,688	\$36,365,393
2,400,000	0	0	0	0	0
0	13,506,256	13,168,005	12,824,754	12,476,503	33,384,585
2,131,343	2,057,125	1,945,873	1,865,362	1,809,712	1,696,819
15,537	28,679	35,004	26,714	425,521	343,706
<u>\$59,176,033</u>	<u>\$68,883,875</u>	<u>\$65,807,595</u>	<u>\$62,306,417</u>	<u>\$60,782,678</u>	<u>\$78,092,761</u>
36,120	36,380	36,380	36,380	36,375	36,608
\$1,638	\$1,893	\$1,809	\$1,713	\$1,671	\$2,133
1,061,675	1,105,334	1,104,424	1,124,579	1,165,637	1,173,103
5.57%	6.23%	5.96%	5.54%	5.21%	6.66%

City of Lancaster

Ratios of General Bonded Debt Outstanding Last Four Years

Year	2005	2006	2007	2008
Population (1)	36,380	36,380	36,375	36,608
Assessed Value (2)	\$727,046,497	\$708,753,525	\$697,186,961	\$759,216,664
General Bonded Debt (3)				
General Obligation Bonds	\$3,965,000	\$3,815,000	\$3,660,000	\$3,500,000
Resources Available to Pay Principal (4)	\$97,729	\$97,729	\$97,729	\$97,729
Net General Bonded Debt	\$3,867,271	\$3,717,271	\$3,562,271	\$3,402,271
Ratio of Net Bonded Debt to Assessed Value	0.53%	0.52%	0.51%	0.45%
Net Bonded Debt per Capita	\$106.30	\$102.18	\$97.93	\$92.94

Source:

- (1) U.S. Bureau of Census of Population, 2008 is estimate made by the City
- (2) Fairfield County Auditor
- (3) Includes all general obligation bonded debt supported by property taxes.
There were no General Obligation Bonds prior to 2005
- (4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

City of Lancaster

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2008*

<u>Jurisdiction</u>		<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Lancaster</u>	<u>Amount Applicable to the City of Lancaster</u>
Direct:				
City of Lancaster	(1)	\$5,876,100	100.00%	\$5,876,100
Overlapping:				
Lancaster City School District	(2)	0	80.82%	0
Fairfield County	(2)	11,876,583	23.48%	<u>2,788,622</u>
			Subtotal	<u>2,788,622</u>
			Total	<u><u>\$8,664,722</u></u>

Source:

(1) City Auditor's Office

(2) Fairfield County Auditor

City of Lancaster

*Debt Limitations
Last Ten Years*

Collection Year	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Debt				
Net Assessed Valuation	\$555,038,081	\$567,571,771	\$580,459,833	\$661,031,641
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	58,278,999	59,595,036	60,948,282	69,408,322
City Debt Outstanding (2)	2,200,000	2,300,000	1,875,000	1,625,000
Less: Applicable Debt Service Fund Amounts	(7,919)	(8,575)	(8,575)	(12,532)
Net Indebtedness Subject to Limitation	<u>2,192,081</u>	<u>2,291,425</u>	<u>1,866,425</u>	<u>1,612,468</u>
Overall Legal Debt Margin	<u><u>\$56,086,918</u></u>	<u><u>\$57,303,611</u></u>	<u><u>\$59,081,857</u></u>	<u><u>\$67,795,854</u></u>
Unvoted Debt				
Net Assessed Valuation	\$555,038,081	\$567,571,771	\$580,459,833	\$661,031,641
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	30,527,094	31,216,447	31,925,291	36,356,740
City Debt Outstanding (2)	2,200,000	2,300,000	1,875,000	1,625,000
Less: Applicable Debt Service Fund Amounts	(7,919)	(8,575)	(8,575)	(12,532)
Net Indebtedness Subject to Limitation	<u>2,192,081</u>	<u>2,291,425</u>	<u>1,866,425</u>	<u>1,612,468</u>
Overall Legal Debt Margin	<u><u>\$28,335,013</u></u>	<u><u>\$28,925,022</u></u>	<u><u>\$30,058,866</u></u>	<u><u>\$34,744,272</u></u>

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

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

Source: City Auditor's Office

City of Lancaster

2003	2004	2005	2006	2007	2008
\$669,449,822	\$672,465,949	\$727,046,497	\$708,753,525	\$697,186,961	\$759,216,664
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
70,292,231	70,608,925	76,339,882	74,419,120	73,204,631	79,717,750
3,158,000	4,710,000	5,116,500	6,026,600	5,897,600	5,876,100
(59,559)	(53,473)	(97,729)	(97,729)	(97,729)	(97,729)
3,098,441	4,656,527	5,018,771	5,928,871	5,799,871	5,778,371
\$67,193,790	\$65,952,398	\$71,321,111	\$68,490,249	\$67,404,760	\$73,939,379

\$669,449,822	\$672,465,949	\$727,046,497	\$708,753,525	\$697,186,961	\$759,216,664
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
36,819,740	36,985,627	39,987,557	38,981,444	38,345,283	41,756,917
3,158,000	4,710,000	5,116,500	6,026,600	5,897,600	5,876,100
(59,559)	(53,473)	(97,729)	(97,729)	(97,729)	(97,729)
3,098,441	4,656,527	5,018,771	5,928,871	5,799,871	5,778,371
\$33,721,299	\$32,329,100	\$34,968,786	\$33,052,573	\$32,545,412	\$35,978,546

City of Lancaster

*Pledged Revenue Coverage
Last Eight Years*

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

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

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

In 2008 the City issued \$21,195,000 of Water Pollution Mortgage Bonds

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

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

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

Source: City Auditor's Office

City of Lancaster

2005	2006	2007	2008
\$8,388,041	\$8,613,246	\$9,320,183	\$8,626,257
4,924,256	5,348,084	5,436,732	5,714,908
3,463,785	3,265,162	3,883,451	2,911,349
565,969	561,869	562,256	562,006
6.12	5.81	6.91	5.18
\$7,006,365	\$7,314,131	\$7,794,051	\$8,194,701
3,510,807	3,925,494	3,991,924	4,103,624
3,495,558	3,388,637	3,802,127	4,091,077
349,141	351,641	348,716	518,214
10.01	9.64	10.90	7.89
\$39,212	\$35,998	\$38,107	\$37,547
13,000	13,500	14,000	15,000
16,625	15,975	15,638	6,963
1.32	1.22	1.29	1.71

City of Lancaster

Demographic and Economic Statistics Last Ten Years

Calendar Year	1999	2000	2001	2002	2003
Population					
		(2) (a)			
City of Lancaster (2)	38,983	35,335	35,600	35,860	36,120
Fairfield County (1)	103,461	122,759	122,759	122,759	122,759
Income (3) (a)					
Total Personal (in thousands)	1,037,143	992,489	1,019,086	1,038,004	1,061,675
Per Capita	26,605	28,088	28,626	28,946	29,393
Unemployment Rate (4)					
Federal	4.5%	4.2%	3.8%	4.8%	5.8%
State	4.3%	4.3%	3.7%	4.3%	5.7%
Fairfield County	2.9%	2.6%	2.8%	4.5%	4.7%
Civilian Work Force Estimates (4)					
State	5,749,000	5,900,400	5,857,000	5,828,000	5,915,000
Fairfield County	65,800	67,900	69,800	67,800	68,600

Sources:

(1) US Bureau of Census of Population

(2) Lancaster Community Development Department estimates

(a) Federal 2000 Census

(3) US Department of Commerce, Bureau of Economic Analysis information is only available through 2007 for the presentation of 2008 statistics, the City is using the latest information available.

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

(4) State Department of Labor Statistics

City of Lancaster

2004	2005	2006	2007	2008
36,380	36,380	36,380	36,375	36,608
122,759	138,423	139,637	142,557	144,252
1,105,334	1,104,424	1,124,579	1,165,637	1,173,103
30,383	30,358	30,912	32,045	32,045
6.0%	5.5%	5.0%	4.6%	5.8%
6.1%	6.0%	5.9%	5.6%	6.6%
5.3%	5.3%	4.8%	5.0%	5.6%
5,875,300	5,900,400	5,934,000	5,976,500	5,986,400
71,700	72,200	74,200	76,300	77,100



City of Lancaster

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2008		
		Number of Employees	Rank	Percentage of Total Employment
Fairfield Medical Center	Medical	1,503	1	8.49%
Anchor Hocking	Glass Manufacturer	1,299	2	7.34%
Fairfield County	Government	926	3	5.23%
Lancaster City Schools	Education	577	4	3.26%
City of Lancaster	Government	460	5	2.60%
Ralston Foods	Cereal	397	6	2.24%
Diamond Power	Metal Fabrication	390	7	2.20%
Kroger Company	Grocer	339	8	1.92%
Crestview Manor Nursing Home	Nursing Care	245	9	1.38%
Cyrill Scott	Paper Manufacturer	243	10	1.37%
Total		6,379		36.04%
Total Employment within the City		17,700		

Employer	Nature of Business	1999		
		Number of Employees	Rank	Percentage of Total Employment
Fairfield Medical Center	Medical Services	1,703	1	8.35%
Anchor Hocking	Glass Manufacturer	1,400	2	6.86%
Lancaster City Schools	Education	780	3	3.82%
Fairfield County	Government	695	4	3.41%
City of Lancaster	Government	439	5	2.15%
Diamond Power	Metal Fabrication	412	6	2.02%
Ralston Foods	Cereal	385	7	1.89%
Lancaster Glass	Glass Manufacturer	300	8	1.47%
Drew Shoes	Shoe Manufacturer	202	9	0.99%
Venture Industries	Auto Parts Manufacturer	152	10	0.75%
Total		6,468		31.71%
Total Employment within the City		20,400		

Sources:

Total employment is from the State of Ohio Work Force Informer
 Company information is from City development records and the Fairfield County Chamber of Commerce
 Government information is from Fairfield County payroll office and the City of Lancaster's Mayor Office

City of Lancaster

Full Time Equivalent Employees by Function Last Ten Years

	1999	2000	2001	2002	2003	2004
Governmental Activities						
General Government						
Auditor	6.00	6.00	6.00	6.00	6.00	6.00
Treasurer	1.00	1.00	1.00	1.00	1.00	1.00
Legal	7.00	8.00	9.00	9.00	9.00	9.00
City Council	11.00	11.00	11.00	11.00	11.00	11.00
Court	21.00	25.00	27.00	25.00	27.00	25.00
Administration	4.00	5.00	5.00	5.00	4.00	4.00
Engineering	10.00	10.00	10.00	10.00	12.00	12.00
Certified Building	0.00	0.00	0.00	0.00	0.00	3.00
Income Tax	6.00	6.00	6.00	6.00	6.00	6.00
Maintenance	2.00	2.00	2.00	2.00	2.00	2.00
Electric	8.00	9.00	9.00	9.00	9.00	0.00
Information Systems	0.00	0.00	1.00	2.00	2.00	4.00
Security of Persons and Property						
Police	84.00	83.00	86.00	88.00	84.00	84.00
Fire	81.00	83.00	82.00	83.00	79.00	79.00
Public Health and Welfare						
Cemetery	9.00	8.00	8.00	10.00	9.00	9.00
Transportation						
Street	26.00	28.00	27.00	28.00	26.00	29.00
Leisure Time Activities						
Parks	24.00	26.00	29.00	26.00	25.00	25.00
Community Environment						
Community Development	4.00	4.00	4.00	3.00	3.00	3.00
Public Transit	0.00	0.00	0.00	0.00	2.00	1.00
Civil Service	1.00	1.00	1.00	2.00	3.00	1.00
Business-Type Activities						
Utilities						
Gas	29.00	29.00	27.00	27.00	26.00	25.00
Water	37.00	40.00	41.00	48.00	47.00	43.00
Water Pollution	22.00	22.00	21.00	22.00	24.00	23.00
Sanitation	31.00	32.00	32.00	27.00	26.00	26.00
Storm Water	0.00	0.00	0.00	0.00	2.00	3.00
Utilities Collection	18.00	18.00	18.00	19.00	19.00	20.00
<i>Total Employees</i>	<u>465.00</u>	<u>478.00</u>	<u>483.00</u>	<u>470.00</u>	<u>465.00</u>	<u>455.00</u>

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

Source: City Auditor's Office

City of Lancaster

2005	2006	2007	2008
6.00	6.00	6.00	6.00
1.00	1.00	1.00	1.00
9.00	9.00	9.00	10.00
11.00	11.00	11.00	11.00
30.00	32.00	33.00	35.00
4.00	4.00	4.00	4.00
11.00	8.00	8.00	8.00
4.00	6.00	6.00	4.00
6.00	5.00	5.00	6.00
2.00	2.00	2.00	2.00
0.00	0.00	0.00	0.00
4.00	6.00	6.00	7.00
84.00	83.00	84.00	86.00
88.00	94.00	94.00	95.00
1.00	1.00	1.00	1.00
6.00	5.00	5.00	5.00
31.00	29.00	29.00	28.00
25.00	25.00	25.00	27.00
3.00	3.00	3.00	3.00
1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00
24.00	24.00	22.00	23.00
44.00	43.00	44.00	45.00
23.00	23.00	22.00	22.00
24.00	24.00	23.00	23.00
3.00	3.00	3.00	3.00
21.00	21.00	21.00	20.00
467.00	470.00	469.00	477.00

City of Lancaster

Operating Indicators by Function Last Ten Years

	1999	2000	2001	2002
Governmental Activities				
General Government				
Court				
Number of Traffic Cases	13,164	13,898	16,269	17,213
Number of Open Cases	576	553	673	1,026
Licenses and Permits				
Number of Building Permits	197	225	179	169
Number of Building Inspections	2,560	2,400	2,560	2,760
Security of Persons and Property				
Police				
Number of Calls Received	N/A	N/A	N/A	54,555
Number of Traffic Citations	3,315	3,470	3,693	4,242
Number of Arrests	3,169	3,023	3,372	3,715
Parking Tickets Written	831	1,330	1,577	2,928
Fire				
Number of Fire Calls	5,982	6,100	6,545	6,782
Number of EMS Runs	4,231	4,430	4,739	5,029
Number of Inspections	2,101	2,180	2,269	2,487
Leisure Time Activities				
Parks				
Number of Programs Offered	13	13	13	13
Number of Pool Passes Issued	34,382	32,966	32,122	17,108
Business-Type Activities				
Water				
Number of Service Connections	14,064	13,718	14,275	14,275
Daily Average Consumption (thousands of gallons)	5M	5M	5.1M	5.1M
Peak Daily Consumption (thousands of gallons) (1)	8.5M	8.5M	16.5M	16.5M
Water Pollution				
Number of Service Connections	13,736	13,707	13,800	13,885
Maximum Daily Capacity	12.5M	12.5M	12.5M	12.5M
Daily Average Sewage Treatment (thousands of gallons)	6.5M	6.0M	6.1M	7M
Sanitation				
Number of Customers	13,100	13,800	14,200	14,400
Storm Water				
Number of Customers (2)	0	0	0	0

Source: City Auditor's Office

N/A = Not Available

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

(2) Storm Water Department began billing customers in 2004

City of Lancaster

2003	2004	2005	2006	2007	2008
13,510	11,378	12,021	11,285	11,700	15,164
560	603	1,310	1,282	1,437	1,718
161	161	824	795	973	1,135
2,820	3,630	4,921	4,075	3,672	3,191
56,440	46,923	56,486	56,311	50,565	59,000
4,685	4,735	4,121	3,671	3,828	4,411
4,031	4,333	3,918	3,863	2,276	2,545
2,770	2,162	1,744	1,856	1,176	1,189
6,952	7,277	7,040	7,094	7,511	8,064
5,197	5,526	5,407	5,508	5,830	6,314
2,865	4,208	2,783	2,527	2,610	3,350
13	13	15	16	21	41
15,236	18,186	22,338	19,071	26,321	25,296
14,741	14,240	14,240	15,110	15,185	15,199
5.1M	5.1M	4.5M	4.1M	4.2M	4.5M
8.5M	8.5M	8.5M	16.5M	8.6M	7.8M
13,885	13,707	13,707	14,794	14,855	14,869
6M	5.8M	5.8M	6.82M	7.56M	14.7M
12.5M	12.5M	12.5M	12.5M	12.5M	8.4M
14,600	15,000	15,185	15,185	14,200	15,279
0	13,898	13,989	14,291	14,356	14,376

City of Lancaster

Capital Asset Statistics by Function Last Ten Years

	1999	2000	2001	2002
Governmental Activities				
General Government				
Public Land and Buildings				
Land (square miles)	17.777	17.880	17.922	17.954
Buildings	34	34	35	35
Security of Persons and Property				
Police				
Stations	1	1	1	1
Vehicles	12	12	13	13
Fire				
Stations	3	3	3	3
Vehicles	19	21	21	21
Public Health & Welfare				
Cemetery				
Land (acres)	150	150	150	150
Transportation				
Street				
Streets (lane miles)	134	134	141	141
Street Lights	2,085	2,085	2,085	2,085
Traffic Signals	88	88	88	88
Leisure Time Activities				
Parks				
Land (acres)	594	657	657	657
Buildings	18	18	18	21
Parks	24	25	25	25
Playgrounds	12	12	12	12
Swimming Pools	3	2	2	2
Tennis Courts	15	12	12	12
Baseball/Softball Diamonds	26	26	26	26
Soccer Fields	8	8	8	8

City of Lancaster

2003	2004	2005	2006	2007	2008
18,047	18,047	18,360	18,505	18,590	18,590
36	36	36	36	36	36
1	1	1	1	1	1
16	17	17	17	16	16
3	3	3	3	3	3
20	20	21	22	22	22
150	150	150	150	150	150
144	144	160	160	185	185
2,355	2,355	2,360	2,360	2,360	2,360
92	92	92	92	92	92
701	701	720	720	720	720
21	21	21	21	21	21
26	26	27	27	27	27
12	12	12	12	12	12
2	2	2	2	2	2
10	10	10	10	10	10
26	26	26	26	26	26
8	8	8	8	8	8

(Continued)

City of Lancaster

Capital Asset Statistics by Function Last Ten Years

	1999	2000	2001	2002
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	150	153	161	162
Pump Stations	1	1	1	1
Number of Hydrants	1,400	1,400	1,400	1,400
Storage Capacity (thousands of gallons)	8.5M	8.5M	8.5M	8.5M
Water Pollution				
Sewerlines (Miles)	170	170	170	170
Lift Stations	8	8	7	7
Sanitation				
Packers	8	8	8	8
Storm Water				
Storm Sewers (Miles)	0	0	0	0

Source: City Auditor's Office

City of Lancaster

2003	2004	2005	2006	2007	2008
162	162	162	170	171	171
1	2	2	2	2	2
1,425	1,425	1,425	1,600	1,670	1,670
8.5M	16.5M	16.5M	16.5M	16.5M	17
170	170	170	170	185	185
8	9	9	9	9	9
9	9	9	9	9	9
0	58	60	61	61	61





Mary Taylor, CPA
Auditor of State

CITY OF LANCASTER

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 25, 2009